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139 HOLDINGS LIMITED

139 控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 139)

**(A) TERMINATION OF ORIGINAL CB PLACING AGREEMENT
(B) PROPOSED PLACING OF NEW SHARES UNDER
EXISTING ISSUE MANDATE
(C) PROPOSED PLACING OF NEW SHARES UNDER SPECIAL MANDATE
(D) PROPOSED ISSUE AND PLACING OF
THREE YEAR HK\$200 MILLION ZERO COUPON CONVERTIBLE BONDS
AND GRANT OF SPECIAL MANDATE
AND
(E) RESUMPTION OF TRADING**

SUMMARY

Cancellation of Original CB Placing Agreement and entering into new Placing Agreements

On 6 July 2007 and in view of the current market condition, the Company has reached an agreement with the Placing Agent to (i) cancel the Original CB Placing Agreement and (ii) enter into three conditional Placing Agreements (namely, the Fully Underwritten Placing Agreement, the Best Efforts Placing Agreement and the New CB Placing Agreement) on a several basis and on the principal terms and conditions as summarized in this announcement for the purpose of securing medium to long term financing resources for its ongoing operation and future business expansion. The Fully Underwritten Placing Shares will be placed by the Placing Agent on a fully underwritten basis whereas each of the Best Efforts Placing Shares and the New Bonds will be placed by the Placing Agent on a best efforts basis.

The respective terms of the Cancellation Agreement and the Placing Agreements have been arrived at after arm's length negotiations between the Company and the Placing Agent and are the respective commercial decisions of the Company and the Placing Agent (having regards to, as far as the Placings are concerned, the size, the current and expected market condition and the time allowed for the Placing Agent to procure Placees or CB Placees (as the case may be). The Directors consider those terms to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Fully Underwritten Placing Shares under the Fully Underwritten Placing Agreement will be allotted and issued pursuant to the Existing Issue Mandate granted to the Directors at the 2006 SGM while (i) the Best Efforts Placing Shares under the Best Efforts Placing Agreement and (ii) the Conversion Shares (which may fall to be allotted and issued by the Company upon exercise of the conversion right attaching to the New Bonds under the New CB Placing Agreement) will be allotted and issued pursuant to the Special Mandate to be sought from the Shareholders at the 2007 SGM.

Assuming that the Fully Underwritten Placing Agreement has been completed whereby all the Fully Underwritten Placing Shares will have been placed, the net proceeds from the Fully Underwritten Placing will be approximately HK\$55.5 million. On the basis that the Best Efforts Placing Agreement has been completed and all the Best Efforts Placing Shares have been successfully placed by the Placing Agent, the net proceeds from the Best Efforts Placing will be approximately HK\$102.7 million. In addition, assuming the New Bonds under the New CB Placing Agreement have been fully and successfully placed by the Placing Agent, the maximum net amount of the New Bonds to be received by the Company will be approximately HK\$195.7 million.

Circular

A circular containing, among other matters, further details of the Cancellation Agreement and the Placing Agreements together with a notice convening the 2007 SGM to consider and (if thought fit) approve, among other matters, the creation and issue of the New Bonds and the grant of the Special Mandate to cover the allotment and issue of the Best Efforts Placing Shares and the Conversion Shares will be despatched to Shareholders in accordance with the Listing Rules.

Suspension and resumption of trading

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 9 July 2007 pending the release of this announcement. The Company has applied to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 12 July 2007.

BACKGROUND

Reference is made to the announcement dated 7 February 2007 issued by the Company in relation to the Original CB Placing Agreement dated 6 February 2007 entered into between the Company and the Placing Agent for the Original CB Placing. According to the Original CB Placing Agreement, unless agreed and extended by relevant parties, the long stop date for the Original CB Placing was 6 July 2007.

In view of the relatively higher initial conversion price of HK\$0.375 under the Original CB Placing Agreement, the Placing Agent could not identify any places for the subscription of the convertible bonds under the Original CB Placing Agreement and in view of the current comparatively better market condition, the Company considers it appropriate to revisit the terms of the Original CB Placing and explore other means of equity financing which would offer a better opportunity to strengthen the capital base of the Group for its future business development.

After due and careful consideration, the Company has reached an agreement with the Placing Agent to:

- (i) terminate the Original CB Placing Agreement by entering into the Cancellation Agreement; and
- (ii) enter into the Placing Agreements (namely, the Fully Underwritten Placing Agreement, the Best Efforts Placing Agreement and the New CB Placing Agreement).

CANCELLATION AGREEMENT

Date : 6 July 2007

Parties : The Company and the Placing Agent

The Placing Agent is Taifook Securities Company Limited. Each of the Placing Agent and its holding company, Taifook Securities Group Limited (whose issued shares are listed on the Main Board of the Stock Exchange with stock code of 665), is an Independent Third Party.

Terms of the Cancellation Agreement : By virtue of the Cancellation Agreement and with effect from the date on which the Cancellation Agreement is entered into:

- (a) the Original CB Placing Agreement is terminated and deemed to be null and void and of no further effect;
- (b) each party to the Original CB Placing Agreement is released and discharged from all its obligations, duties and liabilities (whether accrued before the date of the Cancellation Agreement or otherwise) whatsoever under the Original CB Placing Agreement.

FULLY UNDERWRITTEN PLACING AGREEMENT AND THE BEST EFFORTS PLACING AGREEMENT

The terms of the Fully Underwritten Placing Agreement and the Best Efforts Placing Agreement are broadly identical and are summarised below:

Date : 6 July 2007

Parties : The Company and the Placing Agent

Placees : The Company and the Placing Agent expect that (i) the Fully Underwritten Placing Shares under the Fully-Underwritten Placing Agreement and (ii) the Best Efforts Placing Shares under the Best Efforts Placing Agreement will each be placed to not less than six Placees. The choice of Placees will be solely determined by the Placing Agent (which are expected to be professional, institutional or private investor(s) and none of the Placees will become controlling or substantial Shareholder immediately after the Fully Underwritten Placing and the Best Efforts Placing), subject to the requirements of the Listing Rules.

The Placing Agent has undertaken to use its reasonable endeavours to ensure that each Placee and (where a corporation) whose ultimate beneficial owner will be third parties independent of the Company and its subsidiaries and is/are not connected person(s) (as defined under the Listing Rules) of the Company and its subsidiaries.

Number of Placing Shares : ***Fully Underwritten Placing Agreement***

271,900,000 Shares, which will be placed by the Placing Agent on a fully-underwritten basis (“**Fully Underwritten Placing Shares**”).

The Fully Underwritten Placing Shares represent approximately 19.99% of the Company’s existing issued share capital as at the date of this announcement and approximately 16.66% of its existing issued share capital as enlarged by the Fully Underwritten Placing Shares.

The aggregate nominal value of the 271,900,000 Fully Underwritten Placing Shares (with a par value of HK\$0.01 each) is HK\$2,719,000.

Best Efforts Placing Agreement

A maximum of 500,000,000 Shares, which will be placed by the Placing Agent on a best efforts basis (“**Best Efforts Placing Shares**”).

The Best Efforts Placing Shares represent:

- approximately 36.77% of the Company’s existing issued share capital as at the date of this announcement
- approximately 30.64% of its existing issued share capital as enlarged by the Fully Underwritten Placing Shares
- approximately 23.45% of its existing issued share capital as enlarged by the Fully Underwritten Placing Shares and the Best Efforts Placing Shares

The aggregate nominal value of the 500,000,000 Best Efforts Placing Shares (with a par value of HK\$0.01 each) is HK\$5,000,000.

- Lock-up restriction** : Both the Fully Underwritten Placing Shares and the Best Efforts Placing Shares are not subject to any lock-up restriction.
- Placing Price** : HK\$0.21, which applies to both the Fully Underwritten Placing Shares and the Best Efforts Placing Shares and represents:
- (i) a discount of approximately 12.50% to the closing price of HK\$0.24 per Share as quoted on the Stock Exchange on the Last Trading Day;
 - (ii) a discount of approximately 12.57% to the average closing price of approximately HK\$0.2402 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
 - (iii) a discount of approximately 17.19% to the average closing price of approximately HK\$0.2536 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and
 - (iv) a discount of approximately 33.44% to the audited consolidated net asset value per Share of approximately HK\$0.3155 as at 31 March 2006.

Proceeds : ***Fully Underwritten Placing Agreement***

Assuming that the Fully Underwritten Placing Agreement has been completed whereby all the Fully Underwritten Placing Shares will have been placed, the gross and net proceeds (net of any expenses, which are estimated to be approximately HK\$1.6 million, to be borne by the Company) from the Fully Underwritten Placing will be approximately HK\$57.1 million and approximately HK\$55.5 million respectively.

The net Placing Price for each Fully Underwritten Placing Share will be approximately HK\$0.204.

Best Efforts Placing Agreement

Assuming that the Best Efforts Placing Agreement has been completed and all the Best Efforts Placing Shares have been successfully placed by the Placing Agent, the gross and net proceeds (net of any expenses, which are estimated to be approximately HK\$2.3 million, to be borne by the Company) from the Best Efforts Placing will be approximately HK\$105.0 million and approximately HK\$102.70 million respectively.

The net Placing Price for each Best Efforts Placing Share will be approximately HK\$0.205.

Conditions : ***Fully Underwritten Placing Agreement***

**precedent to
the Fully
Underwritten
Placing**

**Agreement
and the Best
Efforts Placing
Agreement**

The Listing Committee granting the listing of, and permission to deal, in the Fully Underwritten Placing Shares.

If the above condition has not been satisfied on or before 4:00 pm on 20 August 2007 (or such later time and date as may be agreed by the Placing Agent and the Company), the Fully Underwritten Placing Agreement shall lapse.

Best Efforts Placing Agreement

- (1) The Listing Committee granting the listing of, and permission to deal, in the Best Efforts Placing Shares; and
- (2) the passing of ordinary resolution at the 2007 SGM approving the Best Efforts Placing Agreement and the transactions contemplated thereunder and the grant of the Special Mandate to the Directors to cover the allotment and issue of the Best Efforts Placing Shares under the Best Efforts Placing Agreement;

If the above conditions have not been satisfied on or before 4:00 p.m. by the expiry of three months from the date of the 2007 SGM (or such later time and date as may be mutually agreed between the Company and the Placing Agent), the Best Efforts Placing Agreement shall lapse.

Longstop Date : ***Fully Underwritten Placing Agreement***

By no later than 20 August 2007 (or such other later date as the Company and the Placing Agent may mutually agree)

Best Efforts Placing Agreement

By no later than three months from the date of the 2007 SGM (or such later time and date as may be mutually agreed between the Company and the Placing Agent)

The Placing Agent may, however, at liberty and as soon as any Placee(s) being procured, request the Company to complete the Best Efforts Placing in whole or in tranches prior to the longstop date for the Best Efforts Placing Agreement (provided that the number of Best Efforts Placing Shares procured at each tranche at any time shall be in the number of not less than a whole multiple of 50 million Best Efforts Placing Shares).

Completion : *Fully Underwritten Placing Agreement*

Completion is to take place at 4:00 p.m. on the third Business Day after the condition precedent to the Fully Underwritten Placing Agreement has been fulfilled, or such later time and date as may be mutually agreed by the Company and the Placing Agent.

Best Efforts Placing Agreement

Completion is to take place at 4:00 p.m. on the third Business Day after the conditions precedent to the Best Efforts Placing Agreement have been fulfilled or such later time and date as may be agreed by the Company and the Placing Agent.

Placing Commission : *Fully Underwritten Placing Agreement*

A placing commission of 2.5% of the aggregate Placing Price of the Fully Underwritten Placing Shares placed by the Placing Agent and all such costs and fees as the Placing Agent may properly and reasonably incur in connection with the Fully Underwritten Placing.

Best Efforts Placing Agreement

A placing commission of 2% of the aggregate Placing Price of the Best Efforts Placing Shares successfully placed by the Placing Agent and all such costs and fees as the Placing Agent may properly and reasonably incur in connection with the Best Efforts Placing.

The placing commissions were determined after arm's length negotiation between the Company and the Placing Agent by reference to the size, the current and expected market condition and the time allowed for the Placing Agent to procure Places for the Fully Underwritten Placing and the Best Efforts Placing.

Mandates for the issue of the Fully Underwritten Placing Shares and the Best Efforts Placing Shares : *Fully Underwritten Placing Agreement – Issue of Fully Underwritten Placing Shares under Existing Issue Mandate*

The Fully Underwritten Placing Shares will be allotted and issued under the Existing Issue Mandate granted to the Directors to allot issue and deal with additional Shares pursuant to the resolution passed by the Shareholders at the 2006 SGM.

At the time of the 2006 SGM, the total number of issued Shares was 1,359,883,047. The Existing Issue Mandate has not been utilized since it was granted. Accordingly, the maximum number of new Shares which can be issued pursuant to the Existing Issue Mandate is 271,976,609 (representing 20% of the issued share capital of the Company as at the date of the 2006 SGM).

Best Efforts Placing Agreement – Issue of Best Efforts Placing Shares under Special Mandate

Since the balance of new Shares (that is, 76,609 new Shares) which may further be allotted and issued under the Existing Issue Mandate after completion of the Fully Underwritten Placing Agreement is insufficient to cover the allotment and issue of the Best Efforts Placing Shares, the Company proposes to seek the grant of the Special Mandate from the Shareholders at the 2007 SGM to be convened and held by the Company to cover the allotment and issue of, among others, the Best Efforts Placing Shares.

Application for listing : An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Fully Underwritten Placing Shares and the Best Efforts Placing Shares.

The Directors (including the independent non-executive Directors) consider that the terms of the Fully Underwritten Placing Agreement and the Best Efforts Placing Agreement (including the Placing Price and the placing commissions payable to the Placing Agent under the Fully Underwritten Placing Agreement and the Best Efforts Placing Agreement respectively), which were arrived at after arm's length negotiation between the Company and the Placing Agent and are the respective commercial decisions of the Company and the Placing Agent (having regards to the size, the current and expected market condition and the time allowed for the Placing Agent to procure Placees, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

NEW CB PLACING AGREEMENT

Date : 6 July 2007

Parties : The Company and the Placing Agent

CB Placees : The Company and the Placing Agent expect that the New Bonds will be placed to not less than six CB Placees. The choice of CB Placees (which are expected to be professional, institutional or private investor(s) and none of the Placees will become controlling or substantial Shareholder immediately after the conversion in full of the New Bonds under New CB Placing) will be solely determined by the Placing Agent, subject to the requirements of the Listing Rules.

The Placing Agent has undertaken to use its reasonable endeavours to ensure that each CB Placee and (where a corporation) whose ultimate beneficial owner will be third parties independent of the Company and its subsidiaries and is/are not connected person(s) (as defined under the Listing Rules) of the Company and its subsidiaries.

Placing Price : The face value of the principal amount of the New Bonds (up to the maximum principal amount of HK\$200 million)

Conditions precedent to the New CB Placing Agreement :

- (1) the passing of ordinary resolutions by the Shareholders at the 2007 SGM approving, among other matters, the creation and issue of the New Bonds and authorising the Board to allot and issue the Conversion Shares which may fall to be allotted and issued upon the exercise of the conversion right attaching to the New Bonds;
- (2) the Listing Committee of the Stock Exchange having granted listing of and permission to deal in the Conversion Shares;
- (3) none of the warranties having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect; and
- (4) the Board approving and authorizing the execution and completion of, among others, the instrument creating the New Bonds, the creation and issue of the New Bonds and the allotment and issue of the Conversion Shares.

If any of the above conditions precedent to the New CB Placing Agreement has not been satisfied (or as to the conditions under (3) and (4) above being waived by the Placing Agent) on or before 4:00 p.m. by the expiry of three months from the date of the 2007 SGM, or such later time and date as may be mutually agreed between the Company and the Placing Agent, the New CB Placing Agreement shall lapse.

The Board is of the view that it is commercially sensible for and is in the best interests of the Company and the Shareholders to provide a longer longstop date to allow more time for the Placing Agent to locate, select and procure more sophisticated investor(s) for the Company.

Nevertheless, the Placing Agent may at liberty and as soon as any CB Placee(s) being procured, request the Company to complete the New CB Placing in whole or in tranches prior to the longstop date for the New CB Placing Agreement (provided that the principal amount of the New Bonds procured at each tranche at any time shall be made in the principal amount of not less than a whole multiple of HK\$10 million).

Completion : Completion is expected to take place at 4:00 p.m. on the third Business Day after the conditions precedent to the New CB Placing Agreement have been fulfilled, or, as the case may be, waived, or such later date and time as may be mutually agreed between the Company and the Placing Agent.

Placing Commission : A placing commission of 2% of the aggregate placing price of the New Bonds successfully placed by the Placing Agent and all such costs and fees as the Placing Agent may properly and reasonably incur in connection with the New CB Placing Agreement.

The placing commissions were determined after arm's length negotiation between the Company and the Placing Agent by reference to the size of the New CB Placing, the general market condition and the time allowed for the Placing Agent to procure CB Places for the New Bonds.

Application for listing : An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

The Directors (including the independent non-executive Directors) consider that the terms of the New CB Placing Agreement (including the placing price of the New Bonds and the placing commission payable to the Placing Agent under the New CB Placing Agreement), which were arrived at after arm's length negotiation between the Company and the Placing Agent and are the respective commercial decisions of the Company and the Placing Agent (having regards to the size, the current and expected market condition and the time allowed for the Placing Agent to procure CB Places), are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

PRINCIPAL TERMS OF THE NEW BONDS

Issuer : The Company

Principal Amount : Up to a maximum principal amount of HK\$200 million

Conversion Price : HK\$0.25 per Share (subject to adjustment as a result of, among others, consolidation or sub-division of the Shares, the issue of (other than in lieu of a cash dividend) any Shares by the Company credited as fully paid by way of capitalization of profits or reserves (including any share premium account or capital redemption reserve fund), rights issue, grant of share options or warrants), representing:

- (i) a premium of approximately 4.17% over the closing price of HK\$0.24 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (ii) a discount of approximately 1.42 % to the average closing price of approximately HK\$0.2536 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 4.08 % over the average closing price of approximately HK\$0.2402 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iv) a discount of approximately 20.76% to the audited consolidated net asset value per Share of approximately HK\$0.3155 as at 31 March 2006.

Adjustment to conversion : Subject to adjustment provisions which are standard terms of convertible securities of similar type. The adjustment events will arise as a result of certain change in the share capital of the Company including consolidation or sub-division of Shares, capitalization of profits and reserves and capital distribution in cash or specie.

Interest : Nil

Conversion period : The New Bonds may be converted in whole or in part at any time following the date of issue of the New Bonds and up to the maturity date of the New Bonds

Conversion Shares : The Conversion Shares will be issued free from any encumbrances or third party rights of any kind and will rank pari passu in all respects with the existing issued Shares together with all rights to dividends and other distributions declared, made or paid after the relevant registration date of the Conversion Shares concerned.

Full conversion of the Conversion Right attaching to the New Bonds at the Conversion Price will result in up to 800,000,000 new Shares being allotted and issued by the Company.

The Conversion Shares represent:

- approximately 58.83% of the Company's existing issued share capital as at the date of this announcement;
- approximately 49.03% of its existing issued share capital as enlarged by the Fully Underwritten Placing Shares;
- approximately 37.53% of its existing issued share capital as enlarged by the Fully Underwritten Placing Shares and the Best Efforts Placing Shares; and

- approximately 27.29% of its existing issued share capital as enlarged by the Fully Underwritten Placing Shares, the Best Efforts Placing Shares and the Conversion Shares

The aggregate nominal value of the 800,000,000 Conversion Shares (with a par value of HK\$0.01 each) is HK\$8,000,000.

- Maturity Date** : the third anniversary of the Issue Date
- Redemption** : The Company may redeem the whole or part of the New Bonds, at any time during the period commencing from the Issue Date and expiring on the Maturity Date, by giving the Bondholder not less than seven Business Days' prior notice at the redemption amount (which is the principal amount of the outstanding New Bonds).
- Maturity** : The Company shall redeem the outstanding principal amount of the New Bonds which is on the expiry date of three years from the date of issue of the New Bonds or, if such expiry date is not a business day, the next following business day.
- Shares to be issued upon conversion** : The Conversion Shares to be issued upon conversion of the New Bonds will rank pari passu in all respects with the Shares in issue on the date of conversion.
- Voting rights** : The holders of the New Bonds will not have any right to attend or vote at any meetings of the Company by virtue of their being holders of the New Bonds
- Transferability** : The New Bonds may not be assigned or transferred in whole or in part to the connected persons of the Company unless all the requirements under the Listing Rules have been fully complied with to the satisfaction of the Stock Exchange.
- The Company undertakes to the Stock Exchange that it will disclose to the Stock Exchange any dealings in the New Bonds by any connected persons immediately upon the Company becoming aware of it.
- Proceeds** : Based on the placing commission of 2% under the New CB Placing Agreement and assuming the New Bonds have been fully and successfully placed by the Placing Agent, the maximum net amount of the New Bonds to be received by the Company (after deduction of the placing commission) will be approximately HK\$195.7 million.

Application for listing No application will be made for the listing of, or permission to deal in, the New Bonds on the Stock Exchange or any other stock exchange.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares which may fall to be allotted and issued upon exercise of the Conversion Right attaching to the New Bonds.

Special Mandate to issue Conversion Shares In contemplation of the proposed issue of the New Bonds, the Company proposes to seek the grant of the Special Mandate from the Shareholders at the 2007 SGM which is (in addition to the Best Efforts Placing Shares) to extend to and cover the allotment and issue of the Conversion Shares.

The Directors consider that the issue of the New Bonds is an appropriate means of raising additional capital for the Company since it will not have an immediate dilution effect on the shareholding of the shareholders of the Company and on comparatively more favourable terms than bank borrowings given its zero coupon nature.

The Directors consider that the terms of the New CB Placing Agreement, which were arrived at after arm's length negotiations between the Company and the Placing Agent, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

In light of the dilution effect, the Company will:

- (i) make a monthly announcement (the "**Monthly Announcement**") on the website of the Stock Exchange on or before the fifth Business Day following the end of each calendar month and will include the following details in a table form:
 - (a) whether there is any conversion of the New Bonds during the relevant month. If there is a conversion, details thereof including the conversion date, the number of new Shares issued and conversion price for each conversion. If there is no conversion during the relevant month, a negative statement to that effect;
 - (b) the amount of outstanding New Bonds after the conversion, if any;
 - (c) the total number of Shares issued pursuant to other transactions during the relevant month, including Shares pursuant to exercise of options under any share option scheme(s) of the Company; and
 - (d) the total issued share capital of the Company as at the commencing and the last day of the relevant months.

- (ii) In addition to the Monthly Announcement, if the cumulative amount of the Conversion Shares issued pursuant to the conversion of the New Bonds reaches 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the New Bonds (as the case may be) (and thereafter in a multiple of such 5% threshold), the Company will make an announcement on the website of the Stock Exchange including details as stated in (i) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement made by the Company in respect of the New Bonds (as the case may be) up to the date on which the total amount of Shares issued pursuant to the conversion amounted to 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the New Bonds (as the case may be); and
- (iii) If the Company forms the view that any issue of Conversion Shares will trigger the disclosure requirements under Rule 13.09 of the Listing Rules, then the Company is obliged to make such disclosures regardless of the issue of any announcements in relation to the New Bonds as mentioned in (i) and (ii) above.

REASONS FOR THE PLACINGS AND USE OF PROCEEDS

The Company is an investment holding company. The principal subsidiaries of the Company comprise the trading and distribution of electronic products and other merchandise and securities investment and trading.

The Company has been looking for strategic investments that would bring in attractive capital gain to it in medium term. As at the date of this announcement, no such investment nor negotiations for any proposed investment has been identified or entered into by the Company. In all, the Directors consider that the Placings represent a good opportunity to raise capital for the Company and broaden its shareholder base, and the Placings will put the Group in a better position to meet the challenges of the market and take advantage of investment opportunities to broaden its earnings base so as to enhance Shareholders' value.

Subject to completion of the Placings and assuming the Best Efforts Placing Shares and the Convertible Bonds are subscribed for in full, the estimated net proceeds expected to be raised from the Placings is approximately HK\$354 million, after deducting professional fees and all related expenses.

The Company has no specific plans for the use of the estimated net proceeds save for funding the Group's general working capital requirements to support its ongoing operations and expansion and/or finance possible investments should suitable opportunities arise.

Despite the fact that currently the Company has no definite investment targets that may require equity funding, the Directors believe that funding requirement or appropriate investment opportunities may arise at any time and such funding or investment decisions have to be required or made within a short period of time. The Directors consider that the Placings were an ideal opportunity for the raising by the Company of additional capital in that:

- (a) they would offer a good opportunity to raise funds for the Group in view of the current market condition;
- (b) they would enhance the capital base of the Company, thereby giving it greater flexibility in the funding of its existing and future projects and, in the shorter term, will enable the Company to reduce borrowings and enhance its profitability without any interest burden;
- (c) they would increase the shareholders' base of the Company;
- (d) they would increase the marketability of the Shares;
- (e) they would enable the Group to be equipped with the financial flexibility for future business development and investment purposes; and
- (f) a rights issue or open offer would take too long (as far as the legal and regulatory (including registration) requirements are concerned) to arrange when compared with the Placings (which could, subject to the Shareholder's approval at the 2007 SGM (if necessary), take place as soon as the Placees or CP Placees (as the case may be) are procured pursuant to the respective terms of the Fully Underwritten Placing Agreement and the New CB Placing Agreement) and would be much more expensive while the Placings are interest-free and security-free, which is beneficial to the Group's business development.

Accordingly, the Directors are of the opinion that the Placings are fair and reasonable as far as the Company and the Shareholders as a whole are concerned.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

Except for the placing of 226,640,000 Shares by the Company through Celestial Securities Limited (as placing agent) completed on 1 November 2006 whereby the Company raised net proceeds of approximately HK\$72,458,000 (which has been fully utilized as working capital for the Group) as disclosed in the announcement of the Company on 19 October 2006 and the Original CB Placing (which was cancelled as disclosed in this Announcement), the Company has not undertaken any fund raising activities within the 12 months immediately prior to the date of this announcement.

SHARE CAPITAL

As at the date of this announcement, the issued ordinary share capital of the Company is HK\$13,598,830.47 divided into 1,359,883,047 Shares.

IMPACT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming (i) completion of the Placing Agreements and (ii) the Fully Underwritten Placing Shares, the Best Efforts Placing Shares and the New Bonds have been fully subscribed for or (as the case may be) converted in full, the effect on the shareholding structure of the Company upon the allotment and issue of the Fully Underwritten Placing Shares, the Best Efforts Placing Shares and the Conversion Shares are as follows:

Name of Shareholders	Existing shareholders as at the date of this announcement		Assuming completion of the Fully Underwritten Placing Agreement		Assuming completion of the Fully Underwritten Placing Agreement and the Best Efforts Placing Agreement		Assuming completion of the Fully Underwritten Placing Agreement and the Best Efforts Placing Agreement and full conversion of the New Bonds	
	Shares	%	Shares	%	Shares	%	Shares	%
Wong Howard (Note 1)	21,299,000	1.57%	21,299,000	1.31%	21,299,000	1.00%	21,299,000	0.73%
Wong Yat Fat (Note 2)	21,299,000	1.57%	21,299,000	1.31%	21,299,000	1.00%	21,299,000	0.73%
Wu Qing (Note 3)	21,299,000	1.57%	21,299,000	1.31%	21,299,000	1.00%	21,299,000	0.73%
Other public Shareholders	1,295,986,047	95.29%	1,295,986,047	79.41%	1,295,986,047	60.80%	1,295,986,047	44.20%
Placees under Fully Underwritten								
Placing Agreement (Note 4)	–	–	271,900,000	16.66%	271,900,000	12.75%	271,900,000	9.27%
Placees under Best Efforts								
Placing Agreement (Note 4)	–	–	–	–	500,000,000	23.45%	500,000,000	17.05%
Placees under New CB								
Placing Agreement (Note 5)	–	–	–	–	–	–	800,000,000	27.29%
Total	1,359,883,047	100%	1,631,783,047	100%	2,131,783,047	100%	2,931,783,047	100%

Notes:

1. Mr Wong Howard is a Director.
2. Mr Wong Yat Fat is a Director
3. Mr Wu Qing is a Director
4. None of the Placees is expected by the Company to become substantial Shareholder immediately after completion of the Fully Underwritten Placing Agreement and/or the Best Efforts Placing Agreement;
5. None of the CB Placees is expected by the Company to become substantial Shareholder immediately after the conversion in full of the New Bonds under the New CB Placing Agreement.

2007 SGM

The 2007 SGM will be convened and held for the purpose of considering and if thought fit approving:

- (i) the Best Efforts Placing Agreement and the transactions contemplated thereunder;
- (ii) the creation and issue of the New Bonds pursuant to the terms of the New CB Placing Agreement;
- (iii) the allotment and issue of additional new Shares that are required to satisfy (i) the Best Efforts Placing Shares and (ii) the Conversion Shares, which will be allotted and issued under the Special Mandate to be sought from the Shareholders at the 2007 SGM.

A circular containing, among other matters, further details of the Best Efforts Placing and the New CB Placing together with a notice convening the 2007 SGM to consider and (if thought fit) approve, among other matters, the creation and issue of the New Bonds and the grant of the Special Mandate to cover the allotment and issue of the Best Efforts Placing Shares and the Conversion Shares will be despatched to Shareholders as soon as practicable.

TRADING SUSPENSION AND RESUMPTION

Trading in the Shares on the main board of the Stock Exchange was suspended with effect from 9:30 a.m. on Monday, 9 July 2007 at the request of the Company pending the publication of this announcement. The Company has applied to the Stock Exchange for the resumption of trading of Shares with effect from 9:30 a.m. on 12 July 2007.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Best Efforts Placing”	the placing of the Best Efforts Placing Shares through the Placing Agent pursuant to the Best Efforts Placing Agreement
“Best Efforts Placing Agreement”	the conditional placing agreement dated 6 July 2007 entered into between the Company and the Placing Agent in respect of the placing of the Best Efforts Placing Shares on a “best efforts” basis
“Best Efforts Placing Shares”	a maximum of 500,000,000 new Shares to be placed under the Best Efforts Placing Agreement
“Board”	the board of Directors

“Bondholder(s)”	holder(s) of the New Bonds from time to time
“Business Day(s)”	a day (excluding Saturday) on which banks are open for business in Hong Kong
“Cancellation Agreement”	the cancellation agreement dated 6 July 2007 entered into between the Company and the Placing Agent in respect of the termination of the Original CB Placing Agreement;
“CB Placees”	professional, institutional or private investor(s) procured by or on behalf of the Placing Agent to subscribe for any of the New Bonds pursuant to the New CB Placing Agreement
“Company”	139 Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“Conversion Price”	HK\$0.25 per Share
“Conversion Right”	the right of holder(s) of the New Bonds to convert the whole or part of the principal amount of the New Bonds into Conversion Shares subject to the terms and conditions thereof
“Conversion Shares”	new Shares which will fall to be allotted and issued upon exercise of the Conversion Right
“Directors”	the directors of the Company
“Existing Issue Mandate”	the general mandate granted to the Directors at the 2006 SGM to allot, issue and otherwise deal in up to 271,976,609 Shares
“Fully Underwritten Placing”	the placing of the Fully Underwritten Placing Shares through the Placing Agent pursuant to the Fully Underwritten Placing Agreement
“Fully Underwritten Placing Agreement”	the conditional placing agreement dated 6 July 2007 entered into between the Company and the Placing Agent in respect of the placing of the Fully Underwritten Placing Shares on a “fully underwritten” basis
“Fully Underwritten Placing Shares”	an aggregate of 271,900,000 new Shares to be placed under the Fully Underwritten Placing Agreement
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	a party who is independent and is not connected with any of the directors, chief executives or substantial shareholders of the Company or any of its subsidiaries, or their respective associates
“Issue Date”	the date of first allotment and issue of the relevant amount of the New Bonds to the relevant CB Placee(s)
“Last Trading Day”	6 July 2007, being the last trading day of the Shares on the Stock Exchange prior to the suspension of the trading in the Shares on the Stock Exchange pending the release of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the date falling three years after the first allotment and issue of the relevant amount of the New Bonds to the relevant CB Placees
“New Bonds”	the three year zero coupon convertible bonds to be issued by the Company to the CB Placee(s) up to a maximum principal amount of HK\$200,000,000 pursuant to the terms and conditions of the New CB Placing Agreement
“New CB Placing”	the placing of New Bonds through the Placing Agent pursuant to the New CB Placing Agreement
“New CB Placing Agreement”	the conditional placing agreement dated 6 July 2007 entered into between the Company and the Placing Agent in respect of the placing of the New Bonds on a “best efforts” basis;
“Original CB Placing”	the placing of the convertible bonds referred to in the Original CB Placing Agreement through the Placing Agent as originally agreed between the Company and the Placing Agent
“Original CB Placing Agreement”	the conditional placing agreement dated 6 February 2007 entered into between the Company and the Placing Agent in respect of the placing of the convertible bonds originally proposed to be issued by the Company up to a maximum principal amount of HK\$101,962,500 (which has been terminated by virtue of the Cancellation Agreement) as disclosed in the Company’s announcement dated 7 February 2007

“Placees”	any person or entity procured by or on behalf of the Placing Agent to subscribe for any of the Fully Underwritten Placing Shares and the Best Efforts Placing Shares (as the case may be) pursuant to the Fully Underwritten Placing Agreement and the Best Efforts Placing Agreement (as the case may be)
“Placing Price”	HK\$0.21 per Share
“Placings”	the offer by way of private placement of the Fully Underwritten Placing Shares, the Best Efforts Placing Shares and the New Bonds (as the case may be) by or on behalf of the Placing Agent to the selected Placees pursuant to the Fully Underwritten Placing Agreement and the Best Efforts Placing Agreement and CB Placees pursuant to the New CB Placing Agreement (as the case may be)
“Placing Agent”	Taifook Securities Company Limited, a licensed corporation under the SFO to carry on Types 1 (dealing in securities), 3 (leveraged foreign exchange trading) and 4 (advising on securities) regulated activities for the purpose of the SFO, being the placing agent for the Placings
“Placing Agreements”	the Fully Underwritten Placing Agreement, the Best Efforts Placing Agreement and the New CB Placing Agreement collectively
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the existing share capital of the Company
“Shareholder(s)”	holder(s) for the time being of the Share(s)
“Special Mandate”	a special mandate to allot and issue Shares to be sought from the Shareholders at the 2007 SGM to satisfy (i) the Best Efforts Placing Shares and (ii) any new Shares which will fall to be allotted and issued upon conversion of the New Bonds
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“2006 SGM”	the special general meeting of the Company held on 6 December 2006

“2007 SGM” the special general meeting of the Company to be convened and held to consider and (if thought fit) approve, among other matters, the creation and issue of the New Bonds and the grant of the Special Mandate to cover the allotment and issue of the Best Efforts Placing Shares and the Conversion Shares

“%” per cent

By Order of the Board
139 Holdings Limited
Wong Howard
Chairman

Hong Kong, 11 July 2007

As at the date of this announcement, the executive Directors are Mr Wong Howard, Mr Wong Yat Fai and Mr Wu Qing and the independent non-executive Directors are Mr Li Chi Ming, Mr Tung Tat Chiu, Michael and Mr Wan Ngar Yin David.

* *For identification purpose only*