



139 HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 139)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2004

The Board of Directors (the "Board") of 139 Holdings Limited (the "Company") announces the audited results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2004 together with comparative figures for the year 2003 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Notes</i>	For the year ended 31 March 2004 (Audited) HK\$'000	2003 (Audited) HK\$'000 (Restated)
TURNOVER	2		
Continuing operations		15,410	12,596
Discontinued operations		–	84,833
		<u>15,410</u>	<u>97,429</u>
Cost of Sales		<u>(20,527)</u>	<u>(72,048)</u>
Gross Profit/(Loss)		<u>(5,117)</u>	<u>25,381</u>
Other revenue and gain	3	1,995	4,972
Selling and distribution costs		(684)	(8,800)
Administrative expenses		(17,681)	(35,714)
Other operating expenses		(4,871)	(17,159)
Gain on disposal of subsidiaries relating to discontinued operations		–	5,943
Provisions for impairment in values of investment securities		–	(8,000)
Loss on disposal of other securities		(1,761)	(21,231)
Unrealised gain/(loss) on other securities		29,597	(7,530)
PROFIT/ (LOSS) FROM OPERATING ACTIVITIES	4	<u>1,478</u>	<u>(62,138)</u>
Finance costs	5	<u>(274)</u>	<u>(4,270)</u>
PROFIT/(LOSS) BEFORE TAX			
Continuing operations		1,204	(72,649)
Discontinued operations		–	6,241
		<u>1,204</u>	<u>(66,408)</u>
TAX	6		
Continuing operations		–	1,600
Discontinued operations		–	–
		<u>–</u>	<u>1,600</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		<u>1,204</u>	<u>(64,808)</u>
Minority interests		<u>–</u>	<u>110</u>

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NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

		<u>1,204</u>	<u>(64,698)</u>
DIVIDEND	7	<u>–</u>	<u>–</u>
EARNINGS/(LOSS) PER SHARE – BASIC	8	<u>HK0.01 cent</u>	<u>(HK0.75 cent)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presentation and comparative figures

The accounting policies and basis of preparation used in the preparation of these financial statements are same as those used in the preparation of the Company's audited consolidated financial statements for the year ended 31 March 2003 except that the Group has adopted SSAP12 (Revised) "Income taxes" issued by the Hong Kong Society of Accountants ("HKSA") which is effective for the accounting periods commencing on or after 1 January 2003.

SSAP 12 (Revised) prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax), and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax). The principal impact of the revision of this SSAP on these financial statements is that a deferred tax liability has been recognised relating to the fair value adjustments arising from the acquisition of subsidiaries in prior periods. Further details of these changes and prior year adjustments arising from them are included in the explanatory notes of financial statements.

2. Segment information

(a) Primary reporting format-business segments:

The following tables present audited revenue and results of the Group's continuing and discontinued operations for the year, together with comparative figures for the previous year.

For the year ended 31 March 2004

Group	Continuing operations			Discontinued operations	Consolidated HK\$'000
	Car audio HK\$'000	Internet HK\$'000	Corporate & Other HK\$'000	Garment HK\$'000	
Segment revenue:					
Sales to external customers	15,410	–	–	–	15,410
Other revenue	–	–	–	–	–
	<u>15,410</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>15,410</u>
Segment results	<u>(14,848)</u>	<u>(218)</u>	<u>(12,459)</u>	<u>–</u>	<u>(27,525)</u>
Gain on disposal of subsidiaries relating to discontinued operations					–
Interest income, gains and unallocated revenue					31,592
Unallocated expenses					<u>(2,589)</u>
Profit from operating activities					1,478
Finance costs					<u>(274)</u>
Profit before tax					1,204
Tax					<u>–</u>
Profit before minority interests					1,204
Minority interests					<u>–</u>
Net profit from ordinary activities attributable to shareholders					<u>1,204</u>

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For the year ended 31 March 2003

Group	Continuing operations			Discontinued operations	Consolidated HK\$ '000 (Restated)
	Car audio HK\$ '000 (Restated)	Internet HK\$ '000	Corporate & Other HK\$ '000	Garment HK\$ '000	
Segment revenue:					
Sales to external customers	12,596	–	–	84,833	97,429
Other revenue	17	–	6	85	108
Total	12,613	–	6	84,918	97,537
Segment results	(23,592)	(8,984)	(13,791)	4,111	(42,256)
Gain on disposal of subsidiaries relating to discontinued operations					5,943
Interest income, gains and unallocated revenue					4,864
Unallocated expenses					(30,689)
Loss from operating activities					(62,138)
Finance costs					(4,270)
Loss before tax					(66,408)
Tax					1,600
Loss before minority interests					(64,808)
Minority interests					110
Net loss from ordinary activities attributable to shareholders					(64,698)

(b) *Secondary reporting format -geographical segments*

An analysis of the Group's audited turnover and results for the year by geographical segments, together with comparative figures for the previous year are as follows:–

Group	People's Republic of China ("PRC") (including Hong Kong)		United States of America & Europe		Consolidated	
	2004	2003	2004	2003	2004	2003
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
Segment revenue:						
Sales to external customers	–	84,833	15,410	12,596	15,410	97,429
Other revenue	–	91	–	17	–	108
	–	84,924	15,410	12,613	15,410	97,537

3. Other revenue and gain

	For the year ended 31 March	
	2004 (Audited) HK\$ '000	2003 (Audited) HK\$ '000
Interest income	921	3,224
Other income	1,074	1,716
Gain on disposal of fixed assets	–	32
	1,995	4,972

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4. Profit/(Loss) from operating activities

The Group's profit/(loss) from operating activities is arrived at after charging:

	For the year ended 31 March	
	2004 (Audited) HK\$'000	2003 (Audited) HK\$'000 (Restated)
Depreciation	4,631	7,872
Impairment of goodwill	4,413	9,610
	<u> </u>	<u> </u>

5. Finance costs

	For the year ended 31 March	
	2004 (Audited) HK\$'000	2003 (Audited) HK\$'000
Interest expenses on:		
Bank loans, overdrafts and other loans wholly repayable within five years	274	4,256
Interest on finance leases	-	14
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

6. Tax

During the year, the increase in Hong Kong profits tax rate from 16% to 17.5% became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31 March 2004. Taxes on profits assessable elsewhere are calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	For the Year ended 31 March	
	2004 HK\$'000	2003 HK\$'000 (Restated)
Group		
Current year provision:		
Hong Kong	-	-
Elsewhere	-	-
Deferred tax credit	-	1,600
	<u> </u>	<u> </u>
Tax credit for the year	-	1,600
	<u> </u>	<u> </u>

7. Dividend

The Board has resolved not to pay any final dividend for the year ended 31 March 2004 (2003: Nil).

8. Earnings/(Loss) per share

The calculation of basic earnings/(loss) per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$1,204,000 (2003: net loss from ordinary activities attributable to shareholders HK\$64,698,000 (restated)) and the weighted average of 8,697,505,136 (2003: 8,619,360,478) ordinary shares in issue during the year.

The diluted earnings/(loss) per share for the years ended 31 March 2004 and 2003 have not been shown as the exercise prices of the outstanding share options of the Company were higher than the average market price of the Company's shares during the years, and therefore the share options were not dilutive.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's turnover for the year decreased by HK\$82 million, or 84% to HK\$15 million. The net profit from ordinary activities attributable to shareholders for the year was HK\$1.2 million, comparing to a net loss of HK\$65 million last year. The Board does not recommend the payment of any final dividend in respect of the year (2003: nil).

The decrease in Group's turnover for the year was primarily due to the disposal of garment, shoes and leather goods business in March 2003. The positive bottom-line was mainly due to the fact that an unrealized gain on other securities of HK\$30 million was recorded for the year. During the year, the Group has continued to keep a strict control over the manufacturing overheads of its car audio operation and diligently look for new business investments for its strategic and organic growth.

Car Audio Business

The sales of car audio products for the year was increased by HK\$3 million or 22%, to HK\$15 million. Stripping off the impairment charges of goodwill of HK\$4 million, the operational loss for this segment was decreased by HK\$2 million or 15% to HK\$10 million.

During the year, the Group's car audio market has associated with shortage of selected ICs, rising raw materials costs and intense price pressures from dominant competitors. Amidst this difficult market situation, the car audio business has experienced further profit margin erosion, longer lead times for product delivery and higher key electronic component inventory holdings. To react to these unfavorable market factors, the Group, intensified its efforts to achieve an effective cost structure by value based outsourcing and leaning its operations. Such remedial initiatives have cushioned against parts of the adverse effects of falling margin and narrowed the increasing operating loss for the year.

To survive with dominant competitors in the existing car audio market, the Group has focused on the smaller market segments where its strength was valued. To increase its competitive flexibility, the Group has been working closely with its business partners on value based outsourcing, trading and product proliferation. During the year, the Group has started to subcontract an assembly works of its products to the business partners and concentrated on the upkeep of its core technology, new products designs and research and development. Several existing models with new features were successfully developed and launched. Product samples approval and the trial productions orders were in the pipeline. The sales and marketing team has aligned its efforts to secure the new sales orders.

Prospects

Looking ahead, the business landscape of Group's car audio segment will remain highly competitive and challenging. In order to compete in the increasingly difficult car audio market, the Group will continue to put an effective cost structure in place and increase its competitive flexibility through product proliferation and value based outsourcing.

In the area of new investments, the Group will continue to vigorously explore into investment opportunities for its organic growth. With signs of the current global economic recovery, it is optimistic that the Group will leverage its sound financial positions to capitalize on suitable investments with a steady stream of income in the year to come.

Financial Review

The net profit from ordinary activities attributable to shareholders for the year was HK\$1.2 million, comparing to a net loss of HK\$65 million last year. As at 31 March 2004, the Group's net asset value stood at HK\$228 million (at 31 March 2003: HK\$207 million). The Group's overall liquidity and gearing position was improved.

Liquidity and Financial Resources

During the year under review, the Group generally financed its operation with internally generated cash flow and banking facilities. The Group's bank and short term deposits as at 31 March 2004 amounted to HK\$26 million (at 31 March 2003: HK\$21 million).

As at 31 March 2004, the total interest bearing bank borrowings of the Group was maintained at HK\$4 million (at 31 March 2003: HK\$8 million) which are repayable within one year.

As at 31 March 2004, the Group's current ratio was 16.6 times (at 31 March 2003: 11.1 times) based on current assets of HK\$234 million (at 31 March 2003: HK\$202 million) and current liabilities of HK\$14 million (at 31 March 2003: HK\$18 million).

As at 31 March 2004, the banking facilities granted to the Company's subsidiary subject to corporate guarantees given to banks by the Company were utilised to the extent of approximately HK\$Nil (at 31 March 2003: HK\$13 million).

As at 31 March 2004, contingent liabilities not provided for in the financial statements were bills discounted with recourse amounting to HK\$0.1 million (at 31 March 2003: HK\$ Nil).

Capital Structure

As at 31 March 2004, the Group's gearing ratio was 2% (at 31 March 2003: 4%) based on the total interest-bearing bank borrowings of HK\$4 million (at 31 March 2003: HK\$8 million) and net worth of HK\$228 million (at 31 March 2003: 207 million.).

The Group's bank deposit and borrowings are mainly denominated in Hong Kong dollars. Most of Group's sales and purchases are made in United States dollar and Hong Kong dollar. Therefore, the exchange risks exposed to the Group is minimal.

Significant Investments

As at 31 March 2004, the Group had convertible notes issued by a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with carrying amount of HK10.5 million.

As at 31 March 2004, the Group maintained a portfolio of other securities with fair value of HK\$ 181.2 million. During the year, the Group recorded a realised loss of HK\$1.7 million and an unrealized gain of HK\$29.5 million on other securities respectively.

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The interest and dividend income for the convertible notes and other securities for the year was HK\$1.9 million. The Group continues to maintain constant review and adequate control on the performances of its portfolio of investment for the year to come.

Details of Charges on Assets

At 31 March 2004, a fixed deposit of HK\$7 million (2003:HK\$6 million) and an unlisted investment fund of HK\$4 million (2003: HK\$ 3.9 million) were pledged to secure banking facilities granted to the Group.

Material Acquisitions and Disposals

During the year under review, there was no material acquisition or disposal of subsidiaries and associates in the Group.

Employment, Training and Development

At 31 March 2004, the Group has a total of 214 employees of which 25 are based in Hong Kong and 189 are based in the Mainland China. The Group has committed itself to its staff training and development and structured training programs for all employees.

Remuneration packages are maintained at competitive level and reviewed on a periodic basis. Bonus and share options are awarded to certain employees according to the assessment of individual performance and industry practice.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 20 August 2004 to Thursday, 26 August 2004 (both days inclusive) during which period no transfer of shares will be registered and no shares will be allotted and issued on the exercise of the subscription rights attaching to the outstanding share options granted by the Company.

In order to qualify for attending the Company's forthcoming Annual General Meeting to be held on Thursday, 26 August 2004, all transfer of shares of the Company accompanied by the relevant shares certificates and transfers forms must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited, at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration for not later than 4:30 p.m. on Thursday, 19 August 2004.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2004.

DETAILED RESULTS ANNOUNCEMENT ON THE WEBSITE OF THE STOCK EXCHANGE

Information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 of the Listing Rules (in force prior to 31 March 2004) will be published on the website of the Stock Exchange in due course.

DIRECTORS

As at the date of this announcement, the Board comprises five executive Directors namely Mr. Wong Howard, Mr. Wong Yat Fai, Mr. Wu Qing, Ms. Lo Ki Yan, Karen and Mr. Chan Chun Tung, John and two independent non-executive Directors, namely, Mr. Li Chi Ming and Mr. Tung Tat Chiu, Michael.

On behalf of the Board
Wong Howard
Executive Director

Hong Kong, 21 July 2004.

Please also refer to the published version of this announcement in The Standard dated 22 July 2004.