



ASX Release

Non renounceable Rights Issue, with follow on Share Placement

Monday 5 May 2008: The Board of 3Q Holdings Limited (ASX: TQH) today announced that the Company would undertake a 1 for 3.5 non renounceable rights issue at 24 cents per share, with the balance of any shares not taken up in the issue to be offered for placement with sophisticated or professional investors.

An offer document will be sent to all shareholders shortly, outlining the terms of the Rights Issue, and a summary of the offer is included at the end of this announcement.

Background to the offer

In brief, the Board has decided to raise approximately \$10 million (before costs) in new capital, by way of a Rights Issue. The Rights Issue will not be underwritten, and any shortfall in acceptances for new shares will be offered by the Directors for placement to sophisticated or professional investors at no less than the price offered to existing shareholders. Any such placement must take place within three months of the closing date of the Rights Issue.

Three shareholders currently hold some 84% of the shares of the Company: Eastfall Pty Limited (39%), Elabrook Pty Limited (39%) and AR Investments Limited (6%), and these shareholders are related to three of the Directors of the Company, Shaun Rosen, Clive Klugman and Mark McGeachen, and an executive of the Company, Davy Rosen. In the interests of introducing new investors and reducing the dominance of these shareholders, and in increasing the spread and liquidity of the shares generally, these shareholders have advised the Board that they intend to forgo their rights to participate in the offer, and will allow the shares which would otherwise have been issued to them to be placed with new shareholders. This will have the effect of diluting the interest these shareholders have in the Company.

The Board reviewed the option of a share placement directly with new investors, but considered that it was more appropriate to offer the other existing shareholders the opportunity to maintain their shareholding and avoid the dilution inherent in such a placement. The Board has commenced a process to identify a number of potential sophisticated or professional investors to whom it may offer the shortfall shares (which will be at least 84% of the issue) following the close of the Rights Issue.

All shareholders with a registered address in Australia or New Zealand as at the record date are eligible to participate in the Rights Issue.

As the Company has at all relevant times been a listed disclosing entity, the Company meets the requirements of section 708AA of the Corporations Act, which allows the Rights Issue to be made without a prospectus.

Corporate Update

The Company is now well established on its long term strategy of growth through acquisition, in particular as it has now substantially completed the integration of the Island Pacific business acquired from Island Pacific, Inc in December 2007, for a total consideration of US\$16m.

To facilitate the Island Pacific acquisition, the Company secured bank finance across the group of approximately \$19.5 million. The capital raising is, in part (around \$4m), to be directed to reducing the amount outstanding under that facility as well as to bolster working capital and balance sheet capacity, which will be used to repay the Vendor finance that was provided on the acquisition of Island Pacific. Thus, the capital raising will help ensure that the Company will continue to have flexibility - both with an equity 'war chest' and access to reasonable debt facilities - to act quickly on potential acquisitions when the opportunity arises.

The purchase of Island Pacific was a significant milestone in 3Q Holdings' short history, strengthening the Company and even better allowing it to deliver best in breed products to existing and new clients. The Board is delighted at the further expansion of the Company's US operations and particularly excited by the expansion into the UK. In addition to the Island Pacific acquisition, in the last half year the Company also continued to integrate the AdvanceRetail business into the group, following its acquisition earlier in 2007.

Finally, the Company has also been active on the organic sales front, with new customers in the previous half year (such as Kumfs Shoes and Shiels Jewellers), a further extension of Hutchison Telecom's outsourcing agreement for Thin POS software, and new customers and renewal sales in the last three months to customers such as Rack Room Shoes, Tuchuzy, rue21, Anne Summers, Polo Ralph Lauren, Rebel Sports, Retravision WA, PGG Wrightson and the VF Group.

Financial Outlook

The Board and Management see excellent consolidation opportunities in the retail software and services industry, both in Australia and overseas. The Company continues to be well positioned to implement its strategy of consolidation, and the executive team has identified an ongoing range of potential target opportunities.

We look forward to acting on these opportunities in the coming years, where they meet the stringent criteria of the Board, which ensure that any acquisition adds substantial value to the existing operations, and to the shareholders and other stakeholders.

In addition, the Board continues to expect success from the current business – working with management to achieve excellent operational performance. The Company is on track for a strong year for earnings, given the performance of the business to date and management's view of the outlook. The result for the full year will also include results for Island Pacific from the time of the acquisition in December 2007.

The table below sets out management's forecast for the financial year ending on 30 June 2008. The table also sets out a 'pro-forma' result for the financial year, which includes the actual unaudited results of Island Pacific for the period July to December 2007 rather than simply since December 2007.

	FY07	Forecast FY08	Pro-forma FY08
Revenue	11,196,055	20,686,501	27,895,741
Normalised EBITDA	2,305,160	4,326,866	7,543,138
Normalised NPBT	1,938,933	2,364,810	4,140,880

The post tax result for FY08 has not been forecast as a result of the fluctuations that can occur in the final tax figure due to the Australian tax losses and accounting for deferred tax assets as a result of these tax losses. EBITDA and NPBT have been normalised to take account of one-off and extraordinary items.

Use of Funds

The new capital will be used by the Company to repay debt and strengthen the balance sheet to allow for further acquisitions. The anticipated breakdown of these amounts is set out in the following table.

Application	Amount (\$)
Pay down existing debt facility to NAB	\$4m
Balance sheet capacity for further acquisitions, and to bolster working capital to be used for repayment of vendor financing for Island Pacific of up to US\$3M	\$6m

Shareholder Information

At the date of this letter, the company had a total of 147,445,460 ordinary shares on issue, all of which are listed on the ASX. Up to a maximum of 42,127,274 new Shares may be issued under the Rights Issue, subject to rounding, taking the total issued capital in the Company to approximately 189,572,734 Shares.

The Directors intend to place any shortfall of shares from the Rights Issue with selected sophisticated or professional investors.

Under the Rights Issue, shareholders are being invited to subscribe for 1 new share for every 3.5 shares held as at 5.00pm EST on 13 May 2008 (**Record Date**).

The Rights issue opens for acceptances on 19 May 2008 and all acceptances and payments must be received no later than 5.00pm EST on 4 June 2008 (**Closing Date**).

Eligible shareholders need do nothing at this time

The Offer Document outlining the details of the Rights issue, together with a personalised entitlement and acceptance form will be mailed to eligible shareholders at the address on the Company's share register. To participate in the Rights Issue, shareholders will need to complete that form and return it with payment by 5.00pm (Sydney time) on the Closing Date.

Summary of Key Information:

Type of Offer	Non renounceable Rights Issue to eligible shareholders as at the Record Date
Offer Price:	\$0.24 per share
Offer Ratio:	1 new share for every 3.5 shares held as at the Record Date
Underwriter:	The offer is not underwritten

Proposed Timetable:

Announcement	5 May 2008
Notice of Rights Issue to shareholders	6 May 2008
Share trade ex-entitlement	7 May 2008
Record Date for determining shareholder entitlements	13 May 2008

Offer and Entitlement Form despatched to shareholders	19 May 2008
Opening Date of Offer	19 May 2008
Closing Date of Offer	4 June 2008
Despatch new holding Statements	13 June 2008

These dates are subject to change and are indicative only. The Company reserves the right to amend this indicative timetable. In particular, the Company reserves the right, subject to the Corporations Act 2001 and the ASX Listing Rules, to extend the Closing Date without prior notice. Any extension of the Closing Date will have a consequential effect on the date for the issue of new shares.

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About 3Q Holdings

3Q Holdings Limited (ASX: TQH) has been listed on the ASX in its current form since 28 December 2005. It originally acquired 100% of QQQ Systems, a software company that provides software applications to the retail industry in Australia and New Zealand – with both point of sale (POS) and head office solutions into a wide range of retail clients operating in the fashion, electronics, furniture, general merchandise and discount variety industries.

In March 2006 the company acquired the San Diego based Applied Retail Solutions business (ARS). ARS has been providing software and services to mid-sized and large retailers in the United States since 1987. Its core product "OnePointe" provides a Post to Host solution in market segments such as apparel, footwear, entertainment, discount and variety, giving TQH an excellent entry into the US retail software and services market.

New Zealand based AdvanceRetail Technology was acquired by TQH in March 2007, and is a leading retail solutions provider with offices in Auckland, Sydney and Brisbane and representation in Malaysia, China and Singapore – giving it a high quality customer base in Australia, New Zealand and Asia. The company has a range of strategic alliances through which the Company takes its products and services to market, including industry leaders that include SAP, Microsoft and IBM.

In December 2007 the company acquired Island Pacific, which provides access to market leading retail merchandising, store operations, CRM, and multi-channel software solutions internationally. With offices in the United States and the United Kingdom, TQH not only has better access to those markets, but has the advantage of a springboard into the broader European markets. Island Pacific was founded in 1978 and has developed a reputation for delivering high-quality, high-reliability software to the retail industry. The company is headquartered in Irvine, California.