



## 139 HOLDINGS LIMITED

( 139 控股有限公司 ) \*

*(Incorporated in Bermuda with limited liability)*

### FINAL RESULTS ANNOUNCEMENT

### FOR THE YEAR ENDED 31 MARCH 2001

#### AUDITED FINAL RESULTS

The Board of Directors (the “Board”) of 139 Holdings Limited (the “Company”) announced the audited annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2001 (the “Year”) together with comparative figures for the year ended 31 March 2000 as follows:-

	For the year ended 31 March		
	2001	2000	
	Notes	HK\$'000	HK\$'000
<b>Turnover</b>	(1)	<b>158,260</b>	125,962
Cost of Sales		<b>(150,428 )</b>	(135,006 )
<b>Gross Profit/(Loss)</b>		<b>7,832</b>	(9,044 )
Other Revenue		<b>14,590</b>	4,889
Administrative Expenses		<b>(49,602 )</b>	(52,888 )
Selling and Distribution Expenses		<b>(17,012 )</b>	(13,238 )
Other Operating Expenses		<b>(68,491 )</b>	(119,579 )
Provisions for diminution in values of investment securities		<b>(70,000 )</b>	-
Loss on disposal of other securities		<b>(21,702 )</b>	(25 )
Unrealised loss on other securities		<b>(63,943 )</b>	-
<b>LOSS FROM OPERATING ACTIVITIES</b>		<b>(268,328 )</b>	(189,885 )
Finance Costs		<b>(10,042 )</b>	(6,611 )

# 139 HOLDINGS LIMITED

<b>LOSS BEFORE TAX</b>		<b>(278,370 )</b>	(196,496 )
<b>Tax</b>	(2)	<b>611</b>	121
<b>LOSS BEFORE MINORITY INTERESTS</b>		<b>(277,759 )</b>	(196,375 )
Minority Interests		<b>90</b>	-
<b>NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHARHOLDERS</b>		<b>(277,669 )</b>	(196,375 )
<b>DIVIDEND</b>	(3)	-	-
<b>LOSS PER SHARE</b>	(4)		
- Basic		<b>(5.41) cents</b>	(11.86) cents
- Diluted		-	-

Notes:

## (1) Segmental information

An analysis of the Group's turnover and loss from operating activities by principal activities and geographical area of operation is as follows:-

	Turnover		Loss from	
			operating activities	
	For the year ended		For the year ended	
	31 March		31 March	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>By activities:</b>				
Sales of garments	<b>108,767</b>	111,107	<b>(98,313 )</b>	(175,765 )
Sales of shoes	<b>9,501</b>	7,335	<b>(11,150 )</b>	(11,380 )
Sales of leather goods	<b>1,026</b>	129	<b>(783 )</b>	(1,333 )
Sales of car audio equipment	<b>38,797</b>	6,122	<b>4,206</b>	188
Sales of other merchandise	<b>169</b>	1,269	<b>(6,643 )</b>	(1,570 )
	<b>158,260</b>	125,962		
Provisions for diminution in values of investment securities			<b>(70,000 )</b>	-
Realised and unrealised losses on other securities			<b>(85,645 )</b>	(25 )
<b>Loss from operating activities</b>			<b>(268,328 )</b>	(189,885 )
<b>By geographical area:</b>				
The People's Republic of China (the "PRC"):-				
Hong Kong, SAR	<b>40,742</b>	4,907	<b>(156,845 )</b>	258
Elsewhere	<b>78,721</b>	121,055	<b>(115,689 )</b>	(190,143 )

## 139 HOLDINGS LIMITED

Outside the PRC	<b>38,797</b>	-	<b>4,206</b>	-
	<b>158,260</b>	125,962	<b>(268,328)</b>	(189,885)

### (2) Tax

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits attributable to operations in Hong Kong during the Year.

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Hong Kong profits tax:		
Over provision in prior years	<b>611</b>	121
Tax credit for the year	<b>611</b>	121

No provision for PRC corporate income tax has been made since no assessable profits have been generated by the subsidiaries operating in the PRC. The other overseas subsidiaries did not generate any profits subject to foreign taxes during the Year.

Deferred tax has not been provided for as there are no significant timing differences at the balance sheet date.

### (3) Dividend

No interim dividend was paid for the Year (2000: nil). The Board does not recommend the payment of final dividend in respect of the Year (2000: nil).

### (4) Loss per share

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the Year of HK\$277,669,000 (2000: net loss of HK\$196,375,000) and the weighted average of 5,137,005,961 ordinary shares in issue during the Year (2000: weighted average of 1,656,166,259 ordinary shares).

The diluted loss per share for the years ended 31 March 2001 and 2000 have not been shown as the exercise price of the outstanding share options of the Company was greater than the average market price of the Company's shares during both years, and therefore had no dilutive effect on the basic loss per share for both years.

## BUSINESS REVIEW

## 139 HOLDINGS LIMITED

The Group's turnover for the Year was approximately HK\$158 million, representing an increase of 25% over last year. The loss from ordinary activities attributable to shareholders increased by 41% to 278 million when comparing with that of last year.

The Group's performance for the Year was in the main adversely plagued by the highly competitive business environment of retail market in PRC, diminution in the value of technology related investment securities and unrealized loss on high-tech securities. The increase in turnover was primarily contributed by the car audio business which accounted for about 25% of the Group's turnover and brought in a positive contribution of approximately HK\$4 million.

During the Year, the retail market in PRC remained very competitive, the sales of the Group's garments and shoes were stagnant and the relevant gross profit has decreased. The drop in gross profit became pronounced in the second half of the Year when the Group experienced an extreme price pressures on its products. To counteract these adverse changes, the Group has intensified its efforts to adopt more aggressive marketing strategies, reinforce its customer loyalty, increase its brand awareness and control its operating costs.

Amid such stiff competition and mounting price pressures, the Group has been facing an increasingly difficult operating environment of retail market in PRC. Given the continuous sluggishness of retail market in PRC, the Board believes that this situation will remain in a short period. With a view to mitigating the operational loss, the Group has closely monitored the progress on its action plan under which a strict control was kept over the operating costs and the capital expenditures.

During the Year, riding on the heels of a boom high technology business, the Group has made investments in the area of internet related and e-commerce business with an aim to diversifying its existing business and creating synergistic benefits. These investments have benefited the Group in building up strategic alliances, leveraging relationships with renowned partners and obtaining a window into the telecommunication and information technology industries. The Group has been progressing steadily in this strategic direction until the bursting of technology bubbles in the market worldwide in the second half of the Year. In the light of a significant correction of the values in high-tech investments, the Board has taken a series of prudent and prompt corrective actions which include slowing down the development on high speed internet access operation, making adequate provisions on the investment in internet related business and the high-tech securities portfolio. Despite the unexpected precipitous downturn in high technology market, the Board is confident that the cyclical fall in the high technology investment has bottomed out and it will have a rebound from the valley when its market sentiment is improved. Therefore, the Group is still cautiously optimistic about the long term prospect of these investments.

## **PROSPECT**

Under the unfavorable external market conditions in terms of intense competition and falling gross profit, the Board is of opinion that the garment and shoes business will be less likely capable of supporting as a core business of the Group and generating significant contributions in the year ahead. As such, the Group will continue to closely monitor the progress of the Group's garment and shoes operation and the remedial action plans are in place to restructure and reposition the Group's existing business and operation.

Internet and information technology is sweeping through the global business world and changing the way in which companies operate their business. High technology based business will, therefore, become increasingly important avenue for the Group's diversification and development of its new core business. Taking advantages of new business opportunities created by internet and information technology, the Group will continue to capture the future trend, increase its strategic flexibility and venture into the high technology business.

With a view to the rapid pace of changes in the dynamic global high technology market, the Group will be more prudent and selective in approaching strategic partners and assessing the business viability and financial risks of the related business models and investment projects. Moving along with venturing into high technology sector, the Group will also seek investment opportunities in traditional industries which can open up new rays of steady income. Through the amalgamation of traditional industries with the information and high technology, the Group will actively spawn and develop its new core business in the future.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the Year, The Group generally financed its operation with internally generated cash flow, banking facilities and proceeds of placing of new shares. The Group's bank and short term deposits as at 31 March 2001 amounted to approximately HK\$25 million.

At 31 March 2001, certain leasehold land and buildings and land use right, with an aggregate net book value of approximately HK\$23 million and fixed deposit of HK\$22 million were pledged to secure banking facilities granted to the Group.

At 31 March 2001, the total interest bearing bank and other loans of the Group was approximately HK\$93 million (at 31 March 2000: HK\$69 million). The long term interest bearing bank and other loans of the Group amounted to approximately HK\$15 million (at 31 March 2000: HK\$41 million), which are repayable in the second year.

## 139 HOLDINGS LIMITED

The Group's gearing ratio at the Year end was 7.2% (at 31 March 2000: 8.2%) based on the long term interest bearing bank and other loans of HK\$15 million (at 31 March 2000: HK\$41 million) and net worth of HK\$207 million (at 31 March 2000: HK\$498 million).

At 31 March 2001, the Company had contingent liabilities in relation to guarantees given to banks in connection with facilities granted to certain subsidiaries amounting to approximately HK\$34 million (at 31 March 2000: HK\$36 million).

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

During the Year, the Group has placed 997,000,000 new shares at HK\$0.02 per share, representing 19.98% of its existing issued share capital. The net proceeds of approximately HK\$19.5 million was used as additional working capital of the Group.

Subsequent to the balance sheet date, the Group has placed 1,197,000,000 new shares at HK\$0.03 per share, representing 19.99% of its existing issued share capital. The net proceeds of approximately HK\$34.8 million was used as additional working capital of the Group.

## **EMPLOYMENT, TRAINING AND DEVELOPMENT**

At 31 March 2001, the Group has a total of 1,042 employees of which 63 are based in Hong Kong and 979 based in PRC. 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 Thursday, 30 August 2001 to Wednesday, 5 September 2001 (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.

## 139 HOLDINGS LIMITED

In order to qualify for attending the Company's forthcoming Annual General Meeting to be held on Wednesday, 5 September 2001, all transfers of shares of the Company accompanied by the relevant shares certificates and transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong for registration not later than 4:00 p.m on Wednesday, 29 August 2001.

### **PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

Information required by paragraphs 45 (1) to 45 (3) inclusive of Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

On behalf of the Board  
**Howard Wong**  
*Executive Director*

Hong Kong, 23 July 2001.

\* *for identification only*

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### **NOTICE OF ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an Annual General Meeting of the Members of 139 Holdings Limited (the "Company") will be held at Basement Function Room II, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong on Wednesday, 5 September 2001 at 9:30 a.m. for the following purposes:

- (1) To receive and consider the Audited Consolidated Financial Statements and the Reports of the Directors and of the Auditors for the year ended 31 March 2001;
- (2) To elect Directors, to fix the maximum number of Directors, to authorise the Board of Directors to appoint additional Directors up to the maximum number determined and to authorise the Board of Directors to fix Directors' remuneration;
- (3) To appoint Auditors and to authorise the Board of Directors to fix Auditors' remuneration;

## 139 HOLDINGS LIMITED

- (4) To consider as Special Business and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution;

**“THAT**

- (a) the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to purchase its shares, subject to and in accordance with the applicable laws, be and is hereby generally and unconditionally approved;
  - (b) the total nominal amount of shares to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution, and the said approval shall be limited accordingly; and
  - (c) for the purpose of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:
    - (i) the conclusion of the next Annual General Meeting of the Company;
    - (ii) the revocation or variation of the authority given under this Resolution by Ordinary Resolution of the Members in general meetings; and
    - (iii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held.”;
- (5) To consider as Special Business and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

**“THAT**

- (a) the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to issue, allot and deal with additional shares of the Company and to make or grant offers, agreements and options which would or might require shares to be allotted, issued or deal with during or after the end of the Relevant Period (as defined below), be and is hereby generally and unconditionally approved, provided that, otherwise than pursuant to (i) a rights issue where shares are offered to Members on a fixed record date in proportion to their then holdings of shares (subject to such exclusions or other arrangements as the Directors may deem

necessary or expedient in relation to fractional entitlements or having regards to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong) or (ii) any option scheme or similar arrangement for the time being adopted for the issue or grant to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, or (iii) any scrip dividend scheme or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company, the total nominal amount of additional shares to be issued, allotted or dealt with or agreed conditionally or unconditionally to be issued, allotted or dealt with shall not in total exceed 20% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution and the said approval shall be limited accordingly, and

- (b) for the purpose of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:
- (i) the conclusion of the next Annual General Meeting of the Company;
  - (ii) the revocation or variation of the authority given under this Resolution by Ordinary Resolution of the Members in general meetings; and
  - (iii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held.”; and
- (6) To consider as Special Business and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“**THAT** subject to the passing of Resolutions 4 and 5 above, the general mandate granted to the Directors of the Company pursuant to Resolution 5 above and for the time being in force to exercise the powers of the Company to allot shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby extended by the addition thereto of the total nominal amount of shares in the capital of the Company repurchased by the Company pursuant to the exercise by the Directors of the Company of the powers of the Company to purchase such shares under the authority granted by shareholders of the Company according to Resolution 4 above, provided that such amount shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution.”.

By order of the Board  
**Szeto Pui Tong, Patrick**  
*Secretary*

Hong Kong, 23 July 2001

*Notes:*

- (a) The Register of Members of the Company will be closed from Thursday, 30 August 2001 to Wednesday, 5 September 2001 (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 Annual General Meeting, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt House Road, Central, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 29 August 2001.
- (b) A Member of the Company, who is the holder of two or more shares, entitled to attend and vote at the Meeting may appoint more than one proxy to represent him and vote on his behalf. A proxy need not a Member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (c) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than 48 hours before the time fixed for holding the Meeting.
- (d) The Annual Report of the Company for the year ended 31 March 2001 containing this notice together with a circular setting out further information regarding Resolutions 4 to 6 above will be despatched to Members of the Company as soon as practicable.

Please also refer to the published version of this announcement in the i Mail dated 24 /7/2001.