



4 Interim 2002 Report

139 Holdings Limited

(Incorporated in Bermuda with limited liability)



The Board of Directors (the “Board”) of 139 Holdings Limited (the “Company”) announces the unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2004 (the “Period”) together with comparative figures for the corresponding previous period as follows:–

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the six months ended 30 September	
	Notes	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Turnover	2	4,930	8,522
Cost of Sales		(8,451)	(11,089)
Gross Loss		(3,521)	(2,567)
Other revenue	3	3,165	1,185
Selling and distribution costs		(219)	(338)
Administrative expenses		(7,389)	(7,321)
Other operating expenses		(77)	(87)
Gain on disposal of other securities		22,789	15,830
Unrealised gain/(loss) on other securities		(17,272)	62,975
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4	(2,524)	69,677
Finance costs	5	(90)	(136)
PROFIT/(LOSS) BEFORE TAX		(2,614)	69,541
Tax	6	–	–
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(2,614)	69,541
DIVIDEND	7	–	–
EARNINGS/(LOSS) PER SHARE	8		
– Basic		HK\$(0.03) cent	HK\$0.81cent
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 September 2004 (Unaudited) HK\$'000	31 March 2004 (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets		6,050	8,263
Investment securities	9	–	–
		6,050	8,263
CURRENT ASSETS			
Other securities	9	158,694	181,298
Convertible notes		–	10,500
Inventories	10	3,197	4,395
Trade receivables	11	32	728
Prepayments, deposits and other receivables		6,850	5,165
Pledged time deposits		6,547	6,534
Cash and cash equivalents		54,430	25,650
		229,750	234,270
CURRENT LIABILITIES			
Trade and bills payables	12	842	1,683
Tax payable		363	363
Other payables and accruals		7,773	7,734
Bank overdrafts, secured		1,051	4,368
		10,029	14,148
NET CURRENT ASSETS		219,721	220,122
TOTAL ASSETS LESS CURRENT LIABILITIES		225,771	228,385
CAPITAL AND RESERVES			
Issued Capital	13	93,324	93,324
Reserves		132,447	135,061
		225,771	228,385



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2004

Group

	Unaudited six months ended 30 September 2004							Total HK\$'000
	Issued share capital HK\$'000	Share premium account HK\$'000	Goodwill reserve HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	
As at 1 April 2004	93,324	267,600*	-	556*	449,182*	32*	(582,309)*	228,385
Net loss for the Period	-	-	-	-	-	-	(2,614)	(2,614)
As at 30 September 2004	93,324	267,600*	-	556*	449,182*	32*	(584,923)*	225,771

	Unaudited six months ended 30 September 2003							Total HK\$'000
	Issued share capital HK\$'000	Share premium account HK\$'000	Goodwill reserve HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated profit/(losses) HK\$'000	
As at 1 April 2003	86,194	259,399	(4,413)	556	449,182	32	(583,513)	207,437
Net profit for the Period	-	-	-	-	-	-	69,541	69,541
As at 30 September 2003	86,194	259,399*	(4,413)*	556*	449,182*	32*	(513,972)*	276,978

* These reserve accounts comprise the consolidated reserves of HK\$132,447,000 (31 March 2004: HK\$135,061,000) in the condensed consolidated balance sheet.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(6,464)	(10,219)
NET CASH INFLOW FROM INVESTING ACTIVITIES	38,574	27,906
CASH FLOW FROM FINANCING ACTIVITIES	–	–
INCREASE IN CASH AND CASH EQUIVALENTS	32,110	17,687
Cash and cash equivalents at beginning of period	27,816	19,864
CASH AND CASH EQUIVALENTS AT END OF PERIOD	59,926	37,551
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	9,982	4,215
Non-pledged time deposits with original maturity of less than three months when acquired	44,448	32,827
Time deposits with original maturity of less than three months when acquired, pledged as security for bank facilities	6,547	6,523
Bank overdrafts	(1,051)	(6,014)
	59,926	37,551



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Principal Accounting Policies

These condensed consolidated interim financial statements have not been audited by the Company's Auditors but have been reviewed by the Company's Audit Committee.

The unaudited condensed consolidated interim financial statements are prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies and basis of preparation used in the preparation of these interim financial statements are consistent with those used in the preparation of the Company's audited consolidated financial statements for the year ended 31 March 2004.

2. Turnover and Segmental Information

(i) Primary reporting format-business segments

For the management purpose, the Group is currently organised into two operating divisions– car audio and corporate & others. The following tables present unaudited revenue and results of the Group's operation for the Period, together with comparative figures for the corresponding previous period:

Group

	Car audio		Corporate & others		Consolidated	
	For the six months ended 30 September 2004 (Unaudited) HK\$'000	For the six months ended 30 September 2003 (Unaudited) HK\$'000	For the six months ended 30 September 2004 (Unaudited) HK\$'000	For the six months ended 30 September 2003 (Unaudited) HK\$'000	For the six months ended 30 September 2004 (Unaudited) HK\$'000	For the six months ended 30 September 2003 (Unaudited) HK\$'000
Segment revenue:						
Sales to external customers	4,930	8,522	–	–	4,930	8,522
Other revenue	–	–	–	–	–	–
Total	4,930	8,522	–	–	4,930	8,522
Segment results	(5,320)	(4,859)	(5,690)	(5,141)	(11,010)	(10,000)
Interest income, gains and unallocated revenue					25,954	79,990
Unallocated expenses					(17,468)	(313)
Profit/(loss) from operating activities					(2,524)	69,677
Finance costs					(90)	(136)
Profit/(loss) before tax					(2,614)	69,541
Tax					–	–
Net profit/(loss) from ordinary activities attributable to shareholders					(2,614)	69,541

(ii) Secondary reporting format -geographical segments

An analysis of the Group's unaudited turnover and results for the Period by geographical segments, together with comparative figures for the corresponding previous period are as follows:-

Group

	The People's Republic of China (the "PRC") (including Hong Kong)		United States of America and Europe		Consolidated	
	For the six months ended 30 September 2004 (Unaudited) HK\$'000	For the six months ended 30 September 2003 (Unaudited) HK\$'000	For the six months ended 30 September 2004 (Unaudited) HK\$'000	For the six months ended 30 September 2003 (Unaudited) HK\$'000	For the six months ended 30 September 2004 (Unaudited) HK\$'000	For the six months ended 30 September 2003 (Unaudited) HK\$'000
Segment revenue:						
Sales to external customers	-	-	4,930	8,522	4,930	8,522
Other revenue	-	-	-	-	-	-
Total	-	-	4,930	8,522	4,930	8,522
Segment results	(5,690)	(5,141)	(5,320)	(4,859)	(11,010)	(10,000)

3. Other revenue

	For the six months ended 30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Interest income	271	538
Others	2,894	647
	3,165	1,185

4. Profit/(Loss) from operating activities

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

	For the six months ended 30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Depreciation	2,259	2,325

5. Finance costs

	For the six months ended 30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Interest expenses on bank loans, overdraft and other loans wholly repayable within five years	90	136



6. Tax

No Hong Kong profits tax has been provided during the Period (2003: Nil) as the Group did not derive any assessable profit attributable to its operation in Hong Kong.

No provision for tax in the PRC has been made during the Period (2003: Nil) since no assessable profit has been generated by the subsidiaries operating in the Mainland China. The other overseas subsidiaries did not generate any profit subject to foreign taxes during the Period (2003: Nil) .

No deferred tax has been provided by the Group because there were no significant temporary differences at the balance sheet dates.

7. Dividend

The Board has resolved not to pay any interim dividend for the six months ended 30 September 2004 (2003 : Nil).

8. Earnings/(Loss) per share

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the period of HK\$2,614,000 (2003: net profit of HK\$69,541,000) and the 9,332,430,478 (2003: weighted average of 8,619,360,478) ordinary shares in issue during the Period.

The diluted loss per share for the period ended 30 September 2004 has not been shown as there were no outstanding share options during the Period.

The diluted earnings per share for the period ended 30 September 2003 has not been shown as the exercise prices of outstanding share options of the Company were higher than the average market price of the Company's shares during this period and therefore the share options were not dilutive.

9. Other securities

	At 30 September 2004 (Unaudited) HK\$'000	At 31 March 2004 (Audited) HK\$'000
Investment securities :		
Unlisted equity investments outside Hong Kong, at cost	90,000	90,000
Provision for impairment in value	(90,000)	(90,000)
	-	-
Other securities :		
Listed equity investments in Hong Kong, at fair value	154,682	177,283
Unlisted investment fund	4,012	4,015
	158,694	181,298

The market value of the Group's listed other securities at the date of approval of these financial statements was approximately HK\$200,665,000 (31 March 2004: HK\$171,675,000).



10. Inventories

	At 30 September 2004 (Unaudited) HK\$'000	At 31 March 2004 (Audited) HK\$'000
Raw materials	2,634	2,716
Work in progress	223	1,187
Finished goods	340	492
	3,197	4,395

The carrying amount of inventories carried at net realisable value included in the above balance was HK\$366,000 (at 31 March 2004: HK\$1,096,000).

11. Trade receivables

Ageing analysis:

	At 30 September 2004 (Unaudited) HK\$'000	At 31 March 2004 (Audited) HK\$'000
0– 120 days	–	719
121 – 210 days	24	9
Over 210 days	8	–
Total	32	728

Trading terms with customers are largely on credit except for new customers where payment in advance is normally required. Invoices are normally payable within three months of issuance, except for established customers where the terms are extended to six months. Each customer has a maximum credit limit, which is granted and approved by senior management. The Group seeks to maintain strict credit control over its outstanding receivables and overdue balances are regularly reviewed by senior management. The Group's trade receivables are recognised and carried at their original invoiced amount less provisions for doubtful debts when collection of the full amount is no longer probable. Bad debts are written off as incurred.

12. Trade and bills payables

Ageing analysis:

	At 30 September 2004 (Unaudited) HK\$'000	At 31 March 2004 (Audited) HK\$'000
0– 120 days	603	1,601
121 – 210 days	193	77
Over 210 days	46	5
Total	842	1,683



13. Share capital

	Number of Shares '000	Nominal Value HK\$'000
Authorised		
– ordinary shares of HK\$0.01 each		
As at 1 April and 30 September 2004	60,000,000	600,000
	<u>60,000,000</u>	<u>600,000</u>
Issued and fully paid		
– ordinary shares of HK\$0.01 each		
As at 1 April and 30 September 2004	9,332,430	93,324
	<u>9,332,430</u>	<u>93,324</u>

14. Related party transactions

During the Period, the Group had no related party transactions.



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's turnover for the Period decreased by HK\$3.6 million, or 42% to HK\$4.9 million. The loss from ordinary activities attributable to shareholders for the Period was HK\$2.6 million, comparing to a net profit of HK\$69.5 million for the same period last year. The Board does not recommend the payment of any interim dividend in respect of the Period (2003: nil).

The decrease in the Group's turnover was attributed to the sluggish sales performance of car audio business resulting from an extremely competitive market environment. The net loss for the Period included an unrealized loss on other securities of HK\$17.2 million and a realized gain on disposal of other securities of HK\$22.8 million.

Car audio business

During the Period, the Group was operating its car audio business in an extremely competitive environment. In the current competitive arena, car audio manufacturers have engaged in destructive price competition for their survivals. Coupled with fierce price pressures, the rising raw material costs resulting from high oil price has further squeezed the product margins. In the midst of price pressures and rising raw material costs, the Group has experienced a sales decline in its car audio business. The sales of car audio products for the Period decreased by HK\$3.6 million or 42% to HK\$4.9 million. The operating loss for this segment was slightly increased to HK\$5.3 million.

During the Period, the Group continued to implement its cost reduction programs aiming at further reducing the fixed operational costs. The cost reduction included trimming down the production operation and reducing the direct labour workforce. To respond effectively to the intense competition, the Group has placed its efforts on working with the qualified business partners to increase its product outsourcing capacities and broaden products range.



Prospects

Looking ahead, the market environment for car audio business will remain intense in terms of downward price pressures and shorter product cycle. The Group will continue to maintain its competitiveness of this business segment by focusing on product outsourcing and strengthening the trading platform.

Financial Review

The loss from ordinary activities attributable to shareholders for the Period was HK\$2.6 million, comparing to net profit of HK\$69.5 million for the corresponding period of last year. As at 30 September 2004, the Group's net asset value stood at HK\$225.8 million (at 31 March 2004: HK\$228.4 million). The Group maintained a sound financial position in terms of high assets liquidity and low gearing ratio.

Liquidity and Financial Resources

During the Period, the Group generally financed its operation with internally generated cash flow and banking facilities. The Group's bank and short-term deposits as at 30 September 2004 amounted to HK\$54.4 million (at 31 March 2004: HK\$25.7 million).

As at 30 September 2004, the total interest-bearing bank borrowings of the Group was HK\$1.1 million (at 31 March 2004: HK\$4.4 million) which are repayable within one year.

As at 30 September 2004, the Group's current ratio was 22.9 times (at 31 March 2004: 16.6 times) based on current assets of HK\$229.7 million (at 31 March 2004: HK\$234.3 million) and current liabilities of HK\$10.0 million (at 31 March 2004: HK\$14.1 million).

As at 30 September 2004, the Group has no contingent liabilities or material commitments for the purchase of property, plant and equipment.



Capital Structure

As at 30 September 2004, the Group's gearing ratio was 0.5% (at 31 March 2004: 1.9%) based on total interest-bearing bank borrowings of HK\$1.1 million (at 31 March 2004: HK\$4.4 million) and net worth of HK\$225.8 million (at 31 March 2004: 228.4 million).

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

Significant Investments

As at 30 September 2004, the Group maintained a portfolio of other securities with market value of HK\$158.7 million. The related interest and dividend income for the Period was HK\$3.2 million.

Details of Charge on Assets

At 30 September 2004, a fixed deposit of HK\$6.5 million and an unlisted investment fund of HK\$4.0 million were pledged to secure banking facilities granted to the Group.

Material Acquisitions and Disposals

There was no material acquisition and disposal of subsidiaries and associates by the Group during the Period.

Employment, Training and Development

At 30 September 2004, the Group has a total of 109 employees of which 24 are based in Hong Kong and 85 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.



DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 30 September 2004, the interests of the directors of the Company in the shares of the Company, as recorded in the register required to be maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules (the "Model Code") were as follows:-

Long position in ordinary shares of the Company:

Name of Director	Capacity	Number of ordinary shares of the Company	Percentage of the Company's issued share capital
Mr. Wong Howard	Beneficial owner	212,990,000	2.28%
Mr. Wong Yat Fat	Beneficial owner	212,990,000	2.28%
Mr. Wu Qing	Beneficial owner	212,990,000	2.28%

In addition to the above, Messrs. Wong Howard and Wong Yat Fai hold shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying the then minimum company membership requirements.

Save as disclosed above, as at 30 September 2004, none of the directors or chief executives of the Company had registered any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

At 30 September 2004, the following companies were interested in more than 5% of the issued share capital of the Company according to the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Long/Short position	Capacity	Number of ordinary shares interested	Percentage of the Company's issued share capital
Radford Capital Investment Limited (<i>Note a</i>)	Long	Interests held by a controlled corporation	928,000,000	9.94%
Dollar Group Limited (<i>Note b</i>)	Long	Beneficial owner	710,000,000	7.61%
Coupeville Limited (<i>Note b</i>)	Long	Interests held by a controlled corporation	710,000,000	7.61%
Heritage International Holdings Limited (<i>Note b</i>)	Long	Interests held by a controlled corporation	710,000,000	7.61%

Notes:

- a. Radford Capital Investment Limited held the interests in the share capital of the Company via its wholly owned subsidiary "Winning Horse Limited".
- b. Dollar Group Limited was wholly owned by Coupeville Limited which was a wholly-owned subsidiary of Heritage International Holdings Limited. Accordingly, Coupeville Limited and Heritage International Holdings Limited were deemed to be interested in the 710,000,000 shares of the Company held by Dollar Group Limited.



Save as disclosed herein, as at 30 September 2004, no person, other than the directors or chief executives of the Company whose interests are set out in the section headed "Directors' interests and short positions in shares and underlying shares of the Company and its associated corporations" above, had any interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

In the Company's annual general meeting held on 27 August 2003, an ordinary resolution was passed by the Company's shareholders for adoption of a new share option scheme (which has complied with Chapter 17 of the Listing Rules) and termination of the Company's share option scheme adopted on 22 February 1994. As at the beginning of the Period, i.e. 1 April 2004, there was no outstanding share options of the Company. In addition, no share options of the Company have been granted, exercised, cancelled or lapsed during the Period.

CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the Period, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's financial reporting process and internal controls including the review of the unaudited interim financial statements for the Period.



DIRECTORS OF THE COMPANY

As at the date hereof, the Company's executive directors are Mr WONG Howard, Mr WONG Yat Fai, Mr WU Qing and Ms LO Ki Yan, Karen and the independent non-executive directors of the Company are Mr LI Chi Ming, Mr TUNG Tat Chiu, Michael and Mr WAN Ngar Yin, David.

On behalf of the Board

Wong Howard

Executive Director

Hong Kong, 16 December 2004