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

*(Incorporated in Bermuda with limited liability)*  
(Stock Code: 139)

## MAJOR ACQUISITION INVOLVING ISSUE OF NEW SHARES AND CONVERTIBLE NOTE IN RELATION TO PRELIMINARY AGREEMENT FOR INVESTMENT IN METHANOL REFINERY PROJECT IN INNER MONGOLIA AND RESUMPTION OF TRADING

On 15 October 2006, Make Sense, a wholly owned subsidiary of the Company, entered into the Preliminary Agreement with the Vendor, an Independent Third Party, in contemplation for the Acquisition, under which Make Sense conditionally agreed to acquire (i) 25% of the equity interest of Century Time, which indirectly owns 51% equity interest in the JV Company, together with 25% of the Shareholder's Loan from the Vendor at a consideration of HK\$150 million; and (ii) the Call Option pursuant to which Make Sense would have the right to purchase up to an additional 50% equity interest in Century Time. The HK\$150 million consideration would be satisfied as to (i) HK\$15 million by cash; (ii) as to HK\$25 million by allotting and issuing 62.5 million Consideration Shares at an issue price of HK\$0.4 per Share to the Vendor on Completion; and (iii) by issuing the Convertible Note of an principal amount of HK\$110 million, pursuant to which the Company would allot and issue up to 200 million Conversion Shares at an issue price of HK\$0.55 per Share to the Vendor upon the exercise of the conversion right.

The JV Company was set up to engage in methanol production and coal mining. At present, the JV Company owns a production plant currently under construction at Inner Mongolia in the PRC, which is to carry out production of methanol by means of coal-to-methanol conversion and refinery processes. In addition, the JV Company is in the process of applying for necessary approval and licences from the relevant governmental authorities for the operation of a coal mine located at Inner Mongolia in the PRC.

The Preliminary Agreement is legally binding. Further to the Preliminary Agreement, it is expected that the parties will enter into the SP Agreement to finalize the Acquisition. The Directors expect that the terms of the SP Agreement will be substantially the same as those stated in the Preliminary Agreement. Pursuant to the Preliminary Agreement, the Vendor, the Guarantor, Make Sense and the Company shall negotiate in good faith towards one another in ensuring the SP Agreement to be entered into as soon as possible and in any event, not later than 1 November 2006 or such later date as the Vendor, the Guarantor, the Company and Make Sense may agree. Any significant deviation in the terms of the SP Agreement will be disclosed in a further announcement of the Company.

The Acquisition will constitute a major transaction for the Company under the Listing Rules and will be subject to, among other things, approval of the Shareholders at the SGM. A circular containing, among other things, further details of the Acquisition, the Preliminary Agreement and the SP Agreement together with a notice convening the SGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

The Board wishes to emphasize that the Acquisition is subject to Make Sense, the Vendor, the Guarantor entering into the SP Agreement and the fulfillment (or waiving) of the relevant conditions as proposed in the Preliminary Agreement and/or the SP Agreement. **As the final terms for the Acquisition will be subject to the SP Agreement, investors and Shareholders are urged to exercise extreme caution when dealings in the securities of the Company.**

Further announcement will be made by the Company to inform the Shareholders of the latest development of the Acquisition including the signing of the SP Agreement and the material terms contained therein. Any significant deviation in the terms of the SP Agreement or delay in the entering into of the SP Agreement will be disclosed in further announcement of the Company.

Trading in the Shares has been suspended at the request of the Company with effect from 9:34 a.m. on 16 October 2006 pending the release of this announcement. Application has been made on the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 20 October 2006.

## BACKGROUND

Reference is made to the Company's announcement dated 4 September 2006 regarding the entering into of the memorandum of understanding dated 4 September 2006 by Make Sense in relation to the Acquisition. The Company has been in discussion with the Vendor for the investment opportunity in relation to the Acquisition, which was referred to the Company by a business associate of the Group. On 15 October 2006, Make Sense further entered into the Preliminary Agreement with the Vendor under which Make Sense conditionally agreed to acquire (i) the Sale Shares together with 25% of the Shareholder's Loan from the Vendor at a consideration of HK\$150 million; and (ii) the Call Option at a consideration of HK\$1. Further details of the Acquisition and the Preliminary Agreement are as follows.

## THE PRELIMINARY AGREEMENT

The Preliminary Agreement has been entered into in contemplation for the Acquisition and it is legally binding. Further to the Preliminary Agreement, it is expected that the parties will enter into the SP Agreement to finalize the Acquisition. The SP Agreement would include those commercial terms already agreed in the Preliminary Agreement and additional terms to be agreed between Make Sense and the Vendor and the Guarantor regarding other representations, warranties, undertaking and/or indemnities usual for similar transactions and other material terms relating to the Convertible Note. The Directors expect that the terms of the SP Agreement will be substantially the same as those stated in the Preliminary Agreement. Pursuant to the Preliminary Agreement, the Vendor, the Guarantor, Make Sense and the Company shall negotiate in good faith towards one another in ensuring the SP Agreement to be entered into as soon as possible and in any event, not later than 1 November 2006 or such later date as the Vendor, the Guarantor, the Company and Make Sense may agree. Since the principal commercial terms such as the assets to be acquired and pricing have been agreed in the Preliminary Agreement, the Directors considered that it is reasonably feasible to complete the negotiation of the SP Agreement and enter into the SP Agreement by 1 November 2006. Since the Preliminary Agreement is a legally binding agreement, unless and until the SP Agreement has been signed or as agreed otherwise by the parties to the Preliminary Agreement, the Preliminary Agreement will continue to take effect and the parties shall have the obligations to perform the obligations under the Preliminary Agreement unless otherwise as agreed between the parties.

Further announcement will be made by the Company to inform the Shareholders of the latest development of the Acquisition including the signing of the SP Agreement and the material terms contained therein. Any significant deviation in the terms of the SP Agreement or delay in the entering into of the SP Agreement will be disclosed in further announcement of the Company.

### Date

15 October 2006

### Parties

- (1) Make Sense, as the purchaser, a wholly-owned subsidiary of the Company;
- (2) the Vendor, JB International Holdings Limited, a company incorporated in the British Virgin Islands with limited liability. The Vendor is principally engaged in manufacturing and distribution of diamond and diamond jewelry, property holding and investment holding. Century Time is wholly owned by the Vendor as at the date of this announcement. The Vendor is beneficially owned by the Guarantor and his three family members. To the Directors' best knowledge, information and belief having made all reasonable enquiry, the Vendor and the ultimate beneficial owner of the Vendor are Independent Third Parties; and
- (3) the Guarantor, Mr. Surani Bhupendra Jivrajbhai, as the guarantor for the obligation of the Vendor under the Preliminary Agreement and the SP Agreement, who is an Independent Third Party.

### The Acquisition

Assets to be acquired	<ol style="list-style-type: none"><li>1. the Sale Shares, being 25% of the total issued share capital of Century Time;</li><li>2. 25% of the Shareholder's Loan, which is an advance of HK\$102,344,798 provided by the Vendor to Century Time (25% of the Shareholder's Loan amounting to approximately HK\$25,586,199.50). The Shareholder's Loan is unsecured, interest free and has no fixed term of repayment, which is used for Century Time to finance the investment in JB China and hence the JV Company; and</li><li>3. the Call Option.</li></ol>
Consideration	<ol style="list-style-type: none"><li>1. consideration for the Sale Shares together with 25% of the Shareholder's Loan: HK\$150 million;</li><li>2. consideration for the Call Option: HK\$1.</li></ol>

The consideration for the Sale Shares and the Shareholder's Loan shall be satisfied (i) in cash of HK\$15 million to be paid to the Vendor on Completion; (ii) by the allotment and issue of 62.5 million Consideration Shares to the Vendor on Completion for an amount of HK\$25 million; and (iii) by issuing to the Vendor the Convertible Note in the aggregate principal amount of HK\$110,000,000. The consideration for the Call Option shall be satisfied in cash on Completion. The cash consideration to be paid in relation to the Acquisition will be financed by the Group's internal resources.

The Consideration Shares will be allotted and issued to the Vendor at a price of HK\$0.4 per Share, which represents (i) a premium of approximately 12.68% over the closing price of HK\$0.355 per Share as quoted on the Stock Exchange on the Last Trading Date; and (ii) a premium of approximately 8.99% over the average closing price of approximately HK\$0.367 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Date. The aggregate number of Consideration Shares of 62.5 million Shares to be issued to the Vendor represents (i) approximately 5.52% of the existing issued share capital of the Company of 1,133,243,047 Shares as at the date of this announcement; and (ii) approximately 5.23% of the issued share capital of the Company of 1,195,743,047 Shares as enlarged by the Consideration Shares. The Consideration Shares, when issued on Completion, will rank pari passu in all respects with the existing Shares then in issue.

The Convertible Note will be issued to the Vendor with a four-year term and being interest free. Upon exercise of the conversion right of the Convertible Note by the Vendor, up to 200 million Conversion Shares would be allotted and issued to the Vendor at an exercise price of HK\$0.55 per Share. The issue price of HK\$0.55 per Conversion Share represents (i) a premium of approximately 54.93% over the closing price of HK\$0.355 per Share as quoted on the Stock Exchange on the Last Trading Date; and (ii) a premium of approximately 49.86% over the average closing price of approximately HK\$0.367 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Date. The aggregate number of Conversion Shares of 200 million Shares to be issued to the Vendor represents (i) approximately 17.65% of the existing issued share capital of the Company of 1,133,243,047 Shares as at the date of this announcement; (ii) approximately 16.73% of the issued share capital of the Company of 1,195,743,047 Shares as enlarged by the Consideration Shares; and (iii) approximately 14.33% of the issued share capital of the Company of 1,395,743,047 Shares as enlarged by the Consideration Shares and the Conversion Shares. The Conversion Shares, when issued on exercise of the Convertible Note, will rank pari passu in all respects with the existing Shares then in issue. Further details regarding other material terms of the Convertible Note will be disclosed in further announcements and circular of the Company as appropriate. The Company will promptly inform the Stock Exchange if it becomes aware of any dealings of the Convertible Note by any connected persons (as defined in the Listing Rules) of the Company.

The Consideration Shares and the Conversion Shares will be issued pursuant to a specific mandate to be sought from the Shareholders at the SGM to be held. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares.

The consideration for the Acquisition was arrived at after arm's length negotiation between the Company and the Vendor with reference to, among other things, the prospect of the business of the JV Company, the proportionate share of the outstanding amount of the Shareholder's Loan, and the warranty as to profit by the Vendor. Taking the above factors into consideration, the Directors (including the independent non-executive Directors) are of the view that the consideration for the Acquisition is fair and reasonable and in the interest of the Shareholders as a whole. The issue price for the Consideration Shares and the Conversion Shares were agreed between the Company and the Vendor with reference to recent prices of the Shares as traded on the Stock Exchange and the potential impact by the Acquisition on the Company's prospects.

#### Warranty as to profit

The Vendor has warranted that the aggregate audited net profit after tax and any minority interests but before any extraordinary or exceptional items of the JV Company under PRC accounting standards for the two financial years ending 31 December 2009 (the "Actual Profit") will not be less than RMB900 million (equivalent to approximately HK\$882 million), failing which the Vendor shall refund part or whole of the HK\$150 million consideration of the Acquisition for an amount (the "Refund Amount") as calculated below, on a dollar-to-dollar basis, by first cancelling the then outstanding amount of the Convertible Note and, if not enough, paying cash to Make Sense:

$$\text{Refund Amount} = (\text{RMB900 million} - \text{Actual Profit}) / 2 \times 2.66 \times 51\% \times 25\%$$

The Directors understand that the Vendor's profit warranty of RMB900 million was made based on the Vendor's assessment with reference to the production plan of the JV Company, methanol market information and the expected time for the JV Company to commence commercial production at around the fourth quarter of 2007. Based on the information provided by the Vendor in relation to the JV Company, the Directors have taken into account of the expected annual production capacity of the methanol plant of the JV Company, the recent market price of methanol and the current status of the methanol market and considered that the profit warranty provided by the Vendor is reasonable. The 2.66 factor included in relation to the calculation formula for the Refund Amount as set out above is the price-earning multiple implied by the agreed consideration of HK\$150 million for the Sales Shares and 25% of the Shareholder's Loan as compared to the Vendor's warranty as to the profit for RMB900 million.

The Vendor further warranted that Make Sense has the right to sell all the Sale Shares together with 25% of the Shareholder's Loan acquired by Make Sense under the Acquisition at the aggregate price of HK\$150 million, if the audited net profit after tax and any minority interests but before any extraordinary or exceptional items of the JV Company for the financial year ending 31 December 2008 is less than RMB200 million (equivalent to approximately HK\$196 million). In this connection, the HK\$150 million consideration would be satisfied by the Vendor by first cancelling the then outstanding amount of the Convertible Note and, if not enough, paying cash to Make Sense.

#### Call Option

Pursuant to the Preliminary Agreement, the Vendor shall further irrevocably and unconditionally grant to Make Sense at consideration of HK\$1 the Call Option for Make Sense to further purchase additionally up to 50% of the entire issued share capital of Century Time as at the date of completion of the Further Acquisition (the "Total Call Option Shares") together with such amount of the Shareholder's Loan proportional to the actual number of shares of Century Time purchased under the Call Option. The exercise of the Call Option is at the sole discretion of Make Sense. The exercise period for the Call Option shall not be more than one year from Completion.

The aggregate consideration to be paid to the Vendor for the Further Acquisition (“Call Option Shares Consideration”) shall be HK\$650 million for the Total Call Option Shares. The Call Option Shares Consideration shall be adjusted downward proportionally if the actual number of the shares of Century Time purchased by Make Sense under the Call Option is fewer than Total Call Option Shares. The Call Option Shares Consideration was arrived at after arm’s length negotiation between the Company and the Vendor with reference to, among other things, the prospect of the business of the JV Company, and the proportionate share of the Shareholder’s Loan, the warranty as to profit by the Vendor, the opportunity to obtain controlling interest in the JV Company, and the price-earning multiple of approximately 5.78 times as implied by the Call Option Shares Consideration of HK\$650 million compared to the Vendor’s warranty as to the profit for RMB900 million. Having considered information relating to price-earning multiples of companies engaged in comparable businesses and taking into account of the opportunity to obtain controlling interest in the JV Company, the Directors are of the view that the price-earning multiple implied by the Call Option Shares Consideration is fair and reasonable. Taking the above factors into account and after making due care and consideration, the Directors (including the independent non-executive Directors) are of the view that the implied price-earning multiple in relation to the Further Acquisition is reasonable, and the terms of the Call Option and the Call Option Shares Consideration are fair and reasonable and in the interest of Shareholders as a whole.

Call Option Shares Consideration shall be satisfied by (i) the Company issuing a convertible note; (ii) by way of cash; (iii) the Company allotting and issuing Shares; or (iv) a combination of cash, convertible note and Shares in such proportion as then mutually agreed between Make Sense and the Vendor. Make Sense and the Vendor shall agree mutually as to by which means to satisfy the Call Option Shares Consideration. The issue price of any Shares and/or the conversion price for any convertible notes of the Company in relation to settlement of the Call Option Shares Consideration shall be agreed between the Company, Make Sense and the Vendor prior to the exercise of the Call Option. It was also agreed that the Vendor shall not hold 30% or more of the voting rights of the Company upon completion of the Further Acquisition.

If the Group proceeds with the Further Acquisition, the Company will make further announcement and seek the relevant shareholders’ approval as appropriate in accordance with the Listing Rules. In particular, the exercise of the Call Option will be subject to full compliance with of the Listing Rules including Rule 14.75 of the Listing Rules. In addition, in the event that the Call Option is exercised by the Group, the Further Acquisition (including the related amount of the Shareholder’s Loan to be acquired under the Further Acquisition) would be aggregated with the Sales Shares and 25% of the Shareholder’s Loan acquired under the Acquisition in accordance with Rule 14.22 of the Listing Rules for the purpose of notifiable transaction classification pursuant to the Listing Rules.

Information on Century Time, JB China and the JV Company:

Century Time is a limited liability company incorporated in the British Virgin Islands on 5 July 2005 and is an investment holding company without any business operation other than those related to the JV Company since incorporation. Century Time is beneficially interested in the entire issued share capital of JB China.

JB China is a limited liability company established in the British Virgin Islands on 21 July 2005. JB China is principally an investment holding company without any business operation other than those related to the JV Company since incorporation. To the best knowledge of the Directors, the ultimate beneficial owners of JB China since its incorporation has remained unchanged, being Mr. Surani Bhupendra Jivrajbhai (the Guarantor) and his three family members. JB China owns 51% equity interest in the JV Company.

The JV Company is a Sino-foreign equity joint venture established under the laws of the PRC on 9 June 2005, with registered capital of RMB400 million and paid-up capital as at 30 June 2006 of RMB202 million. The registered capital of the JV Company for an amount of RMB198 million not yet paid at present will be contributed by JB China and Sanwei according to the respective shareholding ratio. It is expected that the Vendor will provide a shareholder’s loan through Century Time to finance JB China’s portion of capital contribution to pay up the registered capital of the JV Company. The JV Company was set up to engage in methanol production and coal mining. At present, the JV Company owns a production plant (the “Methanol Plant”) currently under construction at Jungar Banner, Ordos City of Inner Mongolia in the PRC, which is to carry out production of methanol by means of coal-to-methanol conversion and refinery processes. The Methanol Plant occupies a total land area of approximately 500,000 square metres. Production of the Methanol Plant is expected to commence around the fourth quarter of 2007 with an annual production capacity of approximately 224,000 tons. In addition, since coal is the raw material for the production of methanol, to secure raw materials supply, the JV Company is in the process of applying for necessary approval and licences from the relevant governmental authorities for the operation of a coal mine of approximately 50 square kilometers with an estimated reserve of 780 million tons of coal, which is located at Wu Shen Banner, Ordos City of Inner Mongolia in the PRC. The estimated reserve of the coal mine was advised by the Vendor based on a survey report dated 19 September 2006 conducted by a coal specialist team in the PRC (內蒙古煤田地質局117勘探隊) as appointed by the Vendor. Upon Completion, the Group’s investment in relation to the Acquisition would represent only an effective interest of 12.75% in the JV Company and the Directors considered it to be only a passive investment. The Group does not intend to send representatives to handle and be involved in daily operation of the JV Company, but would only appoint one representative to the board of directors of the JV Company for monitoring purpose. The daily operations of the JV Company are headed by Mr. Li Shao Lei, the General Manager of the JV Company. To the best knowledge of the Directors, Mr. Li was recruited by the board of directors of the JV Company and has a master degree in engineering and is a senior engineer with more than twenty years working experience in chemical industry.

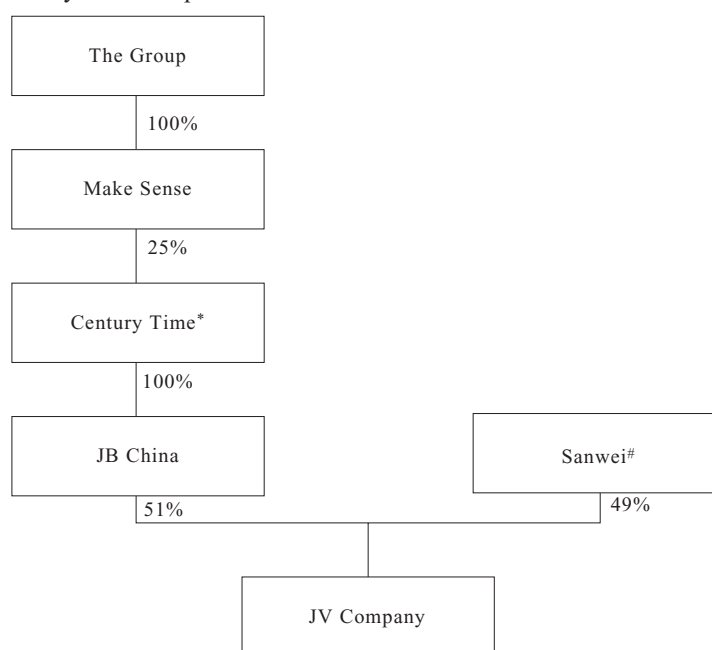


Based on the audited accounts of the JV Company under the PRC accounting standards, the audited net asset value of the JV Company as at 31 December 2005 is approximately RMB202,000,000 (equivalent to approximately HK\$197,960,000). The JV Company has not recorded any profit or loss for the period from 9 June 2005 (date of establishment) to 31 December 2005 as it was still in pre-operating stage. Based on the unaudited management accounts of the JV Company, the unaudited net asset value of the JV Company as at 30 June 2006 is approximately RMB202,000,000 (equivalent to approximately HK\$197,960,000). The JV Company also has not recorded any profit or loss for the six months ended 30 June 2006 as it was still in pre-operating stage.

As at the date of this announcement, to the best knowledge of the Directors, the board of each of Century Time, JB China and the JV Company comprise 4, 4 and 8 directors respectively. To the best knowledge of the Directors, the chairman of each of Century Time and JB China has casting vote, while no director of the JV Company has a casting vote. Upon Completion, Make Sense shall have the right to appoint one director at each board of Century Time, JB China and the JV Company.

Subject to confirmation by the Company's auditors, it is expected for the Group to adopt equity method to account for the interests in Century Time for consolidated financial statement purpose.

The following diagram shows the expected shareholding structure of the Group in relation to the Acquisition immediately after Completion.



\* Upon Completion, the remaining 75% equity interest in Century Time will be held by the Vendor.

# Sanwei is an Independent Third Party which is the Chinese partner owning 49% equity interest in the JV Company. To the best knowledge of the Directors, Sanwei is a sizable enterprise headquartered at Inner Mongolia of the PRC with a registered capital of RMB82 million and is engaged in the businesses of trading coal, electricity, silicon and magnesium derivative metals in the PRC. To the best knowledge of the Directors, other than the cooperation in relation to the JV Company, Sanwei is independent of the Vendor and JB China.

Conditions precedent to Completion:

Completion of the Acquisition is conditional upon the following conditions being fulfilled (or waived by Make Sense):-

- Make Sense at its sole discretion being satisfied with the results of the due diligence review to be conducted in relation to the Acquisition;
- the passing by the Shareholders of the ordinary resolution(s) approving the transactions contemplated under the SP Agreement including but not limited to the Acquisition;
- the Company having obtained the approval granted by the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares;
- all the representations, undertakings, confirmation and warranties given by the Vendor under the SP Agreement remaining true and accurate and are not misleading in any material respect; and
- all necessary statutory governmental and regulatory obligations in Hong Kong, the PRC and other jurisdictions (if applicable) having been complied with and all necessary regulatory, governmental and third party approval, consents and/or waivers in relation to the implementation of any terms regarding the Acquisition set out in the SP Agreement having been obtained.

Make Sense has the sole discretion to waive all the conditions stated above. However, Make Sense will not waive conditions (b), (c) and (e) stated above to ensure compliance with relevant regulatory requirements.

Completion:

Completion shall be within three months after Make Sense having completed and satisfied with its due diligence for the Acquisition and in any event shall not be later than 1 May 2007.

## EFFECT ON SHAREHOLDING STRUCTURE

Set out below are the expected changes to the shareholding structure of the Company as a result of the Acquisition:

Name of Shareholders	Existing	Approx.	After	Approx.	After Completion	Approx.
	Shares	%	Completion	%	conversion of the	%
			Shares		Convertible Note	
					Shares	
Mr. Wong Howard, a Director	21,299,000	1.88%	21,299,000	1.78%	21,299,000	1.53%
Mr. Wong Yat Fai, a Director	21,299,000	1.88%	21,299,000	1.78%	21,299,000	1.53%
Mr. Wu Qing, a Director	21,299,000	1.88%	21,299,000	1.78%	21,299,000	1.53%
Radford Capital Investment Limited (stock code: 901), an Independent Third Party	92,782,000	8.19%	92,782,000	7.76%	92,782,000	6.65%
Other public Shareholders	976,564,047	86.17%	976,564,047	81.67%	976,564,047	69.97%
The Vendor	–	–	62,500,000	5.23%	262,500,000	18.81%
Total	<u>1,133,243,047</u>	<u>100.00%</u>	<u>1,195,743,047</u>	<u>100.00%</u>	<u>1,395,743,047</u>	<u>100.00%</u>

Reference is also made to the Company's another announcement dated 19 October 2006 in relation to the Placing. The Company is currently contemplating the Placing by which 226,640,000 new Shares would be placed to independent investors by Celestial Securities Limited as the placing agent on a best effort basis pursuant to a placing agreement dated 17 October 2006 as entered into by the Company and Celestial Securities Limited. Further details of the Placing are contained in such announcement. The Company will make further announcement in relation to the changes in shareholding structure of the Company taking into account of the impacts of the Acquisition and the Placing (if successfully completed).

Upon conversion of the Convertible Note, if relevant persons together with parties acting in concert with them obtain 30% or more of the then voting rights of the Company, such parties would have to fully comply with the relevant requirements of the Hong Kong Code on Takeovers and Mergers.

## REASONS FOR THE ACQUISITION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company comprise the trading and distribution of electronic products and other merchandise and securities investment and trading. It is the present intention of the Group to continue its business operations in relation to its present principal activities.

The Group's electronic products market remains highly competitive in terms of rising raw material costs and the competing price pressures. On the other hand, it is anticipated that the global economic environment is positive and economic growth momentum will continue, in particular in the PRC. The fast economic growth in the PRC will boost various business and industries and create enormous investment opportunities throughout the region. With these positive economic trends, the Group will continue to pursue its prudent strategy to explore business opportunities for diversifying its existing business and revenue streams.

The Directors are of the view that the PRC's energy consumption has experienced steady increase in recent years as driven by the development of its economy. In particular, the Directors understand that there is an increasing demand of methanol in end-use markets as, among other things, fuel, pesticides, agricultural chemicals and solvents. In addition, based on market information available to the Directors, the Directors understand that the demand in methanol exceeds the supply in both global and the PRC markets. In view of the above and taking the booming economy of the PRC in recent years into consideration, the Directors considered that methanol production business in the PRC would have a considerable growth potential in long run after the commencement of commercial production of the methanol plant of the JV Company and the Acquisition is an attractive investment opportunity for the Group to boost its revenue and allows the Group to tap into the growing PRC energy market. On the other hand, the Directors believe that methanol production business of the JV Company and the existing businesses of the Group are in different industry sectors and are subject to different commercial and economic factors and the investment in relation to the Acquisition can help diversify the Group's exposure to individual risk. Accordingly, the Directors considered the Acquisition as an attractive alternative investment from a long term perspective for the Company to boost its revenue sources and diversify its business risks.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Preliminary Agreement are fair and reasonable and in the interest of Shareholders as a whole.

## GENERAL

The Acquisition will constitute a major transaction for the Company under the Listing Rules and will be subject to, among other things, approval of the Shareholders at the SGM. A circular containing, among other things, further details of the Acquisition, the Preliminary Agreement and the SP Agreement together with a notice convening the SGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

The Board wishes to emphasize that the Acquisition is subject to Make Sense, the Vendor, the Guarantor entering into the SP Agreement and the fulfillment (or waiving) of the relevant conditions as proposed in the Preliminary Agreement and/or the SP Agreement. **As the final terms for the Acquisition will be subject to the SP Agreement, investors and Shareholders are urged to exercise extreme caution when dealings in the securities of the Company.**

Trading in the Shares has been suspended at the request of the Company with effect from 9:34 a.m. on 16 October 2006 pending the release of this announcement. Application has been made on the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 20 October 2006.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Acquisition”	the acquisition of the Sale Shares, 25% of the Shareholder’s Loan and the Call Option from the Vendor by Make Sense under the Preliminary Agreement and the SP Agreement
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Call Option”	the call option to be granted by the Vendor pursuant to the Preliminary Agreement and the SP Agreement for Make Sense to further purchase additionally up to 50% of the entire issued share capital of Century Time as at the date of completion of the Further Acquisition together with such amount of the Shareholder’s Loan proportional to the actual number of shares of Century Time purchased under such call option
“Century Time”	Century Time Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“Company”	139 Holdings Limited, a company incorporated in Bermuda, the shares of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition in accordance with terms and conditions of the SP Agreement
“Convertible Note”	the interest-free convertible note with a four-year term issued by the Company to the Vendor pursuant to the Acquisition, upon exercise of the conversion right of which up to 200 million Conversion Shares would be allotted and issued to the Vendor at exercise price of HK\$0.55 per Share
“Conversion Shares”	the Shares to be allotted and issued by the Company to the Vendor upon exercise of the conversion right of the Convertible Note
“Consideration Shares”	62.5 million Shares to be allotted and issued to the Vendor on Completion as part of the consideration for the Sale Shares and 25% of the Shareholder’s Loan pursuant to the Preliminary Agreement
“Directors”	the directors of the Company
“Further Acquisition”	Further purchase from the Vendor by Make Sense of up to 50% of the entire issued share capital together with such amount of the Shareholder’s Loan proportional to the actual number of shares of Century Time purchased, pursuant to the Call Option and under the terms as stipulated in the Preliminary Agreement and the SP Agreement
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Surani Bhupendra Jivrajbhai, an Independent Third Party
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party/Parties”	a party who is not a connected person (as defined in the Listing Rules) of the Company and who together with its ultimate beneficial owner are independent of the Company and of connected persons (as defined in the Listing Rules) of the Company
“JB China”	JB (China) Development Limited, a company incorporated in the British Virgin Islands with limited liability
“JV Company”	IM JB Resources Limited, a Sino-foreign equity joint venture established under the laws of the PRC
“Last Trading Date”	13 October 2006, being the last trading day prior to the suspension of trading in the Shares pending the release of this announcement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Make Sense”	Make Sense Investments Limited, a company incorporated in the British Virgin Islands with limited liability, and a wholly owned subsidiary of the Company
“Placing”	the placing of 226,640,000 new Shares by the Company pursuant to a placing agreement entered into by the Company and Celestial Securities Limited, further details of which are disclosed in the Company’s another announcement dated 19 October 2006
“PRC”	The People’s Republic of China
“Preliminary Agreement”	the preliminary sale and purchase agreement dated 15 October 2006 entered into between Make Sense, the Vendor and the Guarantor in relation to the Acquisition
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	12,500 shares of Century Time, representing 25% of the entire existing issued share capital of Century Time to be acquired by Make Sense in relation to the Acquisition
“Sanwei”	Inner Mongolia Sanwei Resources Group Company Limited (內蒙古三維資源集團有限公司), which is an Independent Third Party and owns 49% equity interest in the JV Company
“SGM”	the special general meeting of the Shareholders to be convened and held to consider and, if thought fit, to approve the Preliminary Agreement and the SP Agreement and the transactions contemplated therein
“Share(s)”	the ordinary share(s) of the Company of HK\$0.01 each
“Shareholder(s)”	the shareholders of the Company

“Shareholder’s Loan”	the shareholder’s loan of HK\$102,344,798 indebted by Century Time to the Vendor as at 30 September 2006
“SP Agreement”	the formal sale and purchase agreement to be entered into between Make Sense, the Vendor and the Guarantor in relation to the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	JB International Holdings Limited, a company established in the British Virgin Islands with limited liability
“%”	per cent

*Unless otherwise specified, the RMB amounts shown in this announcement have been translated into the HK\$ amount at an exchange rate of RMB1.00 = HK\$0.98 for reference purpose only.*

By Order of the Board  
**139 Holdings Limited**  
**Wong Howard**  
*Executive Director*

Hong Kong, 19 October 2006

*As at the date hereof, 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.*

\* *For identification purposes only*