



139 HOLDINGS LIMITED

139 控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 139)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2007

The Board of Directors (the “Board”) of 139 Holdings Limited (the “Company”) announces the annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2007 (the “Year”) together with comparative figures for the previous year as follows:–

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2007

		For the year ended 31 March	
		2007	2006
	Notes	HK\$'000	HK\$'000
Revenue	3		
Electronic products		67,401	29,216
Treasury investment		(45,503)	(18,893)
		<hr/>	<hr/>
		21,898	10,323
		<hr/>	<hr/>
Cost of electronic products sold		(66,782)	(29,308)
Brokerage and commission expenses		(303)	(1,242)
		<hr/>	<hr/>
		(67,085)	(30,550)
		<hr/>	<hr/>
		(45,187)	(20,227)
		<hr/>	<hr/>
Other income and gains	3	1,956	3,246
Selling and distribution costs		(271)	(303)
Administrative expenses		(17,654)	(16,247)
Other operating expenses		(89)	(415)
Gain arising from redemption of convertible notes		755	–
Fair value gains/(losses), net:			
Equity investments at fair value through profit or loss		23,775	(10,096)
Conversion option derivative		(2,062)	(1,479)
Finance costs	4	(23)	(961)
		<hr/>	<hr/>
LOSS BEFORE TAX	5	(38,800)	(46,482)

* For identification purposes only

		For the year ended 31 March	
		2007	2006
	<i>Notes</i>	HK\$'000	HK\$'000
Tax	6	—	—
LOSS FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		(38,800)	(46,482)
DIVIDEND	7	—	—
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– Basic	8	HK(3.16) cents	HK(4.10) cents
– Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET*31 March 2007*

		As at 31 March	
		2007	2006
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		445	403
Prepaid land lease payment		–	–
Convertible notes – loan portion		39,842	12,480
Available-for-sale equity investments		212,669	122,743
		<hr/>	<hr/>
Total non-current assets		252,956	135,626
		<hr/>	<hr/>
CURRENT ASSETS			
Convertible notes – conversion option derivative		2,520	–
Equity investments at fair value through profit or loss	<i>9</i>	118,873	192,558
Inventories	<i>10</i>	2,011	6
Trade and bills receivables	<i>11</i>	10,462	10,235
Prepayments, deposits and other receivables		997	7,985
Pledged time deposits		6,996	6,731
Cash and cash equivalents		48,425	18,780
		<hr/>	<hr/>
Total current assets		190,284	236,295
		<hr/>	<hr/>

		As at 31 March	
		2007	2006
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
CURRENT LIABILITIES			
Trade and bills payables	12	5,866	250
Tax payable		10	363
Other payables and accruals		23,327	7,170
Finance lease payables		69	78
		<hr/>	<hr/>
Total current liabilities		29,272	7,861
		<hr/>	<hr/>
NET CURRENT ASSETS		161,012	228,434
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		413,968	364,060
NON-CURRENT LIABILITIES			
Finance lease payables		–	69
Deferred tax liabilities		9,335	6,471
		<hr/>	<hr/>
Total non-current liabilities		9,335	6,540
		<hr/>	<hr/>
Net assets		404,633	357,520
		<hr/> <hr/>	<hr/> <hr/>
Equity attributable to equity holders of the Company			
Issued capital	13	13,599	11,332
Reserves		391,034	346,188
		<hr/>	<hr/>
Total equity		404,633	357,520
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments and conversion option derivative, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (“HK\$’000”) except when otherwise indicated. These financial statements also comply with applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on

which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The Group has adopted the new and revised HKFRSs, HKAS 21 Amendment “Net Investment in a Foreign Operation”; HKAS 39 Amendment “The Fair Value Option”; HK (IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease”, applicable to these financial statements for the first time for the current year’s financial statements. The adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

2. Segment information

An analysis by principal activity and geographical areas of operation of the Group’s revenue and segment results are summarised as follows:–

(a) Primary reporting format – business segments

Group

	Electronic products		Treasury investment		Corporate & others		Consolidated	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Segment revenue:								
Sales to external customers	67,401	29,216	–	–	–	–	67,401	29,216
Losses from treasury investment	–	–	(45,503)	(18,893)	–	–	(45,503)	(18,893)
Total	67,401	29,216	(45,503)	(18,893)	–	–	21,898	10,323
Segment results	(2,576)	(2,916)	(31,224)	(35,687)	(5,703)	(9,035)	(39,503)	(47,638)
Interest income and unallocated gains							1,397	3,109
Unallocated expenses							(671)	(992)
Finance costs							(23)	(961)
Loss before tax							(38,800)	(46,482)
Tax							–	–
Loss for the year							(38,800)	(46,482)
Assets and liabilities								
Segment assets	19,780	12,835	374,916	338,687	21,454	1,224	416,150	352,746
Unallocated assets							27,090	19,175
Total assets							443,240	371,921
Segment liabilities	10,965	5,447	16,517	120	1,730	2,301	29,212	7,868
Unallocated liabilities							9,395	6,533
Total liabilities							38,607	14,401

(b) Secondary reporting format – geographical segments

Group

	People's Republic of China (the "PRC") (including Hong Kong)		United States of America and Europe		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Electronic products	59,787	27,315	7,614	1,901	67,401	29,216
Treasury investment	(45,503)	(18,893)	–	–	(45,503)	(18,893)
	<u>14,284</u>	<u>8,422</u>	<u>7,614</u>	<u>1,901</u>	<u>21,898</u>	<u>10,323</u>
Other segment information:						
Segment assets	<u>443,240</u>	<u>371,921</u>	<u>–</u>	<u>–</u>	<u>443,240</u>	<u>371,921</u>
Capital expenditure	<u>240</u>	<u>375</u>	<u>–</u>	<u>–</u>	<u>240</u>	<u>375</u>

3. Revenue, other income and gains

	2007 HK\$'000	2006 HK\$'000
<u>Revenue</u>		
Sales of goods	67,401	29,216
Losses on disposal of equity investments at fair value through profit or loss	(53,455)	(24,066)
Dividend income from listed securities	4,171	4,289
Interest income from convertible notes	3,781	884
	<u>21,898</u>	<u>10,323</u>
<u>Other income and gains</u>		
Bank interest income	1,382	1,931
Gain on disposal of subsidiaries	–	1,173
Gain on disposal of items of property, plant and equipment	–	109
Others	574	33
	<u>1,956</u>	<u>3,246</u>

4. Finance costs

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interest on bank overdraft wholly repayable within five years	15	1
Interest on other loans	–	949
Interest on finance lease	8	11
	<u>23</u>	<u>961</u>

5. Loss before Tax

The Group's loss before tax is arrived at after charging/(crediting):–

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Cost of inventories sold	66,782	29,945
Depreciation	198	143
Write-back of provision for inventories	–	(1,232)
	<u> </u>	<u> </u>

6. Tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the Year (2006: Nil). No provision for the PRC corporate income tax has been made as the Group did not generate any assessable profits in Mainland China during the Year (2006: Nil).

7. Dividend

The Board has resolved not to pay any final dividend for the year ended 31 March 2007 (2006: Nil). In addition, no interim dividend was paid for the Year (2006: Nil).

8. Loss per share attributable to ordinary equity holders of the Company

The calculation of basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company for the Year of HK\$38,800,000 (2006: HK\$46,482,000), and the weighted average number of 1,226,382,773 (2006: 1,133,243,047) ordinary shares in issue during the Year.

Diluted loss per share amounts for the years ended 31 March 2007 and 2006 have not been disclosed as no diluting events existed during these years.

9. Equity Investments at fair value through profit or loss

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Listed equity investments in Hong Kong, at fair value	<u>118,873</u>	<u>192,558</u>

10. Inventories

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Raw materials	1,978	–
Finished goods	<u>33</u>	<u>6</u>
	<u>2,011</u>	<u>6</u>

11. Trade and bills receivables

Ageing analysis:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within 1 month	10,102	8,709
1 to 2 months	–	736
2 to 3 months	<u>360</u>	<u>790</u>
	<u>10,462</u>	<u>10,235</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict credit control over its outstanding receivables. Overdue balances are regularly reviewed by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

12. Trade and bills payables

Ageing analysis:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within 1 to 2 months	5,823	210
Over 3 months	43	40
	<u>5,866</u>	<u>250</u>

13. Share capital

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Authorised		
– 60,000,000,000 ordinary shares of HK\$0.01 each	<u>600,000</u>	<u>600,000</u>
Issued and fully paid		
– 1,359,883,047 (2006: 1,133,243,047) ordinary shares of HK\$0.01 each	<u>13,599</u>	<u>11,332</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's revenue for the Year was HK\$21.9 million, representing an increase of HK\$11.6 million or 112% compared with last year. This was mainly attributable to an increase of HK\$38.2 million in sales of electronic products. The loss for the Year was HK\$38.8 million, compared to the loss of HK\$46.5 million last year. Loss per share for the Year decreased to HK3.16 cents (2006: HK4.1 cents). The Group's loss for the Year was primarily attributable to a net loss of HK\$31.2 million in treasury investment.

During the Year, the Group continued to put efforts in broadening the product range of electronic products trading, and strengthening its after-sales services and value-added services. Through the collaboration with business partners and active participation in trade fairs, the Group recorded an increase in sales revenue over the Year.

The sales of electronic products trading increased by HK\$38.2 million or 131% to HK\$67.4 million for the Year. The increase in revenue was mainly due to the sales orders for the trading of some new electronic products. With the strict cost control and the contributions from these new electronic products, the operating loss for the electronic products trading was reduced to HK\$2.6 million.

The Group continued to utilise its available funds in treasury investment. During the Year, this segment incurred a net loss of HK\$31.2 million.

In order to tap into the growing Mainland China energy market, on 1 November 2006 the Group entered into an agreement for investment in a methanol refinery project at Inner Mongolia in Mainland China. Details of this investment were disclosed in the Company's announcements dated 19 October 2006 and 2 November 2006 respectively.

Due to a delay on the vendor's part in obtaining adequate financing to fund the capital requirement of the project, the Group decided to terminate this transaction on 12 April 2007. Details of the termination were disclosed in the Company's announcement dated 12 April 2007. Despite the termination of this transaction, the Group still maintains strong confidence in the growth of Mainland China energy business and will look for favorable investment opportunities in Mainland China.

Prospects

Looking ahead, the Group will continue to pursue its prudent investment strategies to explore investment opportunities for diversifying its existing business and revenues. The Group anticipated that the fast economic growth in Mainland China will continue and create many investment opportunities, in particular in the energy business. The Group will be on the alert for suitable investment opportunities and is poised to take hold of these opportunities for growth of new businesses.

Financial Review

The Group's revenue for the Year was HK\$21.9 million, representing an increase of HK\$11.6 million or 112% compared with last year. The Group's revenue principally comprised the sales of electronic products of HK\$67.4 million and the loss of HK\$45.5 million from treasury investment. During the Year, the revenue from electronic products increased by HK\$38.2 million or 131% to HK\$67.4 million.

The loss for the Year was HK\$38.8 million, compared to the loss of HK\$46.5 million last year. As at 31 March 2007, the Group's net asset value increased by HK\$47.1 million or 13.2% to HK\$404.6 million. This was mainly due to the placement of new shares and an increase of HK\$13.5 million in investment reserve. The Group maintained a sound financial position in terms of strong liquidity and nil debt burden.

Liquidity and Financial Resources

During the Year, the Group generally financed its operation with internally generated cash flow and banking facilities and placing of new shares. The Group's bank and short-term deposits as at 31 March 2007 increased to HK\$55.4 million (at 31 March 2006: HK\$25.5 million). The increase was mainly due to the placement of new shares for the amount of HK\$72.6 million during the Year.

As at 31 March 2007, the Group had no bank overdrafts, short and long term interest-bearing bank borrowings (at 31 March 2006: Nil).

As at 31 March 2007, the Group's current ratio was 6.5 times (at 31 March 2006: 30.1 times) based on current assets of HK\$190.3 million (at 31 March 2006: HK\$236.3 million) and current liabilities of HK\$29.3 million (at 31 March 2006: HK\$7.9 million).

As at 31 March 2007, the Group had no contingent liabilities or material commitments for the purchase of property, plant and equipment.

Capital Structure

As at 31 March 2007, the Group's gearing ratio, being the total finance lease payables to net worth was 0.02% (31 March 2006: 0.04%).

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 risks exposed to the Group is minimal.

On 17 October 2006, the Company entered into an agreement with a placing agent for placement of 226,640,000 new shares at HK\$0.325 per share. The 226,640,000 placing shares represented approximately 20% of the then issued share capital of the Company prior to such placing. The net proceeds from the placing of approximately HK\$72.6 million was used as additional working capital for the Group.

On 6 February 2007, the Company entered into the CB placing agreement with a placing agent for the placing of the Convertible Bonds, on the best efforts basis, up to a total maximum principal amount of HK\$101.96 million at the conversion price of HK\$0.375 per share. The 271,900,000 conversion shares represented approximately 20% of the then issued share capital of the Company. The net proceeds from the placing of approximately HK\$99.92 million was intended to be used to finance the new investment opportunities and general working capital for the Group. On 6 July 2007, in view of the current market condition, the Group reached an agreement with the placing agent to cancel the CB placing agreement.

Post Balance Sheet Event

Apart from the cancellation of the methanol refinery project at Inner Mongolia as mentioned above, on 6 July 2007, the Company entered into an agreement with the placing agent to (i) cancel the CB placing agreement dated 6 February 2007 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).

Subject to the completion of placings and assuming the best efforts placing shares and the convertible bonds are subscribed for in full, the estimated net proceeds from the placings is approximately HK\$354 million. The net proceeds will be used as working capital to support the Group's ongoing operation and expansion and/or finance possible investments should suitable opportunities arise. Details of the above transactions were disclosed in the Company's announcement dated 11 July 2007.

Significant Investments

As at 31 March 2007, the Group had convertible notes issued by a company listed on The Stock Exchange of Hong Kong Limited with fair value amount of HK\$42.4 million. The interest income for the Year was HK\$3.8 million.

As at 31 March 2007, the Group maintained a portfolio of equity investments (including available-for-sales equity investments and equity investments at fair value through profit or loss) with total carrying amount of HK\$331.5 million. The related dividend income for the Year was HK\$4.2 million.

Details of Charges on Assets

As at 31 March 2007, a fixed deposit of HK\$7.0 million (2006: HK\$6.7 million) was pledged to secure banking facilities granted to the Group.

Material Acquisitions and Disposals

During the Year, the Company had no material acquisition and disposal of subsidiaries and associate.

Employment, Training and Development

As at 31 March 2007, the Group had a total of 44 employees of which 21 based in Hong Kong and 23 based in Mainland China. The Group is committed to staff training and development and structured training programs for all employees.

Remuneration packages are maintained at a competitive level and reviewed on a periodic basis. Bonuses and share options are awarded to certain employees according to the individual performance and industry practice.

Share Option Scheme

The Company currently operates a share option scheme (the “Scheme”) adopted on 27 August 2003 for the purpose of providing incentives and rewards to eligible participants (including but not limited to the directors and employees of the Group) who contribute to the success of the Group’s operations. No share options of the Company have been granted under the Scheme since its adoption.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 23 August 2007 to Tuesday, 28 August 2007 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the annual general meeting of the Company to be held on Tuesday, 28 August 2007, unregistered holders of shares of the Company should ensure that all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company’s Share Registrar in Hong Kong, Tengis Limited at

26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 22 August 2007.

CODE ON CORPORATE GOVERNANCE PRACTICE

In the opinion of the directors of the Company, the Company has complied with the code provisions set out in Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the Year except that there is no separation of the roles of chairman and chief executive officer as specified in the code provision A.2.1 of the CG Code. Mr. Wong Howard, an executive director of the Company, has been appointed as the chairman of the Company with effect from 15 December 2005 and hence currently assumes the roles of both the chairman and the chief executive officer of the Company. The Board believes that this structure provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies. As such, it is beneficial to the business prospects of the Company.

The Audit Committee meets at least twice a year to monitor and review the integrity and effectiveness of the Company's financial report. The Audit Committee has met with the external auditors of the Company, Messrs. Ernst & Young, to review the accounting principles and practices adopted by the Group and the annual results of the Group for the year ended 31 March 2007. The Audit Committee has also discussed auditing, financial and internal control, and financial reporting matters of the Company. The Audit Committee comprises three members, Mr. Tung Tat Chiu, Michael (Chairman of the Audit Committee), Mr. Li Chi Ming and Mr. Wan Ngar Yin, David who are independent non-executive directors of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

DIRECTORS OF THE COMPANY

As at the date hereof, the Company's executive directors are Mr. Wong Howard, Mr. Wong Yat Fai, and Mr. Wu Qing 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
Chairman of the Board

Hong Kong, 20 July 2007