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If you have sold or transferred all your shares in 139 Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of 139 Holdings Limited.



139 Holdings Limited
(139 控股有限公司)*

(incorporated in Bermuda with limited liability)

(Stock Code: 139)

(A) PROPOSED PLACING OF NEW SHARES
(B) PROPOSED ISSUE AND PLACING OF THE
THREE-YEAR HK\$200 MILLION ZERO COUPON CONVERTIBLE BONDS
(C) PROPOSED GRANT OF SPECIAL MANDATE
AND
(D) NOTICE OF SPECIAL GENERAL MEETING

A notice convening a special general meeting (“**Special General Meeting**”) of 139 Holdings Limited to be held at Falcon Room I, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong at 9:30 a.m. on Wednesday, 15 August 2007 is set out on pages 22 and 24 of this circular. Whether or not you intend to attend the Special General Meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company’s branch share registrar and transfer office in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the Special General Meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the Special General Meeting or any adjournment thereof should you so wish.

* *For identification purposes only*

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 11 July 2007 relating to, among other matters, the Best Efforts Placing Agreement, the CB Placing Agreement, the creation and issue of the Convertible Bonds and the grant of the Special Mandate
“Associates”	has the meaning ascribed to it under the Listing Rules
“Best Efforts Placing”	the placing of the Best Efforts Placing Shares through the Placing Agent on a “best efforts basis” 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 Best Efforts Placing
“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”	the holder of the Convertible Bonds
“Business Day”	any day (excluding Saturday) on which licensed banks are open for business in Hong Kong
“Bye-laws”	the bye-laws of the Company, as amended from time to time
“CB Placees”	the professional, institutional or private investor(s) procured or to be procured by or on behalf of the Placing Agent to subscribe for any of the Convertible Bonds pursuant to the CB Placing Agreement
“CB Placing”	the placing of the Convertible Bonds through the Placing Agent on a “best efforts” basis pursuant to the CB Placing Agreement
“CB Placing Agreement”	the conditional placing agreement dated 6 July 2007 entered into between the Company and the Placing Agent in respect of the CB Placing
“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

DEFINITIONS

“Convertible Bonds”	the three-year zero coupon convertible bonds to be issued by the Company to the CB Placees up to a maximum principal amount of HK\$200,000,000 pursuant to the terms and conditions of the CB Placing Agreement
“Conversion Shares”	new Shares which may fall to be allotted and issued upon conversion of the Convertible Bonds
“Directors”	the directors of the Company
“Existing General Mandate”	the general mandate granted to the Directors at the 2006 SGM to allot, issue or otherwise deal in up to 271,976,609 Shares
“Fully Underwritten Placing Agreement”	the placing agreement dated 6 July 2007 entered into between the Company and the Placing Agent in respect of the placing, on a fully underwritten basis, of the Fully Underwritten Placing Shares as disclosed in the Announcement (which was completed on 26 July 2007)
“Fully Underwritten Placing Shares”	an aggregate of 271,900,000 new Shares placed under the Fully Underwritten Placing Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	a party who is independent of 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 issue of the relevant amount of the Convertible 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 trading in the Shares on the Stock Exchange pending the release of the Announcement
“Latest Practicable Date”	26 July 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the date falling three years after the Issue Date
“Placees”	any person or entity procured by or on behalf of the Placing Agent to subscribe for any of the Best Efforts Placing Shares pursuant to the Best Efforts Placing Agreement
“Placings”	the offer by way of private placement of (i) the Best Efforts Placing Shares to selected Placees pursuant to the Best Efforts Placing Agreement and (ii) the Convertible Bonds to selected CB Placees pursuant to the CB Placing Agreement by or on behalf of the Placing Agent
“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
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shares(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) for the time being of the Share(s)
“Special Mandate”	a special mandate to allot, issue or otherwise deal in additional Shares to be sought from the Shareholders at the 2007 SGM to satisfy the allotment and issue of (i) the Best Efforts Placing Shares (or to the extent necessary) under the Best Efforts Placing Agreement and (ii) any Conversion Shares which may fall to be allotted and issued upon exercise of the conversion right attaching to the Convertible Bonds (or to the extent necessary) under the CP Placing Agreement and upon the terms of the Convertible Bonds
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“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 for the purpose of considering and (if thought fit) approving the SGM Matters, a notice of which is set out on pages 22 to 24 of this circular, or any adjournment thereof
“2007 SGM Matters”	The proposals relating to (i) the placing of the Best Efforts Placing Shares pursuant to the Best Efforts Placing Agreement; (ii) the issue and placing of the Convertible Bonds pursuant to the CB Placing Agreement; and (iii) the grant of the Special Mandate
“%”	per cent.

LETTER FROM THE BOARD



139 Holdings Limited
(139 控股有限公司)*

(incorporated in Bermuda with limited liability)

(Stock Code: 139)

Executive Directors:

Wong Howard (*Chairman and Chief Executive Officer*)

Wong Yat Fai

Wu Qing

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent Non-executive Directors:

Li Chi Ming

Tung Tat Chiu, Michael

Wan Ngar Yin, David

*Principal place of business
in Hong Kong:*

Room 1603-5

Harcourt House

39 Gloucester Road

Wanchai

Hong Kong

27 July 2007

To the Shareholders

Dear Sir/Madam

(A) PROPOSED PLACING OF NEW SHARES

**(B) PROPOSED ISSUE AND PLACING OF THE THREE-YEAR HK\$200
MILLION ZERO COUPON CONVERTIBLE BONDS**

(C) PROPOSED GRANT OF SPECIAL MANDATE

I. INTRODUCTION

Reference is made to the Announcement relating to, among other matters, the Best Efforts Placing Agreement, the CB Placing Agreement, the creation and issue of the Convertible Bonds and the seeking of the grant of the Special Mandate which are the subject transactions to be put forward to the Shareholders for consideration at the 2007 SGM.

The purpose of this circular is to give you further details of, and to convene the 2007 SGM to consider and, if thought fit, approve the 2007 SGM Matters.

* *For identification purposes only*

LETTER FROM THE BOARD

II. BEST EFFORTS PLACING AGREEMENT

- Date** : 6 July 2007
- Parties** : The Company and the Placing Agent
- Placees** : The Company and the Placing Agent expect that the Best Efforts Placing Shares under the Best Efforts Placing Agreement will 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 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 Independent Third Parties.

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

The Best Efforts Placing Shares represent:

- approximately 30.64% of the Company’s existing issued share capital of the Company;
- approximately 23.45% of the Company’s existing issued share capital as enlarged by 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** : The Best Efforts Placing Shares are not subject to any lock-up restriction.

LETTER FROM THE BOARD

- Placing Price** : HK\$0.21, which 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 and including the Last Trading Day;
 - (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; and
 - (v) a discount of approximately 41.6% to the closing price of HK\$0.3600 per Share as quoted on the Stock Exchange on 25 July 2007, being the day immediately prior to the Latest Practicable Date.

Proceeds : Assuming that the Best Efforts Placing Agreement has been completed and the Best Efforts Placing Shares have been successfully placed by the Placing Agent in full, 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\$102.7 million respectively.

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

LETTER FROM THE BOARD

- Conditions precedent to the 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, among others, 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** : 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** : 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** : 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 commission was 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 Placees for the Best Efforts Placing.

LETTER FROM THE BOARD

Mandates for the issue of the Best Efforts Placing Shares : In contemplation of the proposed allotment and issue of the Best Efforts Placing Shares (or to the extent necessary), the Company proposes to seek the grant of the Special Mandate from the Shareholders at the 2007 SGM, the details of which are set out in the paragraph headed “Special Mandate” below.

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 Best Efforts Placing Shares.

The Directors (including the independent non-executive Directors) consider that the terms of the Best Efforts Placing Agreement (including the placing price of the Best Efforts Placing Shares and the placing commission payable to the Placing Agent under the Best Efforts 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 Placees), are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Further announcement will be made by the Company upon completion of the Best Efforts Placing Agreement.

III. 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 Convertible 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 Convertible Bonds under 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 Independent Third Parties.

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

LETTER FROM THE BOARD

- 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 Convertible 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 Convertible Bonds;
 - (2) the Listing Committee of the Stock Exchange having granted the 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 Convertible Bonds, the creation and issue of the Convertible Bonds and the allotment and issue of the Conversion Shares.

If any of the above conditions precedent to the 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 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 CB Placing in whole or in tranches prior to the longstop date for the CB Placing Agreement (provided that the principal amount of the Convertible 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).

LETTER FROM THE BOARD

Completion : Completion is expected to take place at 4:00 p.m. on the third Business Day after the conditions precedent to the 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 Convertible 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 CB Placing Agreement.

The placing commission was determined after arm's length negotiation between the Company and the Placing Agent by reference to the size of the CB Placing, the general market condition and the time allowed for the Placing Agent to procure CB Places for the Convertible 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 CB Placing Agreement (including the placing price of the Convertible Bonds and the placing commission payable to the Placing Agent under the 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.

Further announcement will be made by the Company upon completion of the CB Placing Agreement.

LETTER FROM THE BOARD

IV. PRINCIPAL TERMS OF THE CONVERTIBLE 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;
 - (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; and
 - (v) a discount of approximately 30.56% to the closing price of approximately HK\$0.3600 as at 25 July 2007, being the day immediately prior to the Latest Practicable Date.
- 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

LETTER FROM THE BOARD

Conversion period : The Convertible Bonds may be converted in whole or in part at any time following the date of issue of the Convertible Bonds and up to the maturity date of the Convertible 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 Convertible 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 49.03% of the existing issued share capital of the Company;
- approximately 37.53% of the existing issued share capital of the Company as enlarged by the Best Efforts Placing Shares; and
- approximately 27.29% of its existing issued share capital as enlarged by 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 Convertible 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 Convertible Bonds).

Maturity : The Company shall redeem the outstanding principal amount of the Convertible Bonds which is on the expiry date of three years from the date of issue of the Convertible Bonds or, if such expiry date is not a Business Day, the next following Business Day.

LETTER FROM THE BOARD

Shares to be issued upon conversion : The Conversion Shares to be issued upon conversion of the Convertible Bonds will rank pari passu in all respects with the Shares in issue on the date of conversion.

Voting rights : The holders of the Convertible Bonds will not have any right to attend or vote at any meetings of the Company by virtue of their being holders of the Convertible Bonds.

Transfer-ability : The Convertible 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 Convertible Bonds by any connected persons immediately upon the Company becoming aware of it.

Proceeds : Based on the placing commission of 2% under the CB Placing Agreement and assuming the Convertible Bonds have been fully and successfully placed by the Placing Agent, the maximum net amount of the Convertible 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 Convertible 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 Convertible Bonds.

Special Mandate to issue Conversion Shares : In contemplation of the proposed issue of the Convertible Bonds and the allotment and issue of Conversion Shares upon the exercise of the conversion right attaching to the Convertible Bonds (or to the extent necessary), the Company proposes to seek the grant of the Special Mandate from the Shareholders at the 2007 SGM, the details of which are set out in the paragraph headed “Special Mandate” below.

The Directors consider that the issue of the Convertible 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 and on comparatively more favourable terms than bank borrowings given its zero coupon nature.

LETTER FROM THE BOARD

The Directors consider that the terms of the 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.

V. UNDERTAKING BY THE COMPANY

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 including the following details in a table form:
 - (a) whether there is any conversion of the Convertible 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 Convertible 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 Convertible 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 Convertible 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 Convertible 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 Convertible 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 Convertible Bonds as mentioned in (i) and (ii) above.

LETTER FROM THE BOARD

VI. 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 circular, 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\$298.4 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

LETTER FROM THE BOARD

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 Best Efforts Placing Agreement and the 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.

VII. IMPACT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming (i) completion of the Placing Agreements, (ii) the Best Efforts Placing Shares and the Convertible Bonds have been fully subscribed for and (iii) the conversion right attaching to the Convertible Bonds have been converted in full, the effect on the shareholding structure of the Company upon the allotment and issue of the Best Efforts Placing Shares and the Conversion Shares are as follows:

Name of Shareholders	Existing shareholders as at the Latest Practicable Date		Assuming completion of the Best Efforts Placing Agreement		Assuming (i) completion of the Best Efforts Placing Agreement and the CB Placing Agreement and (ii) full conversion of the Convertible Bonds	
	Shares	%	Shares	%	Shares	%
Wong Howard (Note 1)	21,299,000	1.31%	21,299,000	1.00%	21,299,000	0.73%
Wong Yat Fat (Note 2)	21,299,000	1.31%	21,299,000	1.00%	21,299,000	0.73%
Wu Qing (Note 3)	21,299,000	1.31%	21,299,000	1.00%	21,299,000	0.73%
Other public Shareholders	1,567,886,047	96.07%	1,567,886,047	73.55%	1,567,886,047	53.47%
Placees under Best Efforts Placing Agreement (Note 4)	–	–	500,000,000	23.45%	500,000,000	17.05%
Placees under CB Placing Agreement (Note 5)	–	–	–	–	800,000,000	27.29%
Total	<u>1,631,783,047</u>	<u>100%</u>	<u>2,131,783,047</u>	<u>100%</u>	<u>2,931,783,047</u>	<u>100%</u>

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 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 Convertible Bonds under the CB Placing Agreement.

LETTER FROM THE BOARD

VIII. SHARE CAPITAL

As at the Latest Practicable Date, the share capital of the Company in issue is HK\$16,317,830.47 comprising 1,631,783,047 Shares.

Save as contemplated under the Best Efforts Placing Agreement and the CB Placing Agreement, none of the members of the Group has granted any options, warrants or other rights to call for the issue of or agreed to issue at any time prior to the Latest Practicable Date any share or loan capital or any instrument convertible into or exchangeable for shares of such capital, and none of the members of the Group is a party to or otherwise bound by any agreement for the purchase or repurchase of shares of any member of the Group.

IX. SPECIAL MANDATE

The Directors were granted the Existing General Mandate at the 2006 SGM to allot, issue and otherwise deal with a maximum of 271,976,609 Shares, representing 20% of the total amount of the issued share capital of the Company of 1,359,883,047 Shares on the date of the 2006 SGM.

Since the date of the 2006 SGM, the Company has utilized a portion of the Existing General Mandate by the allotment and issue of an aggregate of 271,900,000 Shares (representing approximately 99.97% of the Existing General Mandate) for the allotment and issue of the Fully Underwritten Shares upon completion of the Fully Underwritten Placing Agreement on 26 July 2007. As at the Latest Practicable Date, only a total of 76,609 new Shares (representing less than 0.03% of the Existing General Mandate) may further be allotted and issued under the Existing General Mandate.

Since the balance of the Existing Issue Mandate is insufficient to cover (i) the Best Efforts Placing Shares and (ii) the Conversion Shares which may fall to be allotted and issued upon exercise of the conversion right attached to the Convertible Bonds, the Company will seek the grant of a Special Mandate at the 2007 SGM to allot and issue Shares to satisfy, to the extent necessary, the Best Efforts Placing Shares and the Conversion Shares.

X. RECOMMENDATION ON THE 2007 SGM MATTERS

Based on the reasons disclosed above, the Directors (including the independent non-executive Directors) are of the view that (i) the Best Efforts Placing Agreement, (ii) the CB Placing Agreement and the creation and issue of the Convertible Bonds and (iii) the grant of the Special Mandate are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

XI. FUND RAISING ACTIVITIES BY THE COMPANY DURING THE PAST 12 MONTHS

The Company has not undertaken any fund raising activities within the 12 months immediately prior to the Latest Practicable Date other than the following:

- (a) 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;
- (b) the Original CB Placing Agreement referred to in the Announcement which was cancelled as disclosed in the Announcement; and
- (c) the placing of the Fully Underwritten Placing Shares under the Fully Underwritten Placing Agreement as disclosed in the Announcement and completed on 26 July 2007 whereby the Company raised net proceeds of approximately HK\$55.5 million (which has not yet been utilized as at the Latest Practicable Date) and is anticipated to be applied 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. Such intended use of proceeds is consistent with that disclosed in the Announcement.

XII. 2007 SGM

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

- (a) the Best Efforts Placing Agreement;
- (b) the creation and issue of the Convertible Bonds and the placing of the Convertible Bonds under the CB Placing Agreement; and
- (c) the grant of the Special Mandate.

Notice of the 2007 SGM is set out on pages 22 to 24 of this circular.

A form of proxy for use at the 2007 SGM is enclosed with this circular. Whether or not you are able to attend, you are requested to complete and return the enclosed form of proxy, in accordance with the instructions printed thereon and deposit the same with the Company's branch share registrar and transfer office in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

XIII. GENERAL

The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.

XIV. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company and the 2007 SGM Matters. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

Yours faithfully,
By Order of the Board
139 Holdings Limited
Wong Howard
Chairman

PROCEDURES FOR DEMAND A POLL BY SHAREHOLDERS

The following paragraphs set out the procedures by which the Shareholders may demand a poll at a general meeting of the Company pursuant to the Bye-laws.

According to Bye-law 79 of the Bye-laws, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

- (i) the chairman of such meeting; or
- (ii) at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (iv) any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

In addition, in compliance with the Listing Rules, any vote of shareholders at a general meeting will be taken on a poll where:

- (a) the chairman of the general meeting and/or the directors individually or collectively hold proxies in respect of shares representing 5% or more of the total voting rights at the general meeting, and the meeting votes, on a show of hands, in the opposite manner to that instructed in those proxies unless it is apparent from the total proxies held that a vote taken on a poll will not reverse the vote taken on a show of hands;
- (b) the meeting is to approve connected transactions;
- (c) the meeting is to approve transactions that are subject to independent shareholders' approval pursuant to the Listing Rules;
- (d) the meeting is to approve granting of options to a substantial shareholder or an independent non-executive director of the issuer, or any of their respective associates, as required under the Listing Rules; or
- (e) the meeting is to approve any other transactions in which a shareholder has a material interest and is therefore required to abstain from voting at the general meeting.

NOTICE OF THE 2007 SGM



139 Holdings Limited (139 控股有限公司)*

(incorporated in Bermuda with limited liability)

(Stock Code: 139)

NOTICE IS HEREBY GIVEN that a special general meeting (“**Meeting**”) of 139 Holdings Limited (“**Company**”) will be held at Falcon Room I, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong on Wednesday, 15 August 2007 at 9:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following ordinary resolutions:

- (1) “**THAT** the placing agreement (“**Best Efforts Placing Agreement**”) dated 6 July 2007 (a copy of which has been produced to this Meeting marked “A” and initialled by the chairman of the Meeting for the purpose of identification) between the Company and Taifook Securities Company Limited (“**Placing Agent**”) in connection with the offer by the Company by way of private placement through the Placing Agent of a maximum of 500,000,000 new shares of HK\$0.01 each in the capital of the Company on a best effort basis and all the transactions contemplated thereunder and all other matters of and incidental thereto or in connection therewith be and are hereby generally and unconditionally approved, ratified and confirmed in all respects and the directors (“**Directors**”) of the Company be and they are hereby generally and unconditionally authorised to do all such further acts and things and to sign and execute all such other or further documents and to take all such steps which, in the opinion of the Directors, may be necessary, appropriate, desirable or expedient to implement and/or give effect to the terms of, or the transactions contemplated by, the Best Efforts Placing Agreement and to agree to such variation, amendments or waiver or matters relating thereto as are, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole.”

- (2) “**THAT:**
 - (A) the creation and issue by the Company of the three-year zero coupon convertible bonds in the aggregate principal sum of HK\$200 million (“**Convertible Bonds**”), convertible into new shares of HK\$0.01 each (or shares of any class or classes resulting from any sub-division, consolidation or re-classification of such shares) (each, a “**Share**”) in the capital of the Company on the same terms and conditions (“**Bond Conditions**”) contained in the schedule to a placing agreement (“**CB Placing Agreement**”) dated 6 July 2007 (a copy of which has been produced to this Meeting marked “B” and initialled by the chairman of the Meeting for the purpose of

* For identification purposes only

NOTICE OF THE 2007 SGM

identification) between the Company and Taifook Securities Company Limited (“**Placing Agent**”) in connection with the offer by the Company by way of private placement through the Placing Agent of the Convertible Bonds be and is hereby generally and unconditionally approved in all respects;

- (B) the CB Placing Agreement and all the transactions contemplated thereunder and all other matters of and incidental thereto or in connection therewith be and are hereby generally and unconditionally approved, ratified and confirmed in all respects and the directors (“**Directors**”) of the Company be and they are hereby generally and unconditionally authorised to issue the Convertible Bonds on and subject to the terms of the CB Placing Agreement, to do all such further acts and things and to sign and execute all such other or further documents and to take all such steps which, in the opinion of the Directors, may be necessary, appropriate, desirable or expedient to implement and/or give effect to the terms of, or the transactions contemplated by, the CB Placing Agreement and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of the Bond Conditions) as are, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole”.
- (3) “**THAT** conditional on the passing of resolutions numbered (1) and (2) above (to the extent of (i) the Best Efforts Placing Shares under the Best Efforts Placing Agreement as respectively referred to in resolution numbered (1) above) and (ii) the Convertible Bonds agreed to be placed under the CB Placing Agreement being approved to be created and issued as respectively referred to in resolution numbered (2) above) the Directors be and they are hereby generally and specifically authorised to (i) allot and issue such number of new ordinary shares (“**Shares**”) of HK\$0.01 each in the capital of the Company (“**Special Mandate**”) as may be required to be allotted and issued (i) on and subject to the terms and conditions of the Best Efforts Placing Agreement under resolution numbered (1) above and (ii) upon exercise of the conversion right attaching to the Convertible Bonds approved to be issued under resolution numbered (2) above on and subject to the terms and conditions of the CB Placing Agreement and the Bond Conditions. The Special Mandate is in addition to, and shall not prejudice nor revoke the existing general mandate granted to the Directors by the shareholders of the Company in the special general meeting of the Company held on 6 December 2006 or such other general or special mandate(s) which may from time to time be granted to the Directors prior to the passing of this resolution numbered (3).”

By Order of the Board
139 Holdings Limited
Wong Howard
Chairman

Hong Kong, 27 July 2007

NOTICE OF THE 2007 SGM

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of
business in Hong Kong:*
Room 1603-5
Harcourt House
39 Gloucester Road
Wanchai
Hong Kong

Notes:

- 1 A member of the Company entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint a proxy or proxies to attend and, subject to the provisions of the bye-laws of the Company, vote in his stead. A proxy need not be a member of the Company. A form of proxy for use at the meeting is enclosed herewith.
- 2 To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof.
- 3 Completion and return of the accompanying form of proxy will not preclude members of the Company from attending and voting in person at the Meeting or any adjournment thereof should they so wish.

As at the date of this notice, the executive directors of the Company 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.