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# 139 HOLDINGS LIMITED

## ( 139 控 股 有 限 公 司 )\*

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

### 1. MAJOR TRANSACTION – SIGNING OF FORMAL SALE AND PURCHASE AGREEMENT

### 2. COMPLETION OF PLACING

Further to the Preliminary Agreement entered into on 15 October 2006 as disclosed in the Announcement, the Board is pleased to announce that Make Sense has entered into the SP Agreement with the Vendor and the Guarantor on 1 November 2006 in relation to the Acquisition.

The principal terms of the SP Agreement are substantially the same as those already agreed in the Preliminary Agreement, including the assets to be acquired, consideration (including the amount, timing and means of settlement, the issue price of and the number of the Consideration Shares to be issued, and the conversion price of the Conversion Shares), warranty as to profit, and the Call Option. Information relating to the additional terms agreed in the SP Agreement which include further terms of the Convertible Note and the Shareholders' Agreement, are set out in this announcement.

The Acquisition constitutes 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 which should be within 21 days from the date of the Announcement dated 19 October 2006 in accordance with the Listing Rules.

The Board is also pleased to announce that the Placing was completed on 1 November 2006 in accordance with the relevant terms as set out in the Company's announcement dated 19 October 2006 in relation to the Placing.

#### BACKGROUND

Reference is made to the Company's announcement dated 19 October 2006 in relation to the Preliminary Agreement and the Acquisition (the "Announcement"). Capitalised terms used in this announcement shall have the same meaning as in the Announcement unless otherwise defined. Further to the Preliminary Agreement entered into on 15 October 2006 as disclosed in the Announcement, the Board is pleased to announce that Make Sense has entered into the formal sale and purchase agreement with the Vendor and the Guarantor on 1 November 2006 in relation to the Acquisition (the "SP Agreement"). The principal terms of the SP Agreement are substantially the same as those already agreed in the Preliminary Agreement, including the assets to be acquired, consideration (including the amount, timing and means of settlement, the issue price of and the number of the Consideration Shares to be issued, and the conversion price of the Conversion Shares), warranty as to profit, and the Call Option. Information relating to the additional terms agreed in the SP Agreement which include further terms of the Convertible Note and the Shareholders' Agreement, are set out in this announcement.

## **THE ACQUISITION AND THE SP AGREEMENT**

### **Date**

1 November 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 SP Agreement, who is an Independent Third Party.

### **Assets to be acquired**

The assets to be acquired under the Acquisition pursuant to the SP Agreement remain the same as agreed in the Preliminary Agreement.

1. the Sale Shares, being 25% of the total issued share capital of Century Time;
2. 25% of the Shareholder's Loan, which is an advance of HK\$102,344,798 (as at 30 September 2006) 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
3. the Call Option.

Information relating to Century Time, JB China (which is a wholly-owned subsidiary of Century Time) and the JV Company (which is owned by JB China as to 51%) has been disclosed in the Announcement. Please also refer to the Announcement for the reason for the Acquisition.

### **Conditions and Completion**

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

- (a) Make Sense at its sole discretion being satisfied with the results of the due diligence review to be conducted in relation to the Acquisition;
- (b) 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;
- (c) 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;
- (d) if necessary, the Bermuda Monetary Authority granting consent to the allotment and issue of the Consideration Shares and the Conversion Shares;
- (e) 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;
- (f) the Company having obtained a specific mandate granted by the Shareholders for the issue of the Consideration Shares and the Conversion Shares; and
- (g) 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.

Pursuant to the SP Agreement, Make Sense has the sole discretion to waive the above conditions except for (b), (c), (d) and (f) stated above. In addition, Make Sense will not waive condition (g) stated above to ensure compliance with relevant regulatory requirements.

Completion shall take place five business days after all the conditions above having been fulfilled (or waived by Make Sense), which shall in any event be on or before 12:00 noon on 15 April 2007 (or such later date as may be agreed in writing by the parties to the SP Agreement). If the conditions above have not been satisfied (or waived by Make Sense) on or before 12:00 noon on 15 April 2007 (or such later date as may be agreed in writing by the parties to the SP Agreement), the SP Agreement shall cease and determine and neither party shall have any obligation and liabilities under the SP Agreement save for any antecedent breaches of the terms of the SP Agreement.

## Other principal terms of the SP Agreement

Other principal terms of the SP Agreement are substantially the same as those already agreed in the Preliminary Agreement, including the assets to be acquired, consideration (including the amount, timing and means of settlement, the issue price of and the number of the Consideration Shares to be issued, and the conversion price of the Conversion Shares), warranty as to profit, and the Call Option. Please refer to the Announcement for other principal terms in relation to the Acquisition.

### Convertible Note

The principal terms of the Convertible Note as agreed pursuant to the SP Agreement are the same as those already agreed in the Preliminary Agreement and disclosed in the Announcement. The major terms of the Convertible Note, including those further terms agreed in the SP Agreement, are summarized below:

<b>Principal amount:</b>	HK\$110 million
<b>Conversion Price:</b>	HK\$0.55 per Share
<b>Maximum number of Conversion Shares upon exercise of the Convertible Note:</b>	200 million
<b>Term:</b>	4 years. Upon the end of such period, the outstanding amount of the Convertible Note which has not been converted into Conversion Shares will be repaid by the Company in full in cash.
<b>Interest:</b>	interest-free
<b>Ranking and status:</b>	general and unsecured obligation of the Company and rank pari passu with all other present and future unsecured and unsubordinated obligations of the Company
<b>Voting right:</b>	No voting right in the general meetings of the Company
<b>Transferability:</b>	Freely transferable. The Company will notify the Stock Exchange when it is informed that the Convertible Note is transferred to a connected person (as defined in the Listing Rules) of the Company.
<b>Exercise period and amount:</b>	at any time in integral multiples of HK\$550,000 from the date of issue up to (but excluding) the period of three business days ending on the due date
<b>Adjustment to conversion:</b>	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, capitalisation of profits and reserves, capital distributions in cash or specie or subsequent issue of securities in the Company.

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, and there is no lock-up restriction on the Conversion Shares. No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other stock exchange. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. The Company will notify the Stock Exchange if it becomes aware of any dealings in the Conversion Shares by a connected person (as defined in the Listing Rules) of the Company.

### Shareholders' Agreement

Pursuant to the SP Agreement, on Completion, Make Sense and the Vendor will also enter into a shareholders' agreement with the objective to govern the respective rights and obligations of the shareholders of Century Time and the arrangements between the shareholders with respect to the ownership, management and operations of Century Time (the "Shareholders' Agreement"). The major terms of the Shareholders' Agreement shall include:

- Century Time and its subsidiaries shall not engage in any business or activity other than investment holdings and production and sales of methanol, coal and their related products or reasonably incidental thereto except with the prior approval of its board of directors.
- The number of directors to be appointed at each board of directors of Century Time and its subsidiaries shall be proportional to the equity interest of each shareholder of Century Time.
- The quorum for a board of directors meeting of Century Time shall be three directors, one of which must be nominated by Make Sense.
- Questions or any other matters arising in any meeting of the board of directors of Century Time shall be decided by majority of votes, with each director having one vote and the chairman of the meeting being not entitled to a second or casting vote.
- Two (or more) shareholders, of which the representative of Make Sense must be present, shall constitute a quorum for a general meeting of shareholders of Century Time.
- The Vendor has undertaken to finance an amount of RMB100,980,000 to satisfy the capital required to complete the capital contribution for 51% of the registered capital of the JV Company of RMB198,000,000 not yet paid at present.

- The consent of all shareholders is required for Century Time to carry out certain actions, including, among other things, issue of shares, winding up or liquidation, alteration of the memorandum or articles of association and appointment of auditors.
- One shareholder of Century Time proposing to transfer shares of Century Time shall be obliged to first offer to the other shareholder all such shares.
- The Shareholders' Agreement shall be terminated in relation to any shareholder of Century Time after such party ceases to be a shareholder.

#### **COMPLETION OF THE PLACING**

The Placing was completed on 1 November 2006 in accordance with the relevant terms as set out in the Company's announcement dated 19 October 2006 in relation to the Placing, the relevant Shares of which have been placed to not less than six investors who are Independent Third Parties. Based on the information available to the Company and to the best knowledge of the Directors, the Directors confirmed that at least 25% of the Company's total issued share capital was held by the public as of the date of this announcement.

#### **GENERAL**

The Acquisition constitutes 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 which should be within 21 days from the date of the Announcement dated 19 October 2006 in accordance with the Listing Rules.

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

Hong Kong, 2 November 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*