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139 HOLDINGS LIMITED (139 控 股 有 限 公 司) *

(Incorporated in Bermuda with limited liability)

(Stock Code: 139)

PROPOSED REORGANISATION OF SHARE CAPITAL

The Company intends to put forward for approval by the Shareholders at the SGM the Capital Reorganisation involving:-

- (i) every ten (10) Shares of HK\$0.01 each in the issued ordinary share capital of the Company will be consolidated into one (1) Consolidated Share of HK\$0.10;
- (ii) every issued Consolidated Share of the Company will be reduced in nominal amount by canceling HK\$0.09 of the capital paid up for each issued Consolidated Share so as to form (after the Share Consolidation) one Reorganised Share of HK\$0.01 each; and
- (iii) the credit arising from the Capital Reorganisation will be transferred to the contributed surplus account of the Company.

Upon the Capital Reorganisation becoming effective, the existing board lot of 2,000 Shares will be changed to board lot of 10,000 Reorganised Shares.

CAPITAL REORGANISATION

The Company proposes to put forward for approval by the Shareholders at the SGM resolution the Capital Reorganisation pursuant to which:-

- (i) every ten (10) Shares of HK\$0.01 each in the issued ordinary share capital of the Company will be consolidated into one (1) Consolidated Share of HK\$0.10;
- (ii) every issued Consolidated Share will be reduced in nominal amount by canceling HK\$0.09 of the capital paid up for each issued Consolidated Share so as to form (after the Share Consolidation) one Reorganised Share of HK\$0.01 each; and
- (iii) the credit arising from the Capital Reorganisation will be transferred to the contributed surplus account of the Company.

As at the date of this announcement, there were 11,332,430,478 Shares in issue. On the basis of such issued share capital, there will be 1,133,243,047 Reorganised Shares in issue following the Capital Reorganisation (assuming that there are no changes in the issued share capital of the Company from the date of this announcement and up to the effective date of the Capital Reorganisation). As at the date of this announcement, there are no outstanding convertible securities, warrants or options of the Company.

Reference is made to the circular of the Company dated 16th February, 2005 and the announcement of the Company dated 30th May, 2005 in relation to the Best Effort Placing in which it was announced that the longest date of the Best Effort Placing has been extended to 2nd September, 2005. In addition, reference is made to the circular of the Company dated 10th June, 2005 in relation to the SP Agreement and the issue of the Convertible Notes on completion of the SP Agreement. As stated in the circular, the longest date for completion of the SP Agreement is 2nd September, 2005. If completion of the Best Effort Placing takes place after the effective date of the proposed Capital Reorganisation, the maximum number of shares to be placed will be required to be adjusted from 2,000,000,000 Shares to 200,000,000 Reorganised Shares and the placing price will be required to be adjusted from HK\$0.032 per placing Share to HK\$0.32 per Reorganised Share to be placed. If completion of the SP Agreement (and the issue of the Convertible Notes) takes place after the effective date of the proposed Capital Reorganisation, then the initial conversion price will be required to be adjusted from HK\$0.10 per Share to HK\$1.00 per Reorganised Share. The above adjustments are required such that the dilution effects to the shareholders of the Company by reason of the Best Effort Placing and/or the issue of the Convertible Notes will remain unchanged if they are to complete after the proposed Capital Reorganisation has taken effect. The maximum amount of net funds to be raised from the Best Effort Placing remains unchanged and is approximately HK\$63 million.

Set out below is the composition of the authorised share capital of the Company:

	Before the Capital Reorganisation	After the Capital Reorganisation
Issued Share Capital	HK\$113,324,304.78 comprising of 11,332,430,478 issued Shares	HK\$11,332,430.47 comprising of 1,133,243,047 issued Reorganised Shares
Unissued Share Capital	HK\$486,675,695.22 comprising of 48,667,569,522 unissued Shares	HK\$588,667,569.53 comprising of 58,866,756,953 unissued Reorganised Shares

The value of the authorised share capital of the Company before and after the Capital Reorganisation remains unchanged and is HK\$600,000,000.

CONDITIONS OF THE CAPITAL REORGANISATION

The Capital Reorganisation will be conditional upon:-

- (i) the passing at the SGM of a special resolution approving the Capital Reorganisation;
- (ii) compliance by the Company with the requirements of Section 46(2) of the Companies Act 1981 of Bermuda; and
- (iii) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Reorganised Shares arising from the Capital Reorganisation.

REASONS FOR THE CAPITAL REORGANISATION

The Directors believe that the Capital Reorganisation is beneficial to the Company and its Shareholders as a whole. The Directors consider that the proposed Capital Reorganisation is expected to result in a reduction of the transaction costs for dealings in Reorganised Shares and therefore make the shares of the Company more attractive to investors and is beneficial to the Company for its future fund-raising activities. The Capital Reduction will reduce the par value of a share in the Company and allow the Company a greater flexibility in pricing its shares in issuance of new shares in a conformed and practicably viable manner. Presently, save in relation to the Best Effort Placing and the issue of the Convertible Notes, the Company has no plan to issue any new shares in the Company.

The Capital Reorganisation will not in itself, alter the underlying assets, liabilities, business, operations, management or financial position of the Company except for the payment of related expenses in connection with the Capital Reorganisation.

ODD LOTS ARRANGEMENT

In order to alleviate the difficulties arising from the existence of odd lots of the Reorganised Shares arising from the Capital Reorganisation, a broker will be appointed by the Company to provide a matching service to those Shareholders who wish to acquire odd lots of Reorganised Shares to make up a full board lot, or to dispose of their holdings of odd lots of Reorganised Shares. Details of the odd lots arrangement will be stated in the circular to be issued by the Company.

FRACTIONAL REORGANISED SHARES

Any fraction of Reorganised Shares that arises from the Capital Reorganisation will be aggregated and sold (if a premium, net of expenses, can be obtained) for the benefit of the Company.

The Reorganised Shares will rank *pari passu* in all respect with each other.

BOARD LOT SIZE

Upon the Capital Reorganisation becoming effective, the existing board lot of 2,000 Shares will be changed to board lot of 10,000 Reorganised Shares.

EXPECTED TIME TABLE FOR THE CAPITAL REORGANISATION

The expected timetable is as follows:-

	<i>2005</i>
Despatch of circular in respect of the SGM convened to approve the Capital Reorganisation	4th July
Latest time for lodging forms of proxy for the SGM	10:00 a.m. on 26th July
SGM	10:00 a.m. on 28th July
Effective date of the Capital Reorganisation	29th July
Existing counter for trading in the Shares in board lots of 2,000 Shares closes	9:30 a.m. on 29th July
Temporary counter for trading in the Reorganised Shares in board lots of 200 Reorganised Shares (in the form of existing share certificates) opens	9:30 a.m. on 29th July
First day for free exchange of existing share certificates for new share certificates for the Reorganised Shares	29th July
First day of operation of odd lot trading facility	29th July
Existing counter for trading in the Reorganised Shares in board lots of 10,000 Reorganised Shares (in the form of new share certificates) reopens	9:30 a.m. on 12th August
Parallel trading in the Reorganised Shares (in the form of new share certificates and existing share certificates) commences	9:30 a.m. on 12th August
Temporary counter for trading in the Reorganised Shares in board lots of 200 Reorganised Shares (in the form of existing share certificates) closes	4:00 p.m. on 2nd September

Parallel trading in the Reorganised Shares (in the form of new share certificates and existing share certificates) ends 4:00 p.m. on 2nd September
 Last day of operation of odd lot trading facility 2nd September
 Last day for free exchange of existing share certificates for new share certificates for the Reorganised Shares 4:00 p.m. on 9th September
 Further announcement will be made by the Company if there are any changes to the above timetable.

FREE EXCHANGE OF CERTIFICATES FOR SHARES AND TRADING ARRANGEMENT

Subject to the Capital Reorganisation becoming effective, Shareholders may, during business hours from 29th July, 2005 to 9th September, 2005 (both dates inclusive), submit their existing blue certificates for the Shares to the Company's branch registrar in Hong Kong, Tengis Limited located at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, in exchange for new light purple certificates for the Reorganised Shares (on the basis of every ten (10) Shares for one (1) Reorganised Share) free of charge. Thereafter, existing share certificates for Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each new certificate issued for the Reorganised Shares or each old share certificate submitted. The first day of operation of odd lot trading facility is on 29th July, 2005 and the last day of operation of odd lot trading facility is on 2nd September, 2005 (both dates inclusive).

Dealings in the Reorganised Shares represented by existing certificates will cease after 4:00 p.m. on 2nd September, 2005. Existing share certificates will only be valid for delivery and settlement in respect of dealings for the period up to 4:00 p.m. on 2nd September, 2005 and thereafter will not be acceptable for dealing and settlement purposes. However, existing certificates for Shares will continue to be evidence of title to the shares held in the Company on the basis of ten (10) Shares for one (1) Reorganised Share.

APPLICATION FOR LISTING

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Reorganised Shares.

Subject to the granting of listing of, and permission to deal in, the Reorganised Shares on the Stock Exchange, the Reorganised Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Reorganised Shares on the Stock Exchange or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Further announcement will be made by the Company when appropriate.

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

DEFINITIONS

The following terms are used in this announcement within the meanings set opposite them:-

“Best Effort Placing”	the placing of 2,000,000,000 new Shares under the placing agreement entered into between the Company and Tai Fook Securities Company Limited dated 27th January, 2005 in relation to the placing of 2,000,000,000 new Shares on a best effort basis with its long stop date extended from 2nd June, 2005 to 2nd September, 2005;
“Capital Reduction”	the proposed cancellation of HK\$0.09 paid-up capital for each issued Share;
“Capital Reorganisation”	the proposed reorganisation of the capital of the Company consisting of the Share Consolidation and the Capital Reduction;
“CCASS”	the Central Clearing and Settlement System;
“China Travel Service”	China Travel Service (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and indirectly wholly-owned by CTII;
“Company”	139 Holdings Limited, a company incorporated in Bermuda, whose shares are listed on the Stock Exchange;
“Consolidated Share(s)”	share(s) of HK\$0.10 each in the capital of the Company immediately following and arising from the Share Consolidation;
“Convertible Notes”	convertible notes in the aggregate principal amount of HK\$250 million to be issued by the Company;
“CTII”	China Travel International Investment Hong Kong Limited, a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange;

“Directors”	the directors of the Company;
“Findco Enterprises”	Findco Enterprises Limited, a company incorporated in Western Samoa with limited liability and a wholly-owned subsidiary of China Travel Service, is a nominee company of China Travel Service which holds 10% of the equity interest in SDFP;
“Group”	the Company and its subsidiaries;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“Preliminary Agreement”	the legally binding preliminary sale and purchase agreement dated 19th January, 2005 and entered into between Walterford and China Travel Service setting out the preliminary terms between the parties thereto in connection with the Proposed Acquisition;
“Proposed Acquisition”	the proposed acquisition by Walterford from the Vendors of the entire issued share capital of SDFP and the shareholder’s loan of approximately HK\$420 million owed to China Travel Service by SDFP as at 31st December, 2004 pursuant to the Preliminary Agreement and the SP Agreement which prevails the SP Agreement;
“Reorganised Shares”	shares of HK\$0.01 of the Company following the Capital Reorganisation becoming effective;
“SDFP”	Sociedade De Fomento Predial Fu Wa (Macau) Limitada, a company incorporated in Macau with CTII holds an indirect 100% equity interest;
“SGM”	the special general meeting of the Company to be convened to approve the Capital Reorganisation;
“Share Consolidation”	the consolidation of every ten (10) Shares into one (1) Consolidated Share;
“Shares”	existing shares of a par value of HK\$0.01 in the Company;
“Shareholder(s)”	holder(s) of the shares of the Company;
“SP Agreement”	the sale and purchase agreement entered into, among others, between Walterford and the Vendors in relation to the Proposed Acquisition dated 2nd February, 2005;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vendors”	China Travel Service and Findco Enterprises;
“Walterford”	Walterford Company Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company; and
“%”	per cent.

By order of the board of directors of
139 Holdings Limited
Wong Howard
Executive Director

Hong Kong, 21st June, 2005

Please also refer to the published version of this announcement in The Standard.