

SUBSTANTIAL SHAREHOLDERS

As at 31 October 2002, there was no person who was interested in 10% or more of the total issued share capital of the Company as recorded in the register required to be kept by the Company pursuant to section 16(1) of the SDI Ordinance.

No person known to the directors of the Company was directly or indirectly interested in equity securities of the Company which were required to be recorded in the register kept under section 16(1) of the SDI Ordinance.

PRACTICE NOTE 19 TO THE LISTING RULES

Reference is made to the specific performance obligation imposed on the substantial shareholder and certain directors of the Company in relation to the 5% convertible notes (the “Notes”) issued by the Company, of which an aggregate principal amount of US\$19,300,000 (approximately HK\$149 million) remains outstanding as at 31 October 2002. Included in the balance were Notes of a principal denomination of US\$5,000,000 (approximately HK\$39 million) held by a subsidiary of the Company.

Pursuant to the terms of the Notes, the principal amount outstanding on the Notes and the interest accrued thereon may be declared due and payable in the event that, amongst other things, both Mr. Chan Fat Chu, Raymond and Mr. Chan Fat Leung, Alexander cease to be the directors of the Company. Failure to comply with this condition would constitute an event of default under paragraph 9(i) of the terms of the Notes. The maturity for the repayment of the Notes was on 28 April 2003. The amount outstanding in these Notes represents approximately 25% of the total borrowings (excluding trade related liabilities) of the Group as at 31 October 2002.

In addition, the Group is required to observe a financial covenant underlying a gold loan facility which requires the maintenance of the Group's consolidated net tangible assets at no less than HK\$800 million. As at 31 October 2002, the Group's consolidated net tangible assets amounted to HK\$395 million after excluding the goodwill arising on acquisition of certain associates, included as part of the Group's interests in associates. As a result of the breach of the aforementioned financial covenant, the cross-default covenants underlying certain borrowings have not been complied with. The total outstanding borrowings affected in this connection amounted to approximately HK\$266 million, comprising payables for gold purchases of HK\$13 million, convertible notes and bonds of HK\$214 million and promissory notes of HK\$39 million as at 31 October 2002. In addition, as a result of the subsequent movement in the Group's indebtedness, as at 31 March 2003, the total amount of the Group's outstanding borrowings as affected has increased to approximately HK\$302 million. The terms of the affected facility agreements stipulate that with any non-compliance of credit covenants, the lender of these borrowings may serve a notice to the Group to declare these borrowings immediately due and repayable. Of these borrowings HK\$210 million were repaid upon completion of the Debt Restructuring on 15 July 2003, which was settled by the issuance of three-year zero coupon convertible bonds ("New Bonds") and/or new ordinary shares of the Company for settlement of the Group's outstanding debts owed to them. Pursuant to the terms of the New Bonds, the principal amount outstanding on the New Bonds may be declared due and payable in the event that, amongst other things, both Messrs Chan Fat Chu, Raymond and Chan Fat Leung, Alexander cease to be the directors of the Company. Failure to comply with this condition would constitute an event of default under paragraph 11.1(15) of the terms of the New Bonds. Under the Debt Restructuring, one of the financial creditors of the Group with an outstanding claim of HK\$59 million also agreed to replace its existing claim with new promissory notes of which the terms are the same as those of the convertible bonds issued under the Debt Restructuring. As at the date of this report, no notice was served by the remaining financial creditors to the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the period under review.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the Interim Financial Statements.

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not during the period under review, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules, except that independent non-executive Directors of the Company are not appointed for specific terms as they are subject to retirement by rotation at the annual general meeting in accordance with the provisions of the Company's Bye-Laws.

By Order of the Board
RNA Holdings Limited
Chan Fat Chu, Raymond
Chairman

Hong Kong, 1 August 2003