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RNA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 501)

Financial adviser to RNA Holdings Limited



ASIAN CAPITAL

(CORPORATE FINANCE) LIMITED

卓亞(企業融資)有限公司

**Proposed removal of existing auditors and appointment of new auditors,
further delay in release and publication of final results for the year ended 30 April 2003 and
the interim results for the six months ended 31 October 2003 and
delay in release and publication of final results for the year ended 30 April 2004**

The Board wishes to announce that a special general meeting will be held on 9 September 2004. At this meeting, resolutions will be proposed to the Shareholders to remove E&Y as the auditors of the Company and to appoint Messrs. Ting Ho Kwan & Chan as the new auditors of the Company. It is necessary for the Company to change its auditors as the Company has not been able to reach an agreement with E&Y in respect of the fees outstanding for the 2003 audit. As a result of this proposed change in auditors, there will be a further delay in the release of the final results for the year ended 30 April 2003 and the interim results for the six months ended 31 October 2003.

After preliminary discussions with the proposed new auditors, the Board now expects its audited consolidated final results for the year ended 30 April 2003 to be published around October 2004; the unaudited consolidated interim results for the six months ended 31 October 2003 to be published around November 2004 and the audited consolidated final results for the year ended 30 April 2004 to be published around December 2004. The delay in the release and publication of final results constitutes a breach of Rule 13.49(1) and Rule 13.46(1) of the Listing Rules, which require the Company to publish its final results and despatch its annual report to its shareholders not later than four months after the end of its financial year. The Company has also breached Rule 13.49(6) and Rule 13.48(1) of the Listing Rules, which require the Company to publish its interim results and despatch its interim report to its shareholders not later than three months after the end of that six-month period. The Stock Exchange has reserved its right to take appropriate action against the Company and/or its directors.

Following the Announcement, the hearing of the winding up petition dated 19 April 2004 was held on 9 June 2004 before the High Court of Hong Kong. The hearing was adjourned to 26 July 2004 and on that day was further adjourned to 23 August 2004.

Trading in the shares of the Company has been suspended from 9:30 a.m. on 2 June 2003 and will continue to be suspended until further notice.

RNA Holdings Limited's ("Company") announcement dated 28 April 2004 referred to (i) signing of Heads of Terms, (ii) winding up petition, (iii) resignation of an executive director and (iv) delay in release and publication of final results for the year ended 30 April 2003 and the interim results for the six months ended 31 October 2003 ("Announcement"). Terms used herein shall have the same meaning as defined in the Announcement.

The Board wishes to announce that a special general meeting will be held on 9 September 2004. At the meeting, resolutions will be proposed to the Shareholders of the Company to remove Messrs. Ernst & Young ("E&Y") as the auditors of the Company and to appoint Messrs. Ting Ho Kwan & Chan as the new auditors in accordance with the bye-laws of the Company.

The Company initially agreed the audit fees with E&Y pursuant to an engagement letter dated 5 January 2004. Thereafter, E&Y undertook a substantial part of the audit fieldwork and were finalising the audit for the financial year ended 30 April 2003. However, the affairs of the Company are such that these fees cannot be met without jeopardising the entire restructuring of the Company and damaging the interests of the creditors and shareholders of the Company. The resources available for the proposed restructuring are very limited and it will not be possible for the Company to complete the proposed restructuring, which was initiated in early 2004 with the signing of Heads of Terms on 30 March 2004, if E&Y's audit fees are settled in full. The Company and the Reporting Accountant, RSM Nelson Wheeler Corporate Advisory Services Limited, consider that a reduction in the audit fee is essential in light of the limited budget available for the restructuring. However, the Company has not been able to come to agreement with E&Y in respect of the outstanding fees for the 2003 audit.

On 9 July 2004, the Company sent a notice to E&Y advising them of the Company's intention to propose, at a special general meeting, their removal as auditors of the Company and requesting that they provide confirmation of any matters that needed to be brought to the attention of the holders of securities of the Company. On 31 July 2004, the Company received a letter dated 29 July 2004 from E&Y which set out (i) that it has not been able to reach an agreement with the Company over the outstanding audit fees; (ii) that all qualifications brought forward from the 2002 audit remained unresolved; and (iii) the outstanding issues listed below:

1. the recognition of certain sales and purchases of gold bullion, diamonds, jewellery and gold ornaments in connection with certain transactions entered into during the year from 1 May 2002 to 30 April 2003;
2. the recoverability of the Group's money loan and accounts receivable and due from billion brokerage customers of approximately HK\$120 million;
3. the recoverability and the nature of the Group's other receivables, prepayments and deposits of approximately HK\$68 million which includes prepayment of consultancy fee of approximately HK\$12 million, deposit paid for acquisition of an investment of approximately HK\$47 million and certain advances of approximately HK\$9 million;
4. the carrying value of long term investments of approximately HK\$19 million; and
5. impairment provision of fixed assets of approximately HK\$15 million.

The Company has held various discussions with E&Y in order to resolve these outstanding issues but such discussions were stopped as it became apparent that the disagreement over the outstanding audit fee could not be resolved. The Company will work closely with the new auditors on resolving these issues. Further announcements in this regard will be made as and when appropriate.

As set out in the Announcement, the Company's audited consolidated final results for the year ended 30 April 2003 were expected to be published around 30 June 2004, and the unaudited consolidated interim results for the six months ended 31 October 2003 were expected to be published around 31 July 2004. Due to the proposed change in auditors of the Company, the proposed auditors are unlikely to be able to commence the audit for the year ended 30 April 2003 and for the six months ended 31 October 2003 as well as for the year ended 30 April 2004 until the relevant resolutions in relation to the removal of the existing auditors and the appointment of new auditors have been passed at the special general meeting to be held on 9 September 2004. Accordingly, there will be a further delay in the release of the aforesaid financial results. After preliminary discussions with the proposed new auditors, the Board expects the audited consolidated final results for the year ended 30 April 2003 to be published around October 2004; the unaudited consolidated interim results for the six months ended 31 October 2003 to be published around November 2004 and the audited consolidated final results for the year ended 30 April 2004 to be published around December 2004. The delay in the release and publication of final results constitutes a breach of Rule 13.49(1) and Rule 13.46(1) of the Listing Rules, which require the Company to publish its final results in the newspapers and despatch its annual report to its shareholders not later than four months after the end of its financial year. The Company has also breached Rule 13.49(6) and Rule 13.48(1) of the Listing Rules, which require the Company to publish its interim results in the newspapers and despatch its interim report to its shareholders not later than three months after the end of that six-month period. The Stock Exchange has reserved its right to take appropriate action against the Company and/or its directors.

As previously set out in the Announcement, the Reporting Accountant has been appointed to assist the Company in preparing a suitable and viable proposal for the restructuring of its indebtedness and the Group's operations and in implementing the restructuring proposal as efficiently and expeditiously as possible. In addition, the Reporting Accountant will also investigate and implement internal and accounting control measures required to strengthen the Company's existing accounting and internal control systems and to ensure that the remedial measures adopted by the Company will enable the Company to meet various financial reporting requirements and other obligations. Since its appointment, the Reporting Accountant has been reviewing the Company's accounting systems and monitoring the Company's payments, and has commenced a review of the existing internal controls of the Company.

As also set out in the Announcement, the hearing in relation to the winding up petition dated 19 April 2004 was held on 9 June 2004 before the High Court of Hong Kong. The hearing was adjourned to 26 July 2004 when it was further adjourned to 23 August 2004. Further announcements in this regard will be made as and when appropriate.

Trading in the shares of the Company has been suspended from 9:30 a.m. on 2 June 2003 and will continue to be suspended until further notice.

As at the date of this announcement, the Board comprises of two executive directors, namely Chan Fat Chu, Raymond and Chan Fat Leung, Alexander, and two independent non-executive directors, namely Tang Man Ching and Lim Siang Kai.

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

Hong Kong, 16 August 2004

Please also refer to the published version of this announcement in The Standard.