



**139 HOLDINGS LIMITED** (Note)

**139 控股有限公司\***

(Incorporated in Bermuda with limited liability)

(Stock Code: 139)

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007**

The Board of Directors (the “Board”) of 139 Holdings Limited (the “Company”) is pleased to announce the unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2007 (the “Period”) together with comparative figures for the corresponding previous period as follows:–

**CONDENSED CONSOLIDATED INCOME STATEMENT**

		<b>For the six months ended 30 September</b>	
		<b>2007</b>	<b>2006</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>REVENUE</b>	2		
Electronic products		44,436	32,353
Treasury investment		<u>(26,425)</u>	<u>8,885</u>
		18,011	41,238
Cost of electronic products sold		<u>(42,936)</u>	<u>(32,142)</u>
Brokerage and commission expenses		<u>(1,235)</u>	<u>(84)</u>
		<u>(44,171)</u>	<u>(32,226)</u>
		<u>(26,160)</u>	<u>9,012</u>
Other income and gains	3	119,382	569
Selling and distribution costs		(124)	(208)
Administrative expenses		(25,273)	(7,730)
Other operating expenses		(18)	(40)
Fair value gains/(losses), net:			
Equity investments at fair value through profit or loss		(64,732)	(68,811)
Conversion option derivative		–	339
Finance costs	5	<u>(3)</u>	<u>(18)</u>
<b>PROFIT/(LOSS) BEFORE TAX</b>	4	<b>3,072</b>	<b>(66,887)</b>
Tax	6	<u>–</u>	<u>–</u>
<b>PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>		<b><u>3,072</u></b>	<b><u>(66,887)</u></b>
<b>DIVIDEND</b>	7	<u>–</u>	<u>–</u>
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	8		
<b>Basic</b>		<b><u>HK0.21cent</u></b>	<b><u>HK(5.90)cents</u></b>
<b>Diluted</b>		<b><u>N/A</u></b>	<b><u>N/A</u></b>

## CONDENSED CONSOLIDATED BALANCE SHEET

		30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		394	445
Prepaid land lease payment		–	–
Convertible notes – loan portion		40,465	39,842
Available-for-sale equity investments		69,718	212,669
		<hr/>	<hr/>
Total non-current assets		110,577	252,956
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Convertible notes – Conversion option derivative		2,520	2,520
Equity investments at fair value through profit or loss	9	187,304	118,873
Inventories	10	30	2,011
Trade and bills receivables	11	3,299	10,462
Prepayments, deposits and other receivables		44,880	997
Pledged time deposits		7,149	6,996
Cash and cash equivalents		57,020	48,425
		<hr/>	<hr/>
Total current assets		302,202	190,284
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	12	2,267	5,866
Tax payable		10	10
Other payables and accruals		7,634	23,327
Finance lease payables		28	69
		<hr/>	<hr/>
Total current liabilities		9,939	29,272
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		292,263	161,012
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		402,840	413,968
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		976	9,335
		<hr/>	<hr/>
Net assets		401,864	404,633
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>			
Issued capital	13	16,318	13,599
Reserves		385,546	391,034
		<hr/>	<hr/>
Total equity		401,864	404,633
		<hr/> <hr/>	<hr/> <hr/>

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. Basis of preparation and 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 Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The accounting policies and basis of preparation used in the preparation of these unaudited condensed consolidated 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 2007 except for the adoption of the following amendment mandatory for accounting periods beginning on or after 1 January 2007:–

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The Group has assessed the impact of the adoption of the above new and revised Hong Kong Financial Reporting Standards and concluded that there was no significant impact on the Group's results and financial position.

## 2. Revenue and segmental information

### (a) Primary reporting format – business segments:–

For the management purpose, the Group is currently organised in three operating divisions – electronic products, treasury investment and corporate & others. An analysis of the Group's revenue and results by business segments for the Period and the corresponding previous period is as follows:

	Electronic products		Treasury investment		Corporate & others		Consolidated	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
<b>Segment Revenue:</b>								
Sales to external customers	44,436	32,353	–	–	–	–	44,436	32,353
Gains/(losses) from treasury investment	–	–	(26,425)	8,885	–	–	(26,425)	8,885
<b>Total</b>	<b>44,436</b>	<b>32,353</b>	<b>(26,425)</b>	<b>8,885</b>	<b>–</b>	<b>–</b>	<b>18,011</b>	<b>41,238</b>
<b>Segment results</b>	<b>76</b>	<b>(1,381)</b>	<b>20,167</b>	<b>(61,780)</b>	<b>(18,940)</b>	<b>(3,894)</b>	<b>1,303</b>	<b>(67,055)</b>
Interest income and unallocated gains							1,971	370
Unallocated expenses							(199)	(184)
Finance costs							(3)	(18)
Profit/(loss) before tax							3,072	(66,887)
Tax							–	–
Profit/(loss) for the period							3,072	(66,887)

(b) Secondary reporting format – geographical segments:–

An analysis of the Group's revenue by geographical segments for the Period and the corresponding previous period is as follows:–

	The People's Republic of China (Including Hong Kong)		United States of America and Europe		Consolidated	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
<b>Segment Revenue:</b>						
Electronic products	19,407	28,250	25,029	4,103	44,436	32,353
Treasury investment	(26,425)	8,885	–	–	(26,425)	8,885
	<u>(7,018)</u>	<u>37,135</u>	<u>25,029</u>	<u>4,103</u>	<u>18,011</u>	<u>41,238</u>

3. Other income and gains

	For the six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Bank interest income	1,955	363
Gain on disposal of available-for-sale equity investments	117,302	–
Gain on disposal of items of property, plant and equipment	5	–
Others	120	206
	<u>119,382</u>	<u>569</u>

4. Profit/(loss) before tax

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

	For the six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Depreciation	<u>110</u>	<u>92</u>

## 5. Finance costs

	For the six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank overdrafts wholly repayable within five years	1	13
Interest on finance lease	2	5
	<hr/>	<hr/>
	3	18
	<hr/> <hr/>	<hr/> <hr/>

## 6. Tax

No Hong Kong profits tax has been provided during the Period (2006: Nil) as the Group did not derive any assessable profit attributable to its operation in Hong Kong.

No provision for tax in the Mainland China has been made during the Period (2006: Nil) since no assessable profit has been generated by the subsidiaries operating in the Mainland China.

## 7. Dividend

The Board has resolved not to pay any interim dividend for the six months ended 30 September 2007 (2006: Nil).

## 8. Earnings/(loss) per share attributable to ordinary equity holders of the Company

The calculation of basic earnings/(loss) per share amounts is based on the profit for the Period attributable to ordinary equity holders of the Company of HK\$3,072,000 (2006: loss of HK\$66,887,000) and the weighted average number of 1,457,945,342 (2006: 1,133,243,047 ordinary shares).

Diluted earnings per share for the period ended 30 September 2007 has not been shown as the share options outstanding during this period had an anti-dilutive effect on the basic earnings per share for this period.

Diluted loss per share for the period ended 30 September 2006 has not been shown as there were no dilutive events during this period.

## 9. Equity investments at fair value through profit or loss

	At 30 September 2007 (Unaudited) HK\$'000	At 31 March 2007 (Audited) HK\$'000
Listed equity investments in Hong Kong, at fair value	187,304	118,873
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## 10. Inventories

	At 30 September 2007 (Unaudited) HK\$'000	At 31 March 2007 (Audited) HK\$'000
Finished goods	<u>30</u>	<u>2,011</u>

## 11. Trade and bills receivables

	At 30 September 2007 (Unaudited) HK\$'000	At 31 March 2007 (Audited) HK\$'000
Trade receivables	3,299	10,320
Bills receivables	<u>–</u>	<u>142</u>
	<u>3,299</u>	<u>10,462</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 control over its outstanding receivables. Overdue balances are regularly reviewed by senior management. In view of the aforementioned policy and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

Ageing analysis:

	At 30 September 2007 (Unaudited) HK\$'000	At 31 March 2007 (Audited) HK\$'000
Within 1 month	2,333	10,102
1 to 2 months	607	–
2 to 3 months	<u>359</u>	<u>360</u>
	<u>3,299</u>	<u>10,462</u>

## 12. Trade and bills payables

Ageing analysis:

	At 30 September 2007 (Unaudited) <i>HK\$'000</i>	At 31 March 2007 (Audited) <i>HK\$'000</i>
Within 1 to 2 months	2,224	5,823
Over 3 months	43	43
	<u>2,267</u>	<u>5,866</u>

## 13. Share capital

	At 30 September 2007 (Unaudited) <i>HK\$'000</i>	At 31 March 2007 (Audited) <i>HK\$'000</i>
<b>Authorised</b>		
– 60,000,000,000 ordinary shares of HK\$0.01 each	<u>600,000</u>	<u>600,000</u>
<b>Issued and fully paid</b>		
– 1,631,783,047 (31 March 2007:1,359,883,047) ordinary shares of HK\$0.01 each	<u>16,318</u>	<u>13,599</u>

The Company entered into a placing agreement with placing agent on 6 July 2007, for the subscription of 271,900,000 new shares of the Company of HK\$0.01 each at a price of HK\$0.21 per share. 271,900,000 shares of HK\$0.01 each of the Company were issued and cash proceeds of HK\$55.7 million, net of share issue expenses of HK\$1,436,000, were received by the Company.

## 14. Related party transactions

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Group's revenue for the Period was HK\$18.0 million, representing a decrease of HK\$23.2 million or 56.3% as compared with the corresponding period of last year. The decrease in revenue was mainly due to the realized loss of HK\$26.4 million on equity investment. The profit for the Period was HK\$3.1 million, compared to the loss of HK\$66.9 million for the corresponding period of last year. Earnings per share for the Period was HK0.21 cent. (2006: loss per share of HK5.9 cents). The Group's profit for the Period was primarily attributable to a profit of HK\$20.2 million in the treasury investment segment.

During the Period, the Group continued to put efforts in the product and market development of the electronic products and the products range extension. As a result, the sales revenue from electronic products trading increased by HK\$12.1 million, or 37.3% to HK\$44.4 million. Coupled with strict cost control, this segment has started to make contributions and recorded a small operating profit of HK\$0.1 million.

The Group continued to utilise its available fund in treasury investment. During the Period, this segment recorded a profit of HK\$20.2 million.

## **Prospects**

With its young population and steady growth in disposable income, Vietnam has emerged as the second fastest growing economy in Asia. The economy of Vietnam is growing rapidly, in particular after joining as one of members of the World Trade Organization in January 2007. As driven by its rapid economic growth, influx of capital and improved standards of living, it will bring numerous investment opportunities across various industries, in particular, in the property and retail, logistics and infrastructure sectors.

In order to establish a foothold in the Vietnam market, the Group has entered into a referral agreement with Golden Resources Development International Limited (a company listed on the Main Board of the Stock Exchange, Stock Code: 677) (“Golden Resources”) to introduce the Company to Vietnam Southern Food Corporation (“Vinafood II”) and a independent third party for exploring business opportunities under Vietnam projects covering the operation of convenience stores and other retail business, provision of logistics services and investment in port infrastructure. Details relating to the above were disclosed in the Company’s announcement dated 8 October 2007.

Through ongoing negotiation under the Vietnam projects, on 13 November 2007, the Group successfully entered into an agreement with Food Company of Ho Chi Minh City, a wholly-owned member of Vinafood II, to established a Joint Venture in Vietnam. The Joint Venture company will be engaged in the operation of convenience stores and other retail and commercial business. Details relating to the above were disclosed in the Company’s announcement dated 14 November 2007.

For the second half of year to come, the Group will continue to negotiate with Vinafood II in exploring other business opportunities under the Vietnam projects. The Board considers that Vietnam projects have considerable growth potential and could bring in new income streams to the Group in the long run.

## **Financial Review**

The Group’s sales revenue for the Period was HK\$18.0 million, representing a decrease of HK\$23.2 million or 56.3% as compared with the corresponding period of last year. The Group’s sales revenue comprising the sales revenue of electronic products trading of HK\$44.4 million and realized loss on equity investment of HK\$26.4 million.



The profit for the Period was HK\$3.1 million, compared to loss of HK\$66.9 million for the corresponding period of last year. As at 30 September 2007, the Group's consolidated net asset value was HK\$401.9 million (at 31 March 2007: HK\$404.6 million). The Group maintained a sound financial position in terms of high assets liquidity and nil debt burden.

### **Liquidity and Financial Resources**

During the Period, the Group generally financed its operations with internally generated cash flow and banking facilities and placing of new shares. The Group's bank and short term deposits as at 30 September 2007 amounted to HK\$64.2 million (at 31 March 2007: HK\$55.4 million). The increase was mainly due to the placement of new shares for the amount of HK\$55.7 million.

As at 30 September 2007, there were no bank overdrafts, short and long term interest-bearing bank borrowings by the Group (at 31 March 2007: Nil).

As at 30 September 2007, the Group's current ratio was 30.4 times (at 31 March 2007: 6.5 times) based on current assets of HK\$302.2 million (at 31 March 2007: HK\$190.3 million) and current liabilities of HK\$9.9 million (at 31 March 2007: HK\$29.3 million).

As at 30 September 2007, the Group had no contingent liabilities or material commitments for the purchase of property, plant and equipment.

### **Capital Structure**

As at 30 September 2007, the Group's gearing ratio, being the total finance lease payables to net worth was 0.01% (31 March 2007: 0.02%).

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

On 6 July 2007, the Company entered into an agreement with a placing agent for placement of 271,900,000 new shares at HK\$0.21 per share. The 271,900,000 placing shares represented approximately 20% of the then issued share capital of the Company. The net proceeds from the placing of approximately HK\$55.7 million were used as additional working capital for the Group.

## **Post Balance Sheet Events**

- (i) On 2 October 2007, the Company and High Super Enterprises Limited (“the Subscriber”), a wholly-owned subsidiary of Golden Resources, entered into a subscription agreement. Under the subscription agreement, the Subscriber agreed to subscribe for 680 million new shares, representing approximately 29.31% of the then enlarged issued share capital of the Company for a total price of HK\$170 million. The new shares subscription was completed on 21 November 2007. Details of the above were disclosed in the Company’s announcement dated 8 October 2007.
- (ii) On 2 October 2007, the Company and Golden Resources also entered into a referral agreement whereby Golden Resources agreed to introduce the Company to a independent third party and Vinafood 11 to explore business opportunities under the Vietnam projects covering the operation of convenience stores, provision of logistics services and investment in the Saigon Port. Details of the above were disclosed in the Company’s announcement dated 8 October 2007.
- (iii) On 12 October 2007, the best efforts placing agreement was completed and a total of 500,000,000 best efforts placing shares of the Company were allotted and issued. The net proceeds from such placing were approximately HK\$102.9 million.
- (iv) On 13 November 2007, the Group entered into an agreement with Food Company of Ho Chi Minh City to establish a Joint Venture company in Vietnam. The Joint Venture company will be principally engaged in the operation of convenience stores, and other retail and commercial business. Details of the above were disclosed in the Company’s announcement dated 14 November 2007.
- (v) On 16 November 2007, the three-years HK\$200 million zero coupon convertible bonds agreement was completed. Details relating to the above were disclosed in the Company’s announcement dated 11 July 2007.

## **Significant Investments**

As at 30 September 2007, the Group had convertible notes issued by a listed company on the Stock Exchange with carrying amount of HK\$43.0 million. The related interest for the Period was HK\$0.6 million.

As at 30 September 2007, the Group maintained a portfolio of equity investments (including available-for-sale equity investments and equity investments at fair value through profit or loss) with total carrying amount of HK\$257.0 million. The related dividend income for the Period was HK\$3.5 million.

## **Details of Charges on Assets**

As at 30 September 2007, a fixed deposit of HK\$7.1 million (2006: HK\$6.9 million) were pledged to secure banking facilities granted to the Group.

## **Material Acquisitions and Disposals**

During the Period, the Company had no other material acquisitions and disposals of subsidiaries or associates.

## **Employment, Training and Development**

As at 30 September 2007, the Group had a total of 42 employees of which 20 were based in Hong Kong and 22 based in Mainland China. The Group has committed itself to staff development and structured training programs for all employees.

Remuneration packages are maintained at a 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.

## **CORPORATE GOVERNANCE**

The Board is committed to maintaining good corporate governance, consistently enhancing transparency and effective accountability in order to maximize shareholders' benefit. Detailed disclosure of the Company's corporate governance practices was stated in its last published Annual Report for the year ended 31 March 2007.

The Company has complied with the code provisions set out in Code on Corporate Governance Practices (the "CG Code") in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2007 except 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 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.

## **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 meets at least twice a year to monitor and review the integrity and effectiveness of the Company's financial report. The Audit Committee has reviewed the Company's unaudited consolidated interim financial statements for the six months ended 30 September 2007 and 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, all of whom are independent non-executive directors of the Company.

## **DIRECTORS OF THE COMPANY**

As at the date hereof, the executive directors of the Company are Mr. Wong Howard, Mr. Wong Yat Fai, Mr. Wu Qing and Mr. Lam Sai Ho, Anthony 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*

Hong Kong, 7 December 2007

*Note:* At the special general meeting of the Company held on 19 November 2007, a special resolution was passed to approve the change of the English Company name to “GR Vietnam Holdings Limited”, subject to the approval of the Registrar of Companies in Bermuda, and the adoption of “越南控股有限公司” as the Chinese Company name for identification purposes. The said change of the English Company name was approved by the Registrar of Companies in Bermuda on 26 November 2007.

\* *For identification purposes only*