THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in 139 HOLDINGS LIMITED, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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
INVESTMENT IN METHANOL REFINERY PROJECT
IN INNER MONGOLIA

A notice convening a Special General Meeting of 139 Holdings Limited to be held at Basement Function Room I, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong on Wednesday, 14 February 2007, at 9:30 a.m. is set out on pages 120 to 122 of this circular. A form of proxy for use at the Special General Meeting is also enclosed. Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's Share Registrar in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the meeting if you so wish.

* *For identification purposes only*

29 January 2007

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In this circular, unless the context otherwise requires, the following expressions 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 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 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
"Century Time Group"	Century Time and its subsidiaries
"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
"Consideration Shares"	62.5 million Shares to be allotted and issued to the Vendor at a price of HK$0.4 each on Completion as part of the consideration for the Sale Shares and 25% of the Shareholder's Loan pursuant to the SP Agreement
"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

"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 an exercise price of HK$0.55 per Share
"Directors"	the directors of the Company
"First Announcement"	the announcement of the Company dated 19 October 2006 in relation to, among other things, the Preliminary Agreement and the transactions contemplated therein
"Further Acquisition"	further purchase from the Vendor by Make Sense of up to 50% of the entire issued share capital together with such amount of the Shareholder's Loan proportional to the actual number of shares of Century Time purchased by Make Sense, pursuant to the Call Option and under the terms as stipulated in the SP Agreement
"Group"	the Company and its subsidiaries
"Guarantor"	Mr. Surani Bhupendra Jivrajbhai, an Independent Third Party
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"HK$"	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 the First Announcement

"Latest Practicable Date"	26 January 2007, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
"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 were disclosed in the Company's 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 under 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 SP Agreement and the transactions contemplated therein
"Share(s)"	the ordinary share(s) of the Company of HK$0.01 each
"Shareholder(s)"	the shareholder(s) of the Company
"Shareholders' Agreement"	the shareholders' agreement to be entered into among the shareholders of Century Time upon Completion with the objective to govern their respective rights and obligations as shareholders of Century Time

"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 dated 1 November 2006 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 circular have been translated into the HK$ amounts at an exchange rate of RMB1.00 = HK$1.00 for reference purpose only.

139 Holdings Limited
(139控股有限公司)*

(incorporated in Bermuda with limited liability)
(Stock Code: 139)

Executive Directors:
Wong Howard *(Chairman & Chief Executive Officer)*
Wong Yat Fai
Wu Qing

Independent Non-Executive Directors:
Li Chi Ming
Tung Tat Chiu, Michael
Wan Ngar Yin, David

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

Head Office and Principal Place of Business:
Room 1603-5
Harcourt House
39 Gloucester Road
Wanchai
Hong Kong

29 January 2007

To the Shareholders

Dear Sirs or Madams,

MAJOR ACQUISITION INVOLVING ISSUE OF NEW SHARES AND CONVERTIBLE NOTE IN RELATION TO INVESTMENT IN METHANOL REFINERY PROJECT IN INNER MONGOLIA

INTRODUCTION

Reference is made to the Company's announcements dated 19 October 2006 and 1 November 2006 in relation to the Preliminary Agreement, the SP Agreement and the Acquisition. Make Sense has entered into the Preliminary Agreement and the SP Agreement with the Vendor and the Guarantor respectively on 15 October 2006 and 1 November 2006 in relation to the Acquisition. The purpose of this circular is to give you further information regarding, among other things, the Preliminary Agreement, the SP Agreement and the Acquisition together with the notice of SGM for considering and, if thought fit, approving the SP Agreement and the transactions contemplated in connection with the Acquisition.

* *For identification purposes only*

THE ACQUISITION

In contemplation for the Acquisition, Make Sense has entered into the Preliminary Agreement with the Vendor and the Guarantor on 15 October 2006. Subsequent to the Preliminary Agreement, 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 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 major terms agreed in the Preliminary Agreement and as finalised in the SP Agreement are set out below:

Date of the Preliminary Agreement

15 October 2006

Date of the SP Agreement

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 Latest Practicable Date. 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 owners of the Vendor are Independent Third Parties; and

3. the Guarantor, Mr. Surani Bhupendra Jivrajbhai, as the guarantor for the obligations of the Vendor under the SP Agreement, who is an Independent Third Party.

Assets to be acquired

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.

Consideration

1. consideration for the Sale Shares together with 25% of the Shareholder's Loan: HK$150 million;

2. consideration for the Call Option: HK$1.

The consideration for the Sale Shares and the 25% of 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 million.

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.

Further information on the Convertible Note is set out in the paragraph headed "Convertible Note" below.

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; (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; (iii) no premium or discount over the closing price of HK$0.4 per Share as quoted on the Stock Exchange on the Latest Practicable Date; (iv) a discount of approximately 5.66% over the average closing price of approximately HK$0.424 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Latest Practicable Date; and (v) a premium of approximately 26.98% over the audited consolidated net asset value per Share of approximately HK$0.315 as at 31 March 2006.

The aggregate number of Consideration Shares of 62.5 million Shares to be issued to the Vendor represents (i) approximately 4.60% of the existing issued share capital of the Company of 1,359,883,047 Shares as at the Latest Practicable Date; and (ii) approximately 4.39% of the issued share capital of the Company of 1,422,383,047 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 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 was agreed between the Company and the Vendor with reference to the recent prices of the Shares as traded on the Stock Exchange and the potential impact by the Acquisition on the Company's prospects.

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 has been 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.

Convertible Note

Principal amount:	HK$110 million.
Conversion Price:	HK$0.55 per Share.
Maximum number of Conversion Shares upon exercise of the Convertible Note:	200 million.
Term:	four 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.
Interest:	interest-free.
Ranking and status:	general and unsecured obligation of the Company and rank pari passu with all other present and future unsecured and unsubordinated obligations of the Company.
Voting right:	no voting right in the general meetings of the Company.
Transferability:	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.
Exercise period and amount:	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.
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, capital distributions in cash or specie or subsequent issue of securities in the Company.

The conversion 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; (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; (iii) a premium of approximately 37.50% over the closing price of HK$0.4 per Share as quoted on the Stock Exchange on the Latest Practicable Date; (iv) a premium of approximately 29.72% over the average closing price of approximately HK$0.424 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Latest Practicable Date; and (v) a premium of approximately 74.60% over the audited consolidated net asset value per Share of approximately HK$0.315 as at 31 March 2006. The conversion price for the Conversion Shares was 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.

The aggregate number of Conversion Shares of 200 million Shares to be issued to the Vendor represents (i) approximately 14.71% of the existing issued share capital of the Company of 1,359,883,047 Shares as at the Latest Practicable Date; (ii) approximately 14.06% of the issued share capital of the Company of 1,422,383,047 Shares as enlarged by the Consideration Shares; and (iii) approximately 12.33% of the issued share capital of the Company of 1,622,383,047 Shares as enlarged by the Consideration Shares and the Conversion Shares. It is expected that the issue of the Conversion Shares to the Vendor will not result in a change of control of 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 Note on the Stock Exchange or any other stock exchange. Application has been 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.

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. As at the Latest Practicable Date, none of the above conditions has been fulfilled or waived.

Completion shall take place five business days after the date on which 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.

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$900 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:

Refund Amount = ((RMB900 million – Actual Profit) / 2) x 2.66 x 51% x 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. In addition, the Directors were given to understand that Sanwei, the Chinese partner of the JV Company, is a sizeable enterprise headquartered at Inner Mongolia where the JV Company is located, and Sanwei has substantial experience in energy related businesses and business connections in the region. Furthermore, the Company has obtained correspondence indicating preliminary interest of potential customers in purchasing methanol from the JV Company. Accordingly, the Directors believed that the JV Company would have the ability to carry out sales and marketing activities to launch its products to tap the methanol market demand. 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 Sale 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$200 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.

The Company has obtained and assessed relevant business and financial information of the Vendor and the Guarantor, including the background of the Vendor and the Guarantor, the Vendor's remaining 75% interest in Century Time, the investments by the Vendor in other businesses and the personal wealth of the Guarantor. Based on such assessment, the Directors consider that the Vendor would be financially capable to fulfill its obligation in relation to the payment of the Refund Amount and the settlement of the consideration if Make Sense would have to exercise the right to sell all the Sale Shares together with 25% of the Shareholder's Loan back to the Vendor.

Call Option

Pursuant to the SP Agreement, the Vendor granted to Make Sense at consideration of HK$1.00 the Call Option for Make Sense to further purchase additionally up to 50% of the entire issued share capital of Century Time so that Make Sense would obtain 75% shareholding interest at maximum in 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 (subject to certain events including compliance with relevant Listing Rules requirements and approval from the Shareholders as appropriate). The exercise period for the Call Option shall be one year from Completion. At present, the Company has not decided whether to exercise the Call Option, but will monitor the progress of the business development of the JV Company for further assessment. To assess whether to exercise the Call Option in future, the Directors will consider various factors including, among other things, whether the production facilities of the JV Company have been duly established, whether the JV Company has commenced commercial production, the JV Company's prevailing financial conditions, and the then prevailing market condition. As such, the Company may or may not exercise the Call Option within its exercise period.

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 less 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 5.66 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 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.

Shareholders' Agreement

Pursuant to the SP Agreement, on Completion, Make Sense and the Vendor will also enter into the 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 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 as at the Latest Practicable Date.

- 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 terminate in relation to any shareholder of Century Time after such party ceases to be a shareholder.

INFORMATION ON CENTURY TIME

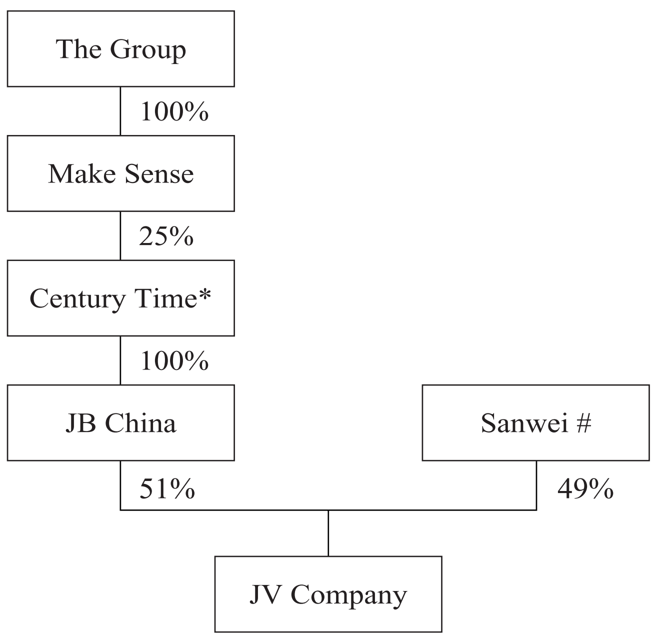
Century Time is a limited liability company incorporated in the British Virgin Islands on 5 July 2005 and is an investment holding company without any business operation other than those related to the JV Company since incorporation. Century Time is beneficially interested in the entire issued share 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. As at the Latest Practicable Date, 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 its 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.

As at the Latest Practicable Date, to the best knowledge of the Directors, the board of each of Century Time, JB China and the JV Company comprise four, four and eight directors respectively. Upon Completion, Make Sense shall have the right to appoint directors at each board of Century Time, JB China and the JV Company proportional to the equity interest in Century Time owned by Make Sense.

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.

MANAGEMENT DISCUSSION ON CENTURY TIME

Operation Review

Century Time and JB China are both investment holding companies without any business operation other than those related to the JV Company since its incorporation. The JV Company is a Sino-foreign equity joint venture established on 9 June 2005, which was set up to engage in methanol production and coal mining business.

As at the Latest Practicable Date, the production plant for methanol production is still under construction and hence the JV Company has not commenced any production yet. It is expected that the JV Company will start methanol production by means of coal-to-methanol conversion with an annual production capacity of 224,000 tons around the fourth quarter of 2007.

Financial Review

As extracted from the accountants' report on Century Time as set out in Appendix II to this circular, the following is a summary of certain audited consolidated financial information of Century Time Group for the period from 5 July 2005, the date of incorporation of Century Time, to 31 December 2005 (the "**First Period**"), and the period from 1 January 2006 to 31 October 2006 (the "**Second Period**"):

(In HK$ thousand)	**As at 31 December 2005**	**As at 31 October 2006**
Total assets	199,940	205,834
Net liabilities (excluding minority interests)	3,676	3,849
	For the First Period	**For the Second Period**
Loss before tax	2,629	2,992
Loss after tax attributable to equity holders of Century Time	2,565	2,190

The Century Time Group did not record any turnover for both the First Period and Second Period as it has not commenced production yet. Other income of approximately HK$73,000 and HK$101,000 which comprised interest income earned were recorded for the First Period and the Second Period.

During the pre-operating stage, administrative expenses of approximately HK$2,702,000 and HK$3,093,000 were incurred respectively for the First Period and Second Period which included salaries expenses, depreciation and other items. In addition, other than a deferred tax asset credited in the Second Period of approximately HK$400,000 which arose from losses available to offset against future taxable profit from its operation in the

PRC, no provision for Hong Kong profits tax and the PRC corporate income tax has been made as the Century Time Group had no assessable profits during the First Period and the Second Period (collectively referred to as the "**Relevant Periods**").

Since the Century Time Group has not commenced commercial production, it incurred net losses attributable to equity holders of Century Time of approximately HK$2,565,000 and HK$2,190,000 respectively for the First Period and the Second Period, mainly due to the expenditures in relation to the administrative expenses.

Liquidity and financial resources

During the Relevant Periods, the Century Time Group has been financing its operations through shareholder's loan, which is unsecured, interest-free and not repayable until the Century Time Group is able to meet its capital requirements and daily working capital requirement after the commencement of commercial production. The shareholder's loan amounted to approximately HK$101,950,000 and HK$104,267,000 respectively as at 31 December 2005 and 31 October 2006. As at 31 December 2005 and 31 October 2006, the Century Time Group's bank balances amounted to approximately HK$35,603,000 and HK$252,000 respectively, while the pledged time deposits amounted to approximately HK$5,861,000 and HK$8,291,000 respectively. Apart from the shareholder's loan mentioned above and bills payable and other payables and accruals, the Century Time Group had no other borrowings.

The gearing ratio (shareholder's loan/ total assets) of the Century Time Group were approximately 0.51 and 0.51 respectively as at 31 December 2005 and 31 October 2006.

Significant Investments

The investments made by the Century Time Group during the Relevant Periods were mainly related to the construction of the methanol production plant. In this connection, as at 31 October 2006, the Century Time Group had property, plant and equipment of approximately HK$38,768,000 and prepayments and deposits for property, plant and equipment of approximately HK$130,154,000.

Material acquisitions and disposals

The Century Time Group did not make any material acquisition or disposal during the Relevant Periods.

Employees

As at 31 October 2006, the Century Time Group had three employees. The Century Time Group adopts a competitive remuneration package for its employees. Remuneration packages and promotion are assessed based on factors including employees' performance, experience and qualification.

The total staff costs (including directors' remuneration) of the Century Time Group amounted to approximately HK$636,000 and HK$1,416,000 respectively for the First Period and the Second Period.

Charges on assets

As at 31 October 2006, time deposits of approximately HK$8,291,000 were pledged to secure the bills payable of the same amount.

Future plan

To the best understanding of the Directors, the Century Time Group will carry out relevant activities in order to put its methanol production plant into commercial production around the fourth quarter of 2007. 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 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.

Exchange rate risk

During the Relevant Periods, the Century Time Group's transactions were principally denominated in HK$ and RMB and hence was exposed to foreign exchange risk arising from the exposure of HK$ and RMB. The Century Time Group considers its exposure to exchange rate risk is relatively minimal. At present, Century Time Group does not intend to seek to hedge its exposure to foreign exchange fluctuations.

Contingent liabilities

The Century Time Group did not have any material contingent liability as at 31 October 2006.

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.

With the view that the PRC's energy consumption has experienced steady increase in recent years as the economy of the PRC continues to develop, in future, the Directors would keep exploring if there are any favorable investment opportunities in the PRC energy sector. In this connection, as a way to further expand into the PRC energy sector, the Directors would closely monitor the business and development of the Century Time Group in order to assess whether it is beneficial to the Group to proceed with the Further Acquisition to increase the Group's investment in the Century Time Group. In addition, the Directors would continue to explore and identify if there are any other suitable opportunities in the PRC energy sector for acquisition, establishing joint venture and/or other forms of cooperation.

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

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	As at the Latest Practicable Date	Approx.	After Completion	Approx.	After Completion and full conversion of the Convertible Note	Approx.
	Shares	*%*	*Shares*	*%*	*Shares*	*%*
Mr. Wong Howard, a Director	21,299,000	1.57%	21,299,000	1.50%	21,299,000	1.31%
Mr. Wong Yat Fat, a Director	21,299,000	1.57%	21,299,000	1.50%	21,299,000	1.31%
Mr. Wu Qing, a Director	21,299,000	1.57%	21,299,000	1.50%	21,299,000	1.31%
Penta Investment Advisers Limited, an Independent Third Party	174,630,000	12.84%	174,630,000	12.28%	174,630,000	10.76%
Other public Shareholders	1,121,356,047	82.45%	1,121,356,047	78.83%	1,121,356,047	69.13%
The Vendor	–	–	62,500,000	4.39%	262,500,000	16.18%
Total	1,359,883,047	100.00%	1,422,383,047	100.00%	1,622,383,047	100.00%

Based on 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 Latest Practicable Date. 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.

FINANCIAL EFFECTS OF THE ACQUISITION

In respect of effect on earnings of the Group, upon Completion, the Group's investment in Century Time will be accounted for as an investment in associate, the results of which will be accounted for using equity method for the Group's consolidated financial statements. As Century Time Group has not yet commenced its production, it is expected that the Acquisition will not bring any profit contribution to the Group immediately, but a share of losses of Century Time Group mainly relating to its operating expenses in near future, which would be of immaterial amount relatively.

In respect of effect on assets and liabilities of the Group, upon Completion, the Acquisition will immediately result in an increase in investment in associate. In addition, as the consideration for the Acquisition is to be settled by (i) cash of HK$15 million, (ii) the Convertible Note and (iii) the Consideration Shares, the Group will also record an increase in non-current liabilities as a result of the issue of the Convertible Note and a decrease in cash balances. Taking the Placing into account, the payment of the cash portion of the consideration for the Acquisition can be financed by the Group's internal resources without further financing.

LISTING RULES IMPLICATIONS

The Proposed Acquisition contemplated under the SP Agreement 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.

SGM

A notice convening the SGM to be held at Basement Function Room I, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong on Wednesday, 14 February 2007, at 9:30 a.m. or any adjournment thereof is set out on pages 120 to 122 of this circular for the purpose of considering and, if though fit, passing, with or without amendments, the ordinary resolutions in respect of the transactions contemplated in connection with the Acquisition.

A form of proxy for use by the Shareholders at the SGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Hong Kong branch share registrars and transfer office of the Company, at Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event, not later than 48 hours before the time appointed for holding the SGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof (as the case may be) should you so wish.

To the best knowledge of the Directors, none of the parties to the Preliminary Agreement and the SP Agreement holds any Share, and none of the Shareholders or their associates has any interest in the Acquisition which is different from the other Shareholders. Accordingly, the Company is not aware of any Shareholder who will need to abstain from voting at the SGM.

PROCEDURES BY WHICH A POLL MAY BE DEMANDED

The following sets out the procedures by which the Shareholders may demand a poll at the SGM.

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

(i) by the chairman of such meeting; or

(ii) by 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) by 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) by 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 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 the Shares conferring that right.

A demand by a person as proxy for a Shareholder or in the case of a Shareholder being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a Shareholder.

RECOMMENDATION

The Directors (including all the independent non-executive Directors) are of the view that the terms of the Preliminary Agreement, the SP Agreement and the related transactions contemplated therein are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors (including all the independent non-executive Directors) recommend the Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the SP Agreement and the related transactions contemplated in connection with the Acquisition.

GENERAL INFORMATION

Your attention is drawn to the additional information sets out in the appendices to this circular.

By Order of the Board
139 Holdings Limited
Wong Howard
Chairman

1. THREE-YEAR FINANCIAL SUMMARY

The following is a summary of the audited consolidated financial information of the Group for each of the three years ended 31 March 2004, 2005 and 2006 as extracted from the relevant annual reports of the Company for which the auditors of the Company, Ernst & Young, expressed unqualified opinion:

Consolidated Income Statements

	For the year ended 31 March		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
REVENUE			
Electronic products	29,216	7,794	15,410
Treasury investment	(18,893)	32,064	411
	10,323	39,858	15,821
Cost of electronic products sold	(29,308)	(15,522)	(20,527)
Brokerage and commission expenses	(1,242)	(241)	(310)
	(30,550)	(15,763)	(20,837)
	(20,227)	24,095	(5,016)
Other income and gains	3,246	698	133
Selling and distribution costs	(303)	(642)	(684)
Administrative expenses	(16,247)	(17,896)	(17,681)
Other operating expenses	(415)	(3,941)	(4,871)
Fair value losses, net:			
Equity investments at fair value through profit or loss	(10,096)	–	–
Conversion option derivative	(1,479)	–	–
Unrealised gain on other securities	–	22,961	29,597
Finance costs	(961)	(150)	(274)
Profit/(Loss) before tax	(46,482)	25,125	1,204
Tax	–	–	–
Profit/(Loss) for the year attributable to ordinary equity holders of the parent	(46,482)	25,125	1,204
Earnings/(Loss) per share attributable to ordinary equity holders of the parent			
		(Restated)	
Basic	(4.10 cents)	2.67 cents	0.01 cents
Diluted	N/A	N/A	N/A

Consolidated Balance Sheets

	2006	31 March 2005	2004
	HK$'000	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	403	172	8,263
Prepaid land lease payment	–	–	–
Convertible notes – loan portion/convertible notes	12,480	13,500	–
Available-for-sale equity investments/ investment securities	122,743	–	–
Total non-current assets	135,626	13,672	8,263
CURRENT ASSETS			
Equity investments at fair value through profit or loss/other securities	192,558	194,743	181,298
Convertible notes	–	–	10,500
Inventories	6	379	4,395
Trade receivables	10,235	–	728
Prepayments, deposits and other receivables	7,985	26,132	5,165
Pledged time deposits	6,731	6,572	6,534
Cash and cash equivalents	18,780	83,505	25,650
Total current assets	236,295	311,331	234,270
CURRENT LIABILITIES			
Trade payables	250	196	1,683
Tax payable	363	363	363
Other payables and accruals	7,170	8,533	7,734
Finance leases payables	78	–	–
Bank overdrafts, secured	–	1	4,368
Total current liabilities	7,861	9,093	14,148
NET CURRENT ASSETS	228,434	302,238	220,122
TOTAL ASSETS LESS CURRENT LIABILITIES	364,060	315,910	228,385
NON-CURRENT LIABILITIES			
Finance lease payables	69	–	–
Deferred tax liabilities	6,471	–	–
Total non-current liabilities	6,540	–	–
NET ASSETS	357,520	315,910	228,385
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Issued capital	11,332	113,324	93,324
Reserves	346,188	202,586	135,061
Total equity	357,520	315,910	228,385

2. AUDITED FINANCIAL STATEMENTS

The following is the audited financial statements of the Group for the year ended 31 March 2006 together with accompany notes, extract from the Company's annual report for the year ended 31 March 2006.

Consolidated Income Statement
Year ended 31 March 2006

	Notes	2006 HK$'000	2005 HK$'000
REVENUE	5		
Electronic products		29,216	7,794
Treasury investment		(18,893)	32,064
		10,323	39,858
Cost of electronic products sold		(29,308)	(15,522)
Brokerage and commission expenses		(1,242)	(241)
		(30,550)	(15,763)
		(20,227)	24,095
Other income and gains	5	3,246	698
Selling and distribution costs		(303)	(642)
Administrative expenses		(16,247)	(17,896)
Other operating expenses		(415)	(3,941)
Fair value losses, net:			
Equity investments at fair value through profit or loss		(10,096)	–
Conversion option derivative		(1,479)	–
Unrealised gain on other securities		–	22,961
Finance costs	7	(961)	(150)
PROFIT/(LOSS) BEFORE TAX	6	(46,482)	25,125
Tax	10	–	–
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11	(46,482)	25,125
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
			(Restated)
Basic		(4.10 cents)	2.67 cents
Diluted		N/A	N/A

Consolidated Balance Sheet
31 March 2006

	Notes	2006 HK$'000	2005 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	403	172
Prepaid land lease payment	14	–	–
Convertible notes-loan portion/convertible notes	16	12,480	13,500
Available-for-sale equity investments/investment securities	17	122,743	–
Total non-current assets		135,626	13,672
CURRENT ASSETS			
Equity investments at fair value through profit or loss/other securities	18	192,558	194,743
Inventories	19	6	379
Trade receivables	20	10,235	–
Prepayments, deposits and other receivables	21	7,985	26,132
Pledged time deposits	22	6,731	6,572
Cash and cash equivalents	22	18,780	83,505
Total current assets		236,295	311,331
CURRENT LIABILITIES			
Trade payables	23	250	196
Tax payable		363	363
Other payables and accruals	23	7,170	8,533
Finance lease payables	24	78	–
Bank overdrafts, secured	30	–	1
Total current liabilities		7,861	9,093
NET CURRENT ASSETS		228,434	302,238
TOTAL ASSETS LESS CURRENT LIABILITIES		364,060	315,910
NON-CURRENT LIABILITIES			
Finance lease payables	24	69	–
Deferred tax liabilities	25	6,471	–
Total non-current liabilities		6,540	–
Net assets		357,520	315,910
Equity attributable to equity holders of the parent			
Issued capital	26	11,332	113,324
Reserves	27(a)	346,188	202,586
Total equity		357,520	315,910

Consolidated Statement of Changes in Equity

Year ended 31 March 2006

		Attributable to equity holders of the parent								
		Issued share capital	Share premium account	Goodwill reserve#	Capital reserve	Contributed surplus	Available-for-sale equity investment revaluation reserve	Exchange fluctuation reserve	Accumulated losses	Total equity
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2004		93,324	267,600	–	556	449,182	–	32	(582,309)	228,385
Issue of shares	*26*	20,000	44,000	–	–	–	–	–	–	64,000
Share issue expenses	*26*	–	(1,600)	–	–	–	–	–	–	(1,600)
Net profit for the year		–	–	–	–	–	–	–	25,125	25,125
At 31 March 2005 and 1 April 2005		113,324	310,000*	–*	556*	449,182*	–*	32*	(557,184)*	315,910
Opening adjustment	*2.4*	–	–	–	–	–	–	–	20,374	20,374
At restated		113,324	310,000	–	556	449,182	–	32	(536,810)	336,284
Capital reorganisation	*26*	(101,992)	–	–	–	101,992	–	–	–	–
Changes in fair values of available-for-sale equity investments		–	–	–	–	–	74,303	–	–	74,303
Deferred tax arising from changes in fair value of available-for-sale equity investments	*25*	–	–	–	–	–	(6,471)	–	–	(6,471)
Exchange realignment		–	–	–	–	–	–	(114)	–	(114)
Net loss for the year		–	–	–	–	–	–	–	(46,482)	(46,482)
At 31 March 2006		11,332	310,000*	–*	556*	551,174*	67,832*	(82)*	(583,292)*	357,520

* These reserve accounts comprise the consolidated reserves of HK$346,188,000 (2005: HK$202,586,000) in the consolidated balance sheet.

\# Goodwill arising from acquisition of certain subsidiaries prior to 1 April 2001 that amounted to HK$49,062,000 was previously eliminated against the consolidated reserve and remained eliminated against the consolidated reserve as at 31 March 2006. Such goodwill was fully impaired in prior years. The Group applied the transitional provisions of HKFRS 3 that permitted goodwill in respect of business combinations which occurred prior to 2001, to remain eliminated against consolidated reserve, and not be recognised in profit or loss when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Consolidated Cash Flow Statement
Year ended 31 March 2006

	Notes	2006 HK$'000	2005 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		(46,482)	25,125
Adjustments for:			
Interest income	5	(1,931)	(356)
Finance costs	7	961	150
Depreciation	6	143	4,513
Provision for impairment of items of property, plant and equipment	6	–	3,777
Gain on disposal of subsidiaries	5 & 29	(1,173)	–
Gain on disposal of items of property, plant and equipment	5	(109)	–
Provision/(write-back of provision) for inventories	6	(1,232)	2,707
Fair value losses, net:			
Equity investments at fair value through profit or loss		10,096	–
Conversion option derivative		1,479	–
Unrealised gain on other securities		–	(22,961)
Operating profit/(loss) before working capital changes		(38,248)	12,955
Increase in convertible notes-loan portion/convertible notes		(459)	(3,000)
Decrease/(increase) in equity investments at fair value through profit or loss/other securities		(31,183)	9,516
Decrease in inventories		1,605	1,309
Decrease/(increase) in trade receivables		(10,235)	728
Decrease/(increase) in prepayments, deposits and other receivables		18,135	(21,517)
Increase/(decrease) in trade payables		54	(1,487)
Increase/(decrease) in other payables and accruals		(297)	799
Cash used in operations		(60,628)	(697)
Interest paid		(961)	(150)
Net cash outflow from operating activities		(61,589)	(847)

	Notes	2006 HK$'000	2005 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(57)	(199)
Purchases of available-for-sale equity investments		(4,794)	–
Interest received		1,931	906
Net cash inflow/(outflow) from investing activities		(2,920)	707
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	26	–	64,000
Share issue expenses	26	–	(1,600)
New other loans		90,000	–
Repayment of other loans		(90,000)	–
Capital element of finance lease rental payments		(61)	–
Net cash inflow/(outflow) from financing activities		(61)	62,400
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(64,570)	62,260
Cash and cash equivalents at beginning of year		90,076	27,816
Effect of foreign exchange rate changes, net		5	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		25,511	90,076
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	7,643	2,583
Non-pledged time deposits with original maturity of less than three months when acquired	22	11,137	80,922
Time deposits with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities	22	6,731	6,572
Bank overdrafts, secured		–	(1)
		25,511	90,076

Balance Sheet
31 March 2006

	Notes	**2006** *HK$'000*	**2005** *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	–	–
Interests in subsidiaries	*15*	–	–
CURRENT ASSETS			
Due from subsidiaries	*15*	277,673	213,502
Prepayments, deposits and other receivables	*21*	26	376
Cash and cash equivalents	*22*	320	63,861
Total current assets		278,019	277,739
CURRENT LIABILITIES			
Tax payable		354	354
Accruals		1,308	2,005
Due to subsidiaries	*15*	36,251	31,088
Total current liabilities		37,913	33,447
NET CURRENT ASSETS		240,106	244,292
Net assets		240,106	244,292
EQUITY			
Issued capital	*26*	11,332	113,324
Reserves	*27(b)*	228,774	130,968
Total equity		240,106	244,292

Notes to Financial Statements

31 March 2006

1. CORPORATE INFORMATION

139 Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda. The principal place of 139 Holdings Limited is located at Rooms 1603-5, 16/F., Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries consisted of the trading and distribution of electronic products and other merchandise and securities investment and trading. There were no significant changes in the nature of the Group's principal activities during the year.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments and conversion option derivative, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2006. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share

HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

The adoption of HKASs 1, 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 24, 27, 33, 36, 37, 39 Amendment, HKFRSs 2 and 3 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

The impact of adopting the other HKFRSs is summarised as follows:

HKAS 32 and HKAS 39 – Financial Instruments

(i) Equity securities

At 31 March 2005, the Group classified its investments in securities into investment securities and other securities, which were stated in the balance sheet at cost less any impairment losses and at fair value, respectively. Any impairment losses on investment securities and changes in fair value on other securities were recognised in the income statement for the period in which they arise.

From 1 April 2005 onwards, the Group classified its investments in securities into the following categories, taking into account the purpose for which the investments are acquired:

Equity investments at fair value through profit or loss

Equity investments at fair value through profit or loss are financial assets held for trading and those designated at fair value through profit or loss at inception. They are carried at fair value in the balance sheet. Any change in fair value is recognised in the income statement.

Available-for-sale equity investments

Available-for-sale equity investments are non-derivative financial assets that are either designated in this category or not classified in any other categories. They are carried at fair value except for certain available-for-sale equity investments that do not have a published quoted price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any accumulated impairment losses. The impairment loss is charged to the income statement for the period in which they arise.

For available-for-sale equity investments carried at fair value, any gain or loss arising from the change in fair value is recognised directly in equity except for impairment losses, until the financial asset is derecognised at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement.

When a decline in the fair value of an available-for-sale equity investment has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments shall not be reversed through profit or loss.

In accordance with the transitional provisions of HKAS 39, the Group re-designated equity securities as follows:

(1) other securities with total carrying amounts of HK$43,646,000 and HK$171,471,000 were re-designated into available-for-sale equity investments and equity investments at fair value through profit or loss on 1 April 2005, respectively.

In prior years, in accordance with paragraph 41 of Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for Investments in Securities", a discount was applied in determining the fair values of other securities with large size in holding to reflect the reduction in price likely to be incurred in disposing of the securities with such a large-sized holding.

Upon the adoption of HKAS 39, the application of discount on the determination of the fair value of the large-sized holding securities is not permitted. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated and an adjustment of HK$20,374,000 was credited to the opening balance of accumulated losses to reflect the write-back of the discount made in previous years.

(2) Investment securities which carried at cost of HK$90,000,000 less an accumulated impairment loss of HK$90,000,000 were re-designated into available-for-sale equity investments at cost less any accumulated impairment losses on 1 April 2005. There is no effect on re-measurement as the accounting policy on measurement of the Group's investment securities as at 31 March 2005 is the same as that for available-for-sale equity investments which are carried at cost.

(ii) Convertible notes

In prior years, convertible notes which were held for long term purposes were stated at cost less any impairment losses. Upon the adoption of HKAS 39, convertible notes are separated into two components: (1) loan portion and (2) conversion option derivative.

Loan portion is carried at amortised cost using the effective interest method at subsequent balance sheet date. Conversion option derivative is carried at fair value at each balance sheet date, with changes in fair value recognised in the income statement.

The effects of the above changes are summarised in note 2.4 to the financial statements. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs applicable to the Group's financial statements, that have been issued but are not yet effective, in these financial statements. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 Amendment	Capital Disclosures
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 requires disclosures relating to financial instruments and incorporates many of the disclosure requirements of HKAS 32. This HKFRS shall be applied for annual periods beginning on or after 1 January 2007.

In accordance with the amendments to HKAS 39 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18.

Except as stated above, the Group expects that the adoption of the pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on the consolidated balance sheet

	Effect of adopting			
At 1 April 2005	**HKASs 32 and 39***	**HKAS 39***	**HKAS 39***	
Effect of new policies (Increase/(decrease))	**Re-designation of equity securities**	**Convertible notes**	**Fair value measurement on financial instruments**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Available-for-sale equity investments	43,646	–	–	43,646
Convertible notes	–	(13,500)	–	(13,500)
Convertible notes-loan portion	–	12,021	–	12,021
Conversion option derivative	–	1,479	–	1,479
Equity investments at fair value through profit or loss	171,471	–	–	171,471
Other securities	(215,117)	–	20,374	(194,743)
				20,374
Equity				
Accumulated losses	–	–	20,374	20,374

* Adjustments taken effect prospectively from 1 April 2005

At 31 March 2006 Effect of new policies (Increase/(decrease))	Effect of adopting HKASs 32 and 39 Re-designation of equity securities *HK$'000*	HKAS 39 Convertible notes *HK$'000*	HKAS 39 Fair value measurement on financial instruments *HK$'000*	Total *HK$'000*
Assets				
Available-for-sale equity investments	122,743	–	–	122,743
Convertible notes	–	(13,500)	–	(13,500)
Convertible notes-loan portion	–	12,480	–	12,480
Equity investments at fair value through profit or loss	192,558	–	–	192,558
Other securities	(315,301)	–	37,928	(277,373)
				36,908
Liabilities/Equity				
Tax payable	(6,471)	–	–	(6,471)
Deferred tax liabilities	6,471	–	–	6,471
Available-for-sale equity investment revaluation reserve	67,832	–	–	67,832
Accumulated losses	(67,832)	(1,020)	37,928	(30,924)
				36,908

(b) Effect on the consolidated income statement for the year ended 31 March 2006

At 31 March 2006 Effect of new policies	Effect of adopting HKASs 32 and 39 Re-designation of equity securities *HK$'000*	HKAS 39 Convertible notes *HK$'000*	HKAS 39 Fair value measurement on financial instruments *HK$'000*	Total *HK$'000*
Year ended 31 March 2006				
Increase in revenue from treasury investment	–	459	–	459
Increase/(decrease) in fair value gains on equity investments at fair value through profit or loss	(74,303)	–	17,554	(56,749)
Increase in fair value losses on a conversion option derivative	–	(1,479)	–	(1,479)
Decrease in tax	6,471	–	–	6,471
Total increase/(decrease) in profit	(67,832)	(1,020)	17,554	(51,298)
Increase/(decrease) in basic earnings/(loss) per share	(5.9 cents)	(0.1 cents)	1.5 cents	(4.5 cents)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill previously eliminated against the consolidated reserves

Prior to the adoption of SSAP 30 "Business Combinations" on 1 April 2002, goodwill arising on acquisition was eliminated against the consolidated reserves in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against the consolidated reserves and is not recognised in profit or loss when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is a member of the key management personnel of the Group or its parent;

(c) the party is a close member of the family of any individual referred to in (a) or (b); or

(d) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	50 years or over the lease terms, whichever is shorter
Leasehold improvements	Over the remaining lease terms or 3 years, whichever is shorter
Plant and machinery	7 to 10 years
Motor vehicles, furniture, fixtures and equipment	3 to 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Applicable to the year ended 31 March 2005:

The Group classified its equity investments, other than subsidiaries, as investment securities and other securities.

Investment securities

Investment securities are investments in listed and unlisted securities, intended to be held for long term purposes, and are stated at cost less any provisions for impairment in value on an individual basis.

When a decline in the fair value of a security below its carrying amount has occurred, unless there is evidence that the decline is temporary, the carrying amount of the security is reduced to its fair value, as estimated by the directors. The amount of the impairment is charged to the income statement for the period in which it arises. When the circumstances and events which led to the impairment in value cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged is credited to the income statement to the extent of the amount previously charged.

Other securities

Investments other than investment securities are classified as other securities. Other securities are held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair values of securities are credited or charged to the income statement in the period in which they arise.

Applicable to the year ended 31 March 2006:

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets (applicable to the year ended 31 March 2006)

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss.

Derecognition of financial assets (applicable to the year ended 31 March 2006)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities (applicable to the year ended 31 March 2006)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditure expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) the profit or loss on the trading of equity investments at fair value through profit or loss on the transaction dates when the relevant contract notes are executed;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Pursuant to the relevant regulations of Mainland China, subsidiaries of the Company operating in Mainland China participate in a local municipal government retirement benefits scheme (the "Mainland Scheme") whereby the subsidiaries are required to contribute a percentage of the basic salaries of their employees to the Mainland Scheme to fund their retirement benefits obligations of all existing and future retired employees of the subsidiaries. The only obligation of the Group with respect to the Mainland Scheme is to pay the ongoing required contributions under the Mainland Scheme mentioned above. Contributions under the Mainland Scheme are changed to the income statement as incurred. There are no provisions under the Mainland Scheme whereby forfeited contributions may be used to reduce future contributions.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rate or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Income tax

Deferred tax is provided using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable (i.e., more likely than not) that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carried forward tax losses, the asset balance will be reduced and charged to the income statement.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment test of assets

The Group determines whether an asset is impaired at least on an annual basis. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the electronic products segment trades electronic products;

(b) the treasury investment segment comprises securities investment and trading; and

(c) the corporate and others segment comprises corporate income and expenses items.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

There are no intersegment sales and transfers between the business segments.

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2006 and 2005.

Group

	Electronic products		Treasury investment		Corporate and others		Consolidated	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:								
Sales to external customers	29,216	7,794	–	–	–	–	29,216	7,794
Gains/(losses) from treasury investment	–	–	(18,893)	32,064	–	–	(18,893)	32,064
Total	29,216	7,794	(18,893)	32,064	–	–	10,323	39,858
Segment results	(2,916)	(15,721)	(35,687)	50,581	(9,035)	(9,392)	(47,638)	25,468
Interest income, gains and unallocated gains							3,109	696
Unallocated expenses							(992)	(889)
Finance costs							(961)	(150)
Profit/(loss) before tax							(46,482)	25,125
Tax							–	–
Profit/(loss) for the year							(46,482)	25,125
Assets and liabilities								
Segment assets	12,835	648	338,687	204,465	1,224	65,294	352,746	270,407
Unallocated assets							19,175	54,596
Total assets							371,921	325,003
Segment liabilities	5,447	4,975	120	–	2,301	3,210	7,868	8,185
Unallocated liabilities							6,533	908
Total liabilities							14,401	9,093
Other segment information:								
Depreciation	20	4,378	–	–	120	132	140	4,510
Unallocated depreciation							3	3
							143	4,513
Impairment losses recognised in the income statement	–	3,777	–	–	–	–	–	3,777
Other non-cash expenses	–	2,821	–	–	–	–	–	2,821
Capital expenditure	–	160	–	–	375	39	375	199

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 March 2006 and 2005.

	People's Republic of China (including Hong Kong)		United States of America and Europe		Consolidated	
	2006	2005	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:						
Electronic products	27,315	–	1,901	7,794	29,216	7,794
Treasury investment	(18,893)	32,064	–	–	(18,893)	32,064
	8,422	32,064	1,901	7,794	10,323	39,858
Other segment information:						
Segment assets	371,921	325,003	–	–	371,921	325,003
Capital expenditure	375	199	–	–	375	199

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of the net invoiced value of goods sold, after allowances for returns and trade discounts, and gains/(losses) on disposal of trading securities, dividend income arising from listed investments and interest income from convertible notes during the year.

An analysis of revenue, other income and gains is as follows:

	2006	2005
	HK$'000	*HK$'000*
Revenue		
Sale of goods	29,216	7,794
Gains/(losses) on disposal of equity investments at fair value through profit or loss/other securities	(24,066)	28,220
Dividend income from listed securities	4,289	3,655
Interest income from convertible notes	884	189
	10,323	39,858
Other income and gains		
Bank interest income	1,931	167
Gain on disposal of subsidiaries *(note 29)*	1,173	–
Gain on disposal of items of property, plant and equipment	109	–
Others	33	531
	3,246	698

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Notes	2006 HK$'000	2005 HK$'000
Cost of inventories sold		29,945	9,361
Depreciation	*13*	143	4,513
Provision for impairment of items of property, plant and equipment**	*13*	–	3,777
Provision/(write-back of provision) for inventories*		(1,232)	2,707
Employee benefit expenses (including directors' remuneration *(note 8)*):*			
Wages and salaries		7,190	10,245
Retirement benefits scheme contributions***		343	375
		7,533	10,620
Minimum lease payments under operating leases in respect of buildings		1,566	1,461
Auditors' remuneration		790	690
Foreign exchange differences, net		4	114

* The employee benefit expenses of HK$87,000 (2005: HK$128,000) and the write-back of provision for inventories of HK$1,232,000 (2005: provision for inventories of HK$2,707,000) are included in "Cost of electronic products sold" on the face of the income statement.

** The provision for impairment of items of property, plant and equipment is included in "Other operating expenses" on the face of the income statement.

*** At 31 March 2006, the Group had no forfeited contributions available to reduce its contributions to the retirement benefits scheme in future years (2005: Nil).

7. FINANCE COSTS

	Group 2006 HK$'000	Group 2005 HK$'000
Interest on bank overdrafts wholly repayable within five years	1	150
Interest on other loans	949	–
Interest on finance lease	11	–
	961	150

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Fees	400	400
Other emoluments of executive directors:		
Salaries, allowances and benefits in kind	2,665	4,031
Pension scheme contributions	133	160
	2,798	4,191
	3,198	4,591

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Mr. Li Chi Ming	150	150
Mr. Tung Tat Chiu, Michael	150	150
Mr. Wan Ngar Yin, David	100	100
	400	400

There were no other emoluments payable to the independent non-executive directors during the year (2005: Nil).

(b) Executive directors

	Fees	**Salaries, allowances and benefits in kind**	**Pension scheme contributions**	**Total remuneration**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2006				
Executive directors:				
Mr. Wong Howard	–	1,040	52	1,092
Mr. Wong Yat Fai	–	975	49	1,024
Mr. Wu Qing	–	650	32	682
	–	2,665	133	2,798

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2005				
Executive directors:				
Mr. Wong Howard	–	1,866	52	1,918
Mr. Wong Yat Fai	–	975	49	1,024
Mr. Wu Qing	–	650	33	683
Ms. Lo Ki Yan, Karen	–	540	26	566
Mr. Chan Chun Tung, John	–	–	–	–
	–	4,031	160	4,191

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2005: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2005: one) non-director, highest paid employees for the year are as follows:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	1,021	650
Performance related bonuses	25	–
Pension scheme contributions	53	33
	1,099	683

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2006	**2005**
Nil to HK$1,000,000	2	1

10. TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits during the year (2005: Nil). No provision for Mainland China corporate income tax has been made as the Group did not generate any assessable profits in Mainland China during the year (2005: Nil).

A reconciliation of the tax applicable to profit/(loss) before tax using the statutory rates in Hong Kong of 17.5% (2005: 17.5%) and Mainland China of 33% (2005: 33%) in which the Company and the majority of its subsidiaries are domiciled to the effective tax rates is as follows:

Group – 2006

	Hong Kong	**Mainland China**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Profit/(loss) before tax	(46,212)	(270)	(46,482)
Tax at the applicable tax rates	8,087	89	8,176
Lower tax rate for specific provinces or local authority	–	(4)	(4)
Income not subject to tax	1,092	–	1,092
Expenses not deductible for tax	(1,113)	–	(1,113)
Tax losses for the year not recognised	(8,066)	(85)	(8,151)
Tax credit/(charge)	–	–	–

Group – 2005

	Hong Kong	**Mainland China**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Profit/(loss) before tax	37,350	(12,225)	25,125
Tax at the applicable tax rates	(6,536)	4,034	(2,502)
Lower tax rate for specific provinces or local authority	–	(716)	(716)
Income not subject to tax	660	–	660
Expenses not deductible for tax	(176)	–	(176)
Tax losses utilised	8,850	–	8,850
Tax losses for the year not recognised	(2,798)	(3,318)	(6,116)
Tax credit/(charge)	–	–	–

11. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The net loss from ordinary activities attributable to the equity holders of the parent for the year ended 31 March 2006 dealt with in the financial statements of the Company, was HK$4,186,000 (2005: HK$4,994,000) (note 27(b)).

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings/(loss) per share is based on the net loss for the year attributable to ordinary equity holders of the parent for the year of HK$46,482,000 (2005: net profit for the year attributable to equity holders of the parent of HK$25,125,000), and the weighted average number of 1,133,243,047 (2005: 942,558,116) ordinary shares in issue during the year. The weighted average number of shares in 2005 is adjusted to reflect the changes in the number of ordinary shares as a result of the capital reorganisation (note 26) of the Company during the year.

Diluted earnings/(loss) per share amounts for the years ended 31 March 2006 and 2005 have not been disclosed as no diluting events existed during these years.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Motor vehicles, furniture, fixtures and equipment *HK$'000*	Total *HK$'000*
Cost:					
At 1 April 2004	13,238	427	13,691	5,049	32,405
Additions	–	–	135	64	199
At 31 March 2005 and 1 April 2005	13,238	427	13,826	5,113	32,604
Additions	–	–	–	375	375
Disposals	–	–	–	(238)	(238)
At 31 March 2006	13,238	427	13,826	5,250	32,741
Accumulated depreciation:					
At 1 April 2004	9,249	427	10,608	3,858	24,142
Provided during the year	1,891	–	1,863	759	4,513
Impairment	2,098	–	1,355	324	3,777
At 31 March 2005 and 1 April 2005	13,238	427	13,826	4,941	32,432
Provided during the year	–	–	–	143	143
Disposals	–	–	–	(237)	(237)
At 31 March 2006	13,238	427	13,826	4,847	32,338
Net carrying amount:					
At 31 March 2006	–	–	–	403	403
At 31 March 2005	–	–	–	172	172

All the Group's buildings included above are stated at cost and are held under medium term leases outside Hong Kong.

The net book value of the Group's property, plant and equipment held under finance leases included in the total amount of motor vehicles, furniture, fixtures and equipment at 31 March 2006 amounted to HK$265,000 (2005: Nil).

The provision for impairment of HK$3,777,000 charged to the income statement for the year ended 31 March 2005 mainly represented the write-down of certain items of property, plant and equipment in Mainland China in the "Electronic products" segment to their recoverable amounts. The recoverable amount estimation was based on fair value less costs to sell.

Company

	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Total *HK$'000*
Cost:			
At 1 April 2004, 31 March 2005, 1 April 2005 and 31 March 2006	299	415	714
Accumulated depreciation:			
At 1 April 2004	299	387	686
Provided during the year	–	28	28
At 31 March 2005, 1 April 2005 and 31 March 2006	299	415	714
Net carrying amount:			
At 31 March 2006	–	–	–
At 31 March 2005	–	–	–

14. PREPAID LAND LEASE PAYMENT

	Group *HK$'000*
Cost:	
At 1 April 2004, 31 March 2005, 1 April 2005 and 31 March 2006	821
Accumulated amortisation:	
At 1 April 2004, 31 March 2005, 1 April 2005 and 31 March 2006	821
Net carrying amount:	
At 31 March 2006	–
At 31 March 2005	–

The Group is required to pay an annual fee of HK$57,000 with an annual increment of 5% in respect of certain land in Mainland China used by the Group for its electronic products business up to 2006 commencing from 1993. The annual fee paid by the Group during the year which had been charged to the income statement for the year, was HK$110,000 (2005: HK$101,000). The Group's legal counsel confirmed that the Group properly owns the legal right to use the land for the period granted.

15. INTERESTS IN SUBSIDIARIES

	Company 2006 HK$'000	Company 2005 HK$'000
Unlisted shares, at cost	–	–
Due from subsidiaries	577,710	513,577
Less: Provision for impairment	(300,037)	(300,075)
	277,673	213,502

The amounts due from and to subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the amounts due from/to subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries during the year are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company: Direct	Percentage of equity attributable to the Company: Indirect	Principal activities
Hoshing Limited	British Virgin Islands	Ordinary US$1	100	–	Investment holding
Sino Electronics Limited	British Virgin Islands/ Hong Kong	Ordinary US$2	–	100	Investment holding
Chongqing Electronics Limited	Hong Kong	Ordinary HK$2	–	100	Trading of electronic products
139 Enterprises Limited	Hong Kong	Ordinary US$2	–	100	Provision of administrative services
Chaifa Finance Limited	Hong Kong	Ordinary HK$2	–	100	Provision of finance services
Main Purpose Investments Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	–	100	Investment in and trading of securities

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

16. CONVERTIBLE NOTES

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Unlisted convertible notes, at cost	–	13,500
Unlisted convertible notes		
– Loan portion	12,480	–

On 31 March 2005, the Group subscribed for convertible notes issued by China Sci-Tech Holdings Limited (the "CST Convertible Notes"), a company listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and independent of the Group. The CST Convertible Notes bear interest at the rate of 3% per annum, are unsecured and mature on 30 March 2008. The CST Convertible Notes are convertible into approximately 45,000,000 ordinary shares of China Sci-Tech Holdings Limited at an initial conversion price of HK$0.3 per share. The conversion price will be HK$0.35 and HK$0.40 per share for the period from the date immediately following the first anniversary from the date of issue of the convertible notes (the "Issue Date") to the second anniversary from the Issue Date and for the period from the date immediately following the second anniversary from the Issue Date to the third anniversary of the Issue Date, respectively. These conversion prices are subject to adjustment. Upon maturity, China Sci-Tech Holdings Limited will repay the outstanding principal amount of the convertible notes, together with the interest accrued, in cash to the Group.

From 1 April 2005 onwards, the Group has classified and measured convertible notes in accordance with the requirements of HKAS 39. In accordance with HKAS 39, the CST Convertible Notes of HK$13,500,000 at 31 March 2005 has been separated into two components at 1 April 2005, with the loan portion of the CST Convertible Notes valued at HK$12,021,000 and the conversion option derivative of the CST Convertible Notes valued at HK$1,479,000.

The fair value of the conversion option derivative is determined by using the binomial model.

The fair value of the loan portion of the CST Convertible Notes at 31 March 2006 approximated to the corresponding carrying amount, and its effective interest rate was 7.1%.

17. AVAILABLE-FOR-SALE EQUITY INVESTMENTS/INVESTMENT SECURITIES

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Listed equity investments in Hong Kong, at fair value	122,743	–
Unlisted equity investments outside Hong Kong, at cost	–	90,000
Provision for impairment in values	–	(90,000)
	122,743	–

The market value of the Group's listed equity investments at the date of approval of these financial statements was approximately HK$105,296,000.

At 31 March 2006, the carrying amount of the Group's shareholding in the following companies exceeded 10% of the total assets of the Group.

Name	Place of incorporation	Particulars of issued share capital	Percentage of capital held	Principal activities
Qualipak International Holdings Limited	Bermuda	Ordinary shares of HK$0.01 each	4.8%	Manufacturing and sales of watch boxes, gift boxes and brief cases
Y.T. Realty Group Limited	Bermuda	Ordinary shares of HK$0.1 each	4.0%	Property trading, investment and management service

18. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS/OTHER SECURITIES

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Listed equity investments in Hong Kong, at fair value	192,558	190,676
Unlisted investment fund, at fair value	–	4,067
	192,558	194,743

At 31 March 2005, the unlisted investment fund of HK$4,067,000 was pledged to secure banking facilities granted to the Group (note 31).

The above equity investments at 31 March 2006 were classified as held for trading.

The market value of the Group's equity investments at fair value through profit or loss at the date of approval of these financial statements was approximately HK$139,219,000.

At 31 March 2006, the carrying amount of the Group's shareholding in the following companies exceeded 10% of the total assets of the Group.

Name	Place of incorporation	Particulars of issued share capital	Percentage of capital held	Principal activities
The Cross-Habour (Holdings) Limited	Hong Kong	Ordinary share of HK$1 each	2.6%	Operation of motoring school, tunnels and an electronic toll collection system
China Strategic Holdings Limited	Hong Kong	Ordinary share of HK$0.1 each	4.7%	Manufacturing and sales of battery products, sand mining and trading of land
Willie International Holdings Limited	Hong Kong	Ordinary share of HK$0.1 each	4.8%	Money lending and property investment

19. INVENTORIES

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Raw materials	–	168
Finished goods	6	211
	6	379

20. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Within 1 month	8,709	–
1 to 2 months	736	–
2 to 3 months	790	–
	10,235	–

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in the balance at 31 March 2005 was an amount of HK$25 million which represented a deposit paid for the proposed acquisition of the entire interest in Sociedade De Fomento Predial Fu Wa (Macau) Limitada (the "Acquisition"), a company incorporated under the laws of Macau with limited liability. The Acquisition was cancelled and the deposit was refunded during the year.

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	7,643	2,583	320	1,461
Time deposits	17,868	87,494	–	62,400
	25,511	90,077	320	63,861
Less: Pledged time deposits for bank overdraft facilities *(note 31)*	(6,731)	(6,572)	–	–
Cash and cash equivalents	18,780	83,505	320	63,861

At the balance sheet date, cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$211,000 (2005: HK$138,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods from one day to one month depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

23. TRADE PAYABLES/OTHER PAYABLES AND ACCRUALS

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Within 1 month	210	14
1 to 2 months	–	68
2 to 3 months	–	68
Over 3 months	40	46
	250	196
Other payables and accruals	7,170	8,533
	7,420	8,729

Trade payables are non-interest-bearing and are normally settled on 60-day terms. Other payables and accruals are non-interest bearing and have an average term of three months.

24. FINANCE LEASE PAYABLES

The lease is classified as a finance lease and has a remaining lease term of two years.

At 31 March 2006, the total future minimum lease payments under a finance lease and their present values were as follows:

Group

	Minimum lease payments 2006 *HK$'000*	**Minimum lease payments 2005** *HK$'000*	**Present value of minimum lease payments 2006** *HK$'000*	**Present value of minimum lease payments 2005** *HK$'000*
Amounts payable:				
Within one year	86	–	78	–
In the second year	71	–	69	–
Total minimum finance lease payments	157	–	147	–
Future finance charges	(10)	–		
Total net finance lease payables	147	–		
Portion classified as current liabilities	(78)	–		
Non-current portion	69	–		

At 31 March 2006, the effective interest rate of the finance lease payables was 7.1% per annum.

25. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

Deferred tax liabilities

Group

	Fair value gains on available-for-sale equity investments *HK$'000*	**Tax losses** *HK$'000*	**Total** *HK$'000*
At 1 April 2005	–	–	–
Deferred tax debited to equity during the year	13,003	(6,532)	6,471
At 31 March 2006	13,003	(6,532)	6,471

At 31 March 2006, there was no significant unrecognised deferred tax liability (2005: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

The Group has tax losses arising in Hong Kong of HK$104,128,000 (2005: HK$95,364,000) and in Mainland China of HK$4,594,000 (2005: HK$4,337,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

26. SHARE CAPITAL

Shares

	2006	**2005**
	HK$'000	*HK$'000*
Authorised:		
60,000,000,000 ordinary shares of HK$0.01 each	600,000	600,000
Issued and fully paid:		
1,133,243,047 (2005: 11,332,430,478) ordinary shares of HK$0.01 each	11,332	113,324

A summary of the transactions during the year, with reference to the above movements in the Company's issued share capital is as follows:

	Notes	**Number of shares in issue**	**Issued share capital**	**Share premium account**	**Total**
			HK$'000	*HK$'000*	*HK$'000*
At 1 April 2004		9,332,430,478	93,324	267,600	360,924
Issue of shares	*(i)*	2,000,000,000	20,000	44,000	64,000
Share issue expenses	*(i)*	–	–	(1,600)	(1,600)
At 31 March 2005 and 1 April 2005		11,332,430,478	113,324	310,000	423,324
Capital reorganisation	*(ii)*	(10,199,187,431)	(101,992)	–	(101,992)
At 31 March 2006		1,133,243,047	11,332	310,000	321,332

Notes:

(i) The Company entered into a placing agreement with Tai Fook Securities Company Limited, the placing agent, on 27 January 2005, for the subscription of 2,000,000,000 new shares of the Company of HK$0.01 each at a price of HK$0.032 per share. 2,000,000,000 shares of HK$0.01 each of the Company were issued and cash proceeds of HK$64,000,000, net of share issue expenses of HK$1,600,000, were received by the Company. The proceeds were applied as the general working capital of the Group.

(ii) A capital reorganisation scheme was approved by the shareholders under a special resolution on 28 July 2005, details of the which are as follows:

(a) Every ten shares of HK$0.01 each in the issued share capital of the Company were consolidated into one consolidated share of HK$0.10;

(b) Every issued consolidated share was reduced in nominal amount by cancelling 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; and

(c) The credit arising from the capital reorganisation was transferred to the contributed surplus of the Company.

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

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 28 to the financial statements.

27. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 28 of the circular.

The contributed surplus of the Group arose as a result of the Group reorganisation upon listing of the Company's shares in 1994, and represented the difference between the nominal value of the shares of the former holding company of the Group prior to the Group reorganisation, over the nominal value of the Company's shares issued in exchange therefor.

In addition, pursuant to special and ordinary resolutions passed at the special general meeting held on 22 September 2000, the issued and fully paid share capital of the Company was reduced by HK$448,992,000 through a reduction in the nominal value of the share capital of the Company. The credit arising as a result of the reduction of the share capital of approximately HK$448,992,000 was transferred to the contributed surplus.

During the year, a credit of HK$101,992,000 arising from the capital reorganisation was transferred to the contributed surplus as explained in note 26 to the financial statements.

(b) Company

	Share premium account *HK$'000*	**Capital redemption reserve** *HK$'000*	**Contributed surplus** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 1 April 2004	267,600	556	492,681	(667,275)	93,562
Premium upon issue of shares *(note 26)*	44,000	–	–	–	44,000
Share issue expenses *(note 26)*	(1,600)	–	–	–	(1,600)
Net loss for the year	–	–	–	(4,994)	(4,994)
At 31 March 2005 and 1 April 2005	310,000	556	492,681	(672,269)	130,968
Capital reorganisation *(note 26)*	–	–	101,992	–	101,992
Net loss for the year	–	–	–	(4,186)	(4,186)
At 31 March 2006	310,000	556	594,673	(676,455)	228,774

Note:

The contributed surplus of the Company arose as a result of the Group reorganisation referred to in (a) above and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor.

In addition, the capital reorganisation described in (a) above also resulted in an aggregate credit balance of approximately HK$550,984,000 being transferred to the Company's contributed surplus.

28. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the Company's directors, including independent non-executive directors, other employees of the Group or any invested entity, suppliers of goods or services to the Group or any invested entity, customers of the Group or any invested entity, shareholders of the Group or any invested entity, holders of securities of the Group or any invested entity and persons or entities that provide research, development or other technological support to the Group or any invested entity. The Scheme became effective on 27 August 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all options granted and to be granted under the Scheme is an amount equivalent to 10% of the shares of the Company in issue as at the date of approval of the Scheme, unless approval for refreshing the 10% limit from the Company's shareholders has been obtained. The total number of shares of the Company available for issue under the Scheme is 86,193,604 shares, representing approximately 7.6% of the issued share capital of the Company as at the date of the annual report for the year ended 31 March 2006. The maximum number of share issued and to be issued upon exercise of the share options granted to each eligible participant in the Scheme (including exercised, cancelled and outstanding options) within any 12-month period, is limited to 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Under the Scheme, share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates are subject to approval in advance by the independent non-executive directors. In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5,000,000 is subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options under the Scheme may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the directors, save that such period shall not be more than 10 years from the date of adoption of the Scheme subject to the provisions for early termination set out in the Scheme. Unless otherwise determined by the directors at their sole discretion, there is no requirement of a minimum period for which an option must be held before it can be exercised.

The exercise price of share options granted under the Scheme is determined by the directors, but shall not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company on the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Since the date of adoption of the Scheme, no options have been granted under the Scheme.

There were no share options granted, lapsed, exercised or cancelled during the year ended 31 March 2006 (2005: Nil).

29. DISPOSAL OF SUBSIDIARIES

	2006	**2005**
	HK$'000	*HK$'000*
Net assets disposed of:		
Prepayments and other receivables	12	–
Other payables and accruals	(1,185)	–
	(1,173)	–
Gain on disposal of subsidiaries	1,173	–
	–	–
Satisfied by:		
Cash	–	–

The results of subsidiaries disposed of in the year ended 31 March 2006 had no significant impact on the Group's consolidated turnover or loss after tax for the year.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

(i) During the year, the Group acquired certain convertible notes that amounted to HK$27,000,000. These convertible notes were converted into 39,705,882 shares of a company listed on the Stock Exchange at a conversion price of HK$0.68 per share which were subsequently disposed of during the year.

(ii) During the year, the Group entered into a finance lease arrangement in respect of the property, plant and equipment with a total capital value at the inception of the leases of HK$208,000 (2005: Nil). Pursuant to the finance lease agreement, the Group disposed of a motor vehicle with a carrying value of HK$1,000 in exchange for a reduction of HK$110,000 in the price of the property, plant and equipment acquired.

31. PLEDGE OF ASSETS

At 31 March 2006, the Group's banking facilities were secured by the Group's fixed deposits of HK$6,731,000 (note 22).

At 31 March 2005, the Group's banking facilities were secured by the Group's fixed deposits of HK$6,572,000 (note 22) and an unlisted investment fund of HK$4,067,000 (note 18).

32. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years.

At 31 March 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group 2006	Group 2005
	HK$'000	*HK$'000*
Within one year	952	873
In the second to fifth years, inclusive	15	689
	967	1,562

In addition, the Group is required to pay an annual fee of HK$57,000 in respect of the use of certain land in Mainland China for its electronic products business up to 2006 with an annual increment of 5% commencing from 1993. The total future annual fee payable within one year from the balance sheet date amounted to HK$67,000.

33. RELATED PARTY TRANSACTIONS

The Group considers the directors of the Company to be the key management personnel, whose compensation has been disclosed in note 8 to the financial statements.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include equity investments, convertible notes, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables. Details of the major financial instruments and the Group's accounting policies in relation to them are disclosed in note 2.5 to the financial statements.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Cash flow interest rate risk

The Group does not have any significant exposure to the risk of changes in market interest rates, and therefore it does not use derivative financial instruments to hedge its debt obligations.

Foreign currency risk

The Group has currency exposures as its sales were denominated in United States dollars. As United States dollars and Hong Kong dollars are pegged, the Group does not expect any significant movements in exchange rates in the foreseeable future.

The Group currently does not have a foreign currency hedging policy. However, management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposures should the need arise.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The Group reviews the recoverable amount of each individual trade debtor at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale equity investments and equity investments, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of the Group's available cash and its available banking facilities.

35. COMPARATIVE AMOUNTS

As further explained in notes 2.2 and 2.4 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain opening balance adjustments have been made and certain comparative amounts have been reclassified to conform with the current year's presentation and accounting treatment.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 July 2006.

3. UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

The following is the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2006 together with the accompanying notes as extracted from the Company's interim report for the six months ended 30 September 2006.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 September 2006 (Unaudited) HK$'000	2005 (Unaudited) HK$'000 (Restated)
REVENUE	2		
Electronic products		32,353	5,484
Treasury investment		8,885	29,889
		41,238	35,373
Cost of electronic products sold		(32,142)	(5,526)
Brokerage and commission expenses		(84)	(805)
		(32,226)	(6,331)
		9,012	29,042
Other income and gains	3	569	1,474
Selling and distribution costs		(208)	(71)
Administrative expenses		(7,730)	(7,771)
Other operating expenses		(40)	(180)
Fair value gains and losses, net:			
Equity investments at fair value through profit or loss		(68,811)	(73,697)
Conversion option derivative		339	(5,472)
Finance costs	5	(18)	(953)
LOSS BEFORE TAX	4	(66,887)	(57,628)
Tax	6	–	–
NET LOSS FOR THE PERIOD ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		(66,887)	(57,628)
DIVIDEND	7	–	–
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
BASIC		HK(5.90) cents	HK(5.09) cents
DILUTED		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	At 30 September 2006 (Unaudited) HK$'000	At 31 March 2006 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		489	403
Prepaid land lease payment		–	–
Convertible notes – loan portion		49,275	12,480
Available-for-sale equity investments		103,989	122,743
Total non-current assets		153,753	135,626
CURRENT ASSETS			
Convertible notes – call option portion		4,921	–
Equity investments at fair value through profit or loss	*9*	96,441	192,558
Inventories	*10*	78	6
Trade receivables	*11*	11,747	10,235
Bills receivables		2,497	–
Prepayments, deposits and other receivables		2,426	7,985
Pledged time deposits		6,860	6,731
Cash and cash equivalents		15,325	18,780
Total current assets		140,295	236,295
CURRENT LIABILITIES			
Trade payables	*12*	9,100	250
Tax payable		363	363
Other payables and accruals		6,138	7,170
Finance lease payables		81	78
Total current liabilities		15,682	7,861
NET CURRENT ASSETS		124,613	228,434

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

	Notes	**At 30 September 2006 (Unaudited)** *HK$'000*	**At 31 March 2006 (Audited)** *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		278,366	364,060
NON-CURRENT LIABILITIES			
Finance lease payables		28	69
Deferred tax liabilities		–	6,471
Total non-current liabilities		28	6,540
Net assets		278,338	357,520
Equity attributable to equity holders of the parent			
Issued capital	*13*	11,332	11,332
Reserves		267,006	346,188
Total equity		278,338	357,520

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2006

Group

	Unaudited six months ended 30 September 2006							
	Issued share capital	Share premium account	Capital reserve	Contributed surplus	Available-for-sale equity investment revaluation reserve	Exchange fluctuation reserve	Accumulated Losses	Total Equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 April 2006	11,332	310,000*	556*	551,174*	67,832*	(82)*	(583,292)*	357,520
Changes in fair values of available-for-sale equity investments	–	–	–	–	(18,754)	–	–	(18,754)
Deferred tax arising from changes in fair value loss of available-for sale equity investments	–	–	–	–	6,471	–	–	6,471
Exchange realignment	–	–	–	–	–	(12)	–	(12)
Net loss for the period	–	–	–	–	–	–	(66,887)	(66,887)
As at 30 September 2006	11,332	310,000*	556*	551,174*	55,549*	(94)*	(650,179)*	278,338

	Unaudited six months ended 30 September 2005							
	Issued share capital	Share premium account	Capital reserve	Contributed surplus	Available-for-sale equity investment revaluation reserve	Exchange fluctuation reserve	Accumulated Losses	Total Equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 April 2005								
As previously reported	113,324	310,000	556	449,182	–	32	(557,184)	315,910
Changes in fair values of other securities	–	–	–	–	–	–	20,374	20,374
As restated	113,324	310,000	556	449,182	–	32	(536,810)	336,284
Capital reorganisation	(101,992)	–	–	101,992	–	–	–	–
Changes in fair values of available-for-sale equity investments	–	–	–	–	4,096	–	–	4,096
Net loss for the period	–	–	–	–	–	–	(57,628)	(57,628)
As at 30 September 2005	11,332	310,000	556	551,174	4,096	32	(594,438)	282,752

* *These reserve accounts comprise the consolidated reserves of HK$267,006,000 (31 March 2006: HK$346,188,000) in the condensed consolidated balance sheet.*

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 September	
	2006	**2005**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(3,461)	(25,846)
NET CASH INFLOW FROM INVESTING ACTIVITIES	185	1,414
CASH OUTFLOW FROM FINANCING ACTIVITIES	(38)	(977)
DECREASE IN CASH AND CASH EQUIVALENTS	(3,314)	(25,409)
Cash and cash equivalents at beginning of period	25,511	90,076
Effect of foreign exchange rate changes, net	(12)	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	22,185	64,667
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	11,302	4,630
Non-pledged time deposits with original maturity of less than three months when acquired	4,023	53,391
Time deposits with original maturity of less than three months when acquired, pledged as security for bank facilities	6,860	6,646
	22,185	64,667

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

These condensed consolidated interim financial statements have not been audited by the Company's Auditors but have been reviewed by the Company's Audit Committee.

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") No. 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies and basis of preparation used in the preparation of these unaudited interim financial statements are consistent with those used in the preparation of the Company's audited consolidated financial statements for the year ended 31 March 2006. The new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for the accounting periods commencing on or after 1 January 2006 has had no significant impact on these unaudited condensed consolidated interim financial statements.

The HKICPA has also issued a number of new and revised HKFRSs which are not yet effective for the current reporting period. The Group has not early adopted those new HKFRSs in these unaudited condensed consolidated interim financial statements. The Group expects that the adoption of those new HKFRSs will not have significant impact on the Group's financial statements in the period of initial application.

Certain comparative amounts have been reclassified and restated to conform with the presentation and accounting treatments of the Period.

2. Revenue and segmental information

(a) Primary reporting format – business segments

For the management purpose, the Group is currently organised into three operating divisions – electronic products, treasury investment and corporate & others. An analysis of the Group's turnover and results by business segments for the Period and the corresponding previous period is as follows:

Group

	Electronic products		Treasury investment		Corporate & others		Consolidated	
	2006 (Unaudited) *HK$'000*	2005 (Unaudited) *HK$'000*	2006 (Unaudited) *HK$'000*	2005 (Unaudited) *HK$'000* (Restated)	2006 (Unaudited) *HK$'000*	2005 (Unaudited) *HK$'000*	2006 (Unaudited) *HK$'000*	2005 (Unaudited) *HK$'000* (Restated)
Segment Revenue:								
Sales to external customers	32,353	5,484	–	–	–	–	32,353	5,484
Gains from treasury investment	–	–	8,885	29,889	–	–	8,885	29,889
Total	32,353	5,484	8,885	29,889	–	–	41,238	35,373
Segment results	(1,381)	(1,103)	(61,780)	(51,932)	(3,894)	(4,818)	(67,055)	(57,853)
Interest income, gains and unallocated gains							370	1,346
Unallocated expenses							(184)	(168)
Finance costs							(18)	(953)
Loss before tax							(66,887)	(57,628)
Tax							–	–
Loss for the period							(66,887)	(57,628)

(b) Secondary reporting format – geographical segments

An analysis of the Group's revenue by geographical segments for the Period and the corresponding previous period is as follows:–

Group

	The People's Republic of China (Including Hong Kong)		United States of America and Europe		Consolidated	
	2006 (Unaudited) *HK$'000*	2005 (Unaudited) *HK$'000*	2006 (Unaudited) *HK$'000*	2005 (Unaudited) *HK$'000*	2006 (Unaudited) *HK$'000*	2005 (Unaudited) *HK$'000*
Segment Revenue:						
Electronic products	28,250	–	4,103	5,484	32,353	5,484
Treasury investment	8,885	29,889	–	–	8,885	29,889
	37,135	29,889	4,103	5,484	41,238	35,373

3. Other income and gains

	For the six months ended 30 September 2006 (Unaudited) *HK$'000*	2005 (Unaudited) *HK$'000*
Bank interest income	363	1,341
Gain on disposal of items of property, plant and equipment	–	110
Others	206	23
	569	1,474

4. Loss before tax

The Group's loss before tax is arrived at after charging:–

	For the six months ended 30 September 2006 (Unaudited) *HK$'000*	2005 (Unaudited) *HK$'000*
Depreciation	92	81

5. Finance costs

	For the six months ended 30 September 2006 (Unaudited) *HK$'000*	2005 (Unaudited) *HK$'000*
Interest expenses on:		
bank overdraft and other loans wholly repayable within five years	13	950
finance leases	5	3
	18	953

6. Tax

No Hong Kong profits tax has been provided during the Period (2005: Nil) as the Group did not derive any assessable profit attributable to its operation in Hong Kong.

No provision for tax in the Mainland China has been made during the Period (2005: Nil) since no assessable profit has been generated by the subsidiaries operating in the Mainland China.

7. Dividend

The Board has resolved not to pay any interim dividend for the six months ended 30 September 2006 (2005: Nil).

8. Loss per share attributable to ordinary equity holders of the parent

The calculation of basic loss per share is based on the net loss for the Period attributable to ordinary equity holders of the parent of HK$66,887,000 (2005: HK$57,628,000) and the 1,133,243,047 ordinary shares in issue during the Period (2005: weighted average number of 1,133,243,047 ordinary shares).

The diluted loss per share for the periods ended 30 September 2005 and 2006 has not been shown as there were no dilutive events during these periods.

9. Equity investments at fair value through profit or loss

	At 30 September 2006 (Unaudited) *HK$'000*	At 31 March 2006 (Audited) *HK$'000*
Listed equity investments in Hong Kong, at fair value	96,441	192,558

10. Inventories

	At 30 September 2006 (Unaudited) *HK$'000*	At 31 March 2006 (Audited) *HK$'000*
Finished goods	78	6

11. Trade receivables

Ageing analysis:

	At 30 September 2006 (Unaudited) *HK$'000*	At 31 March 2006 (Audited) *HK$'000*
Within 1 month	10,426	8,709
1 to 2 months	732	736
2 to 3 months	589	790
	11,747	10,235

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period is generally for a period of one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

12. Trade payables

Ageing analysis:

	At 30 September 2006 (Unaudited) *HK$'000*	At 31 March 2006 (Audited) *HK$'000*
Within 1 month	9,069	210
Over 3 months	31	40
	9,100	250

13. Share capital

	At 30 September 2006 (Unaudited) *HK$'000*	At 31 March 2006 (Audited) *HK$'000*
Authorised		
– 60,000,000,000 ordinary shares of HK$0.01 each	600,000	600,000
Issued and fully paid		
– 1,133,243,047 ordinary shares of HK$0.01 each	11,332	11,332

Notes:

A capital reorganisation scheme was approved by the shareholders under a special resolution on 28 July 2005, details of which are as follows:

(a) Every ten shares of HK$0.01 each in the issued share capital of the Company were consolidated into one consolidated share of HK$0.10;

(b) Every issued consolidated share was reduced in nominal amount by cancelling 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; and

(c) The credit arising from the capital reorganisation was transferred to the contributed surplus of the Company.

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

14. Related party transactions

During the Period, the Group had no related party transactions.

4. WORKING CAPITAL

The Directors are of the opinion that, taking into account the internal resources of the Group and the net proceeds from the Placing, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

5. INDEBTEDNESS

Borrowings

At the close of business on 30 November 2006, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding finance lease payable of approximately HK$96,000 and the Group's banking facilities were secured by a pledge of the Group's fixed deposits in a bank of approximately HK$6,905,000. Such banking facilities had not been utilized as at 30 November 2006.

Save as aforesaid, the Group did not, at the close of business on 30 November 2006, have any mortgage, charges, debentures, loan capital, bank overdrafts and loans, debt security or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits or guarantees or other material contingent liabilities outstanding.

For the purpose of this indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the applicable rates of exchange prevailing at the close of business on 30 November 2006.

Contingent liabilities

At the close of business on 30 November 2006, being the latest practicable date for the purpose of this indebtedness statement, the Group had no material contingent liabilities.

No material changes

The Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of the Group since 30 November 2006.

6. FINANCIAL AND TRADING PROSPECTS

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 price pressure and rising material costs remain the factors adversely affecting the electronic products market in near future. To be competitive and flexible in the competitive electronic products market, the Group would continue to put strict cost control in place and secure more distribution and trading business of new and innovative electronic products.

Looking ahead, 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 different business and industries and create various 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. In line with the above, the Directors considered that the Acquisition currently contemplated represents an attractive alternative investment for the Company to boost its revenue sources and diversify its business risks.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2006, the date to which the latest published audited financial statements of the Company were made up.

The following is the text of a report, prepared for the sole purpose of incorporation in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

ERNST & YOUNG
安 永 會 計 師 事 務 所

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

29 January 2007

The Board of Directors
139 Holdings Limited

Dear Sirs,

We set out below our report on the financial information regarding Century Time Investments Limited ("Century Time") and its subsidiaries (hereinafter collectively referred to as "Century Time Group") for the period from 5 July 2005 to 31 December 2005 and for the ten months period ended 31 October 2006 (the "Relevant Periods"), prepared on the basis set out in Section 1 below, for inclusion in the circular (the "Circular") of 139 Holdings Limited (the "Company") dated 29 January 2007 in connection with the proposed acquisition of (i) 25% equity interest in Century Time, (ii) 25% of shareholder's loan of Century Time, and (iii) the call option to purchase additional up to 50% equity interest in Century Time and up to 50% of shareholder's loan of Century Time (collectively, the "Transactions").

Century Time was incorporated in the British Virgin Islands ("BVI") on 5 July 2005 with limited liability under the International Business Companies Ordinance (the "IBCO") of the BVI. The registered office of Century Time is located at P.O. Box 3152 Road Town, Tortola, British Virgin Islands. As at the date of this report, Century Time has (i) 100% direct interest in JB (China) Development Limited ("JB China") which was incorporated in the BVI on 21 July 2005 with limited liability under the IBCO of the BVI and (ii) 51% indirect interest in IM JB Resources Limited (the "JV Company") through JB China. The JV Company is a sino-foreign equity joint venture established under the laws of the People's Republic of China (the "PRC") on 9 June 2005, with registered capital of RMB400 million.

During the Relevant Periods, the principal activity of Century Time is investment holding. Century Time Group has yet to commence its principal activity which consists of production and trading of methanol.

All companies of Century Time Group have adopted 31 December as their financial year end date.

As at the date of this report, Century Time had the interests in the following subsidiaries:

Company name	Place and date of incorporation/ registration and operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to Century Time	Principal activities
JB (China) Development Limited	BVI 21 July 2005	HK$50,000,000	100 (directly)	Investment holding
IM JB Resources Limited*	The PRC 9 June 2005	RMB400,000,000	51 (indirectly)	Production and trading of methanol but not yet commenced operation

* *This subsidiary is a sino-foreign equity joint venture with registered capital of RMB400 million and paid-up capital as at 31 October 2006 amounting to RMB202 million.*

The statutory financial statements of Century Time and JB China for the period ended 31 December 2005 were prepared in accordance with accounting principles generally accepted in Hong Kong and were audited by S.K.Pang & Company, Certified Public Accountants. The statutory financial statements of the JV Company were prepared in accordance with relevant accounting principles and financial regulations applicable in the PRC and were audited by 內蒙古財信達會計師事務所有限責任公司, Certified Public Accountants registered in the PRC.

For the purpose of this report, the directors of Century Time have prepared the consolidated financial statements of Century Time Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which also include all Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. We have undertaken an independent audit of the consolidated financial statements of Century Time Group for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have also carried out additional procedures as considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The summaries of the consolidated income statements, the consolidated cash flow statements and the consolidated statements of changes in equity of Century Time Group for the Relevant Periods, and the consolidated balance sheets of Century Time Group and the balance sheets of Century Time as at 31 December 2005 and 31 October 2006 (the

"Financial Information") as set out in this report have been prepared from the consolidated financial statements of Century Time Group for the Relevant Periods, and are presented on the basis set out in Section 1 below.

The directors of Century Time are responsible for preparing the Financial Information which give a true and fair view. In preparing the Financial Information, it is fundamental that appropriate accounting policies are selected and applied consistently. The Financial Information and the notes thereto are the responsibility of the directors of Century Time. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion solely to you.

In forming our opinion, we have considered the adequacy of the disclosures made in Section 1 below concerning the adoption of the going concern basis on which the Financial Information has been prepared. The Financial Information has been prepared on a going concern basis, the validity of which is dependent upon the successful outcome of the measures as described in Section 1 below to ensure that adequate financial resources are available to Century Time Group to enable it to meet its future working capital and capital requirements for the commencement of its principal activity which consists of the production and trading of methanol. The Financial Information does not include any adjustments that would result from the failure of such measures. We consider that appropriate disclosures have been made in the Financial Information together with the notes and our opinion is not qualified in this respect.

In our opinion, the Financial Information together with the notes thereto give, for the purpose of this report, a true and fair view of the state of affairs of Century Time Group and Century Time as at 31 December 2005 and 31 October 2006 and of the consolidated results and cash flows of Century Time Group for the Relevant Periods.

1. BASIS OF PRESENTATION

At 31 October 2006, Century Time Group had deficiency in assets after minority interest of approximately HK$3,849,000. Century Time Group incurred a loss attributable to equity holders of Century Time of approximately HK$2,190,000 and reported a net cash outflow from operating activities of approximately HK$3,140,000 for the period ended 31 October 2006.

At 31 October 2006, Century Time Group has yet to commence its principal activity which consists of the production and trading of methanol. Prior to the commencement of full production, which is expected to be in the fourth quarter of 2007, Century Time Group needs to complete the construction of the factory, install the necessary plant, machinery and equipment together with the acquisition of the relevant land lease payment of the parcel of land where the factory locates (the "Project"). The total capital commitments towards the Project amounted to approximately HK$245,871,000 as at 31 October 2006. In order to strengthen the capital base of Century Time Group so as to enable it to meet its capital requirement for the Project and the daily working capital requirement during the initial stage of Century Time Group's full operation, the directors of Century Time have adopted the following measures.

(a) JB International Holdings Limited ("JB International"), a company established in BVI, the shareholder of Century Time has undertaken to Century Time not to demand repayment of the shareholder's loan of approximately HK$104,267,000 as at 31 October 2006 until Century Time Group is able to meet its capital requirement of the Project, which is expected to commence in the fourth quarter of 2007, and thereafter, to generate sufficient profit and cash inflows to meet the daily working capital requirement.

    In addition, JB International has also undertaken to Century Time that it will fulfill JB China's commitment to pay up the registered capital of the JV Company of approximately RMB100,980,000 by means of a further shareholder's loan through Century Time in February 2007. The minority interest of the JV Company verbally agreed that they will also pay up the remaining portion of the JV Company's registered capital of approximately RMB97,020,000 at around the same time when JB China fulfill its commitment above.

(b) The directors of Century Time are in ongoing negotiations with major banks in the PRC to secure adequate financing to fund the capital requirement of the Project. The directors of Century Time confirmed that two banks in the PRC have agreed in principle to provide the necessary bank borrowings to the JV Company for the purpose of the Project to the extent of RMB556,000,000, however, no formal binding banking facilities letters have been signed with the aforementioned two banks in the PRC as at the date of this report. The directors of Century Time are optimistic of securing the above bank financing based on the current discussion with the aforementioned two banks in the PRC and expect that the formal banking facilities letters will be signed in February 2007 and the drawdown of the bank borrowings will be available in March 2007.

In the opinion of the directors of Century Time, in light of the measures taken to date, Century Time Group will have sufficient financial resources to meet its capital and daily working capital requirements for the Project. Accordingly, the directors of Century Time are satisfied that it is appropriate to prepare the Financial Information on a going concern basis, notwithstanding Century Time Group's financial position at 31 October 2006.

Should the outcome of the measures does not turn out to be as expected by the directors of Century Time to the extent which affect Century Time Group's ability to meet its capital and working capital requirements for the Project and continue as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in this report.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in arriving at the Financial Information as set out in this report are set out below:

Basis of preparation

The Financial Information has been prepared in accordance with HKFRSs (which also include HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. The Financial Information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

The HKICPA has issued several standards and interpretations that are not yet effective. Century Time Group has not early applied these new standards and interpretations for the Relevant Periods. The directors of Century Time anticipate that the adoption of those new standards and interpretations will have no material impact on the results of operations and financial position of Century Time Group except for certain disclosures.

Basis of consolidation

The Financial Information includes the financial statements of Century Time and its subsidiaries for the Relevant Periods. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of the subsidiaries are consolidated from the date of acquisition, being the date on which Century Time Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within Century Time Group are eliminated on consolidation.

Minority interest represent the interest of an outside shareholder not held by Century Time Group in the results and the net assets of Century Time's subsidiary.

Subsidiaries

A subsidiary is an entity whose financial and operating policies Century Time controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in Century Time's income statement to the extent of dividends received and receivable. Century Time's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby Century Time Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which Century Time Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if Century Time has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if Century Time does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if Century Time does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) an equity investment accounted for in accordance with HKAS 39 "Financial Instruments: Recognition and Measurement", if Century Time holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to Century Time Group if:

(a) the party, directly, or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, Century Time Group; (ii) has an interest in Century Time Group that gives it significant influence over Century Time Group; or (iii) has joint control over Century Time Group;

(b) the party is a jointly-controlled entity;

(c) the party is a member of the key management personnel of Century Time Group;

(d) the party is a close member of the family of any individual referred to in (a) or (c);

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of the employees of Century Time Group, or of any entity that is a related party of Century Time Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment over its estimated useful life. The principal annual rates used for this purpose are as follows:

Building	3%
Machinery	10%
Furniture, fixtures and equipment	10%
Motor vehicles	10%
Computers	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Prepaid land premiums

Prepaid land premiums under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of loans and receivables

Century Time Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

Century Time Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;

- Century Time Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- Century Time Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where Century Time Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of Century Time Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that Century Time Group could be required to repay.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Foreign currencies

The Financial Information is presented in Hong Kong dollars, which is Century Time's functional and presentation currency. Each entity in Century Time Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

The functional currency of the overseas subsidiary is currency other than Hong Kong dollars. As at the balance sheet date, the assets and liabilities of this subsidiary are translated into the presentation currency of Century Time at the exchange rates ruling at the balance sheet date and, its income statement is translated into Hong Kong dollars at the weighted average exchange rates for the period. The resulting exchange differences are included in a separate component of equity, the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement.

For the purpose of the consolidated cash flow statement, the cash flows of the overseas subsidiary are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiary which arise throughout the period are translated into Hong Kong dollars at the weighted average exchange rates for the period.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to Century Time Group and when the revenue can be measured reliably. Interest income is recognised in the income statement on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of Century Time Group's cash management.

For the purpose of the balance sheets, cash and bank balances comprise cash on hand and at banks, including term deposits which are not restricted as to use.

Employee benefits

Retirement benefits

Century Time Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of Century Time Group in an independently administered fund. Century Time Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of Century Time Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. Contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATE

Judgement

In the process of applying Century Time Group's accounting policies, management has made the following judgement, apart from those involving estimation, which has the most significant effect on the amounts recognised in the Financial Information:

Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, Century Time Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of Century Time Group's assets and liabilities within the next financial year are discussed below.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses as at 31 October 2006 was HK$400,000.

4. CONSOLIDATED INCOME STATEMENTS

The following is a summary of the consolidated income statements of Century Time Group for the Relevant Periods, prepared on the basis set out in Section 1 above:

	Sections	Period from 5 July 2005 (date of incorporation) to 31 December 2005 HK$'000	Ten months ended 31 October 2006 HK$'000
Other income	*4(a)*	73	101
Administrative expenses		(2,702)	(3,093)
LOSS BEFORE TAX	*4(b)*	(2,629)	(2,992)
Tax	*4(d)*	–	400
LOSS FOR THE PERIOD		(2,629)	(2,592)
Attributable to:			
Equity holders of Century Time		(2,565)	(2,190)
Minority interest		(64)	(402)
		(2,629)	(2,592)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF CENTURY TIME	*4(e)*		
Basic		HK$51.3	HK$43.8
Diluted		N/A	N/A

Notes:

(a) OTHER INCOME

Other income represented bank interest income earned during the Relevant Periods.

(b) LOSS BEFORE TAX

Century Time Group's loss before tax is arrived at after charging:

		Period from 5 July 2005 (date of incorporation) to 31 December 2005	Ten months ended 31 October 2006
	Section	*HK$'000*	*HK$'000*
Depreciation	*5(a)*	95	302
Auditors' remuneration		8	–
Employee benefits expense (including directors' remuneration (Section 4(c)):			
Wages and salaries		625	1,395
Pension scheme contributions		11	21
		636	1,416
Foreign exchange differences, net		–	2

(c) DIRECTORS' REMUNERATION

Directors' remuneration for each of the Relevant Periods, disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Period from 5 July 2005 (date of incorporation) to 31 December 2005	Ten months ended 31 October 2006
	HK$'000	*HK$'000*
Fees	–	–
Other emoluments:		
Salaries, allowance and other benefits in kind	579	950
Pension scheme contributions	11	20
	590	970

(d) TAX

	Period from 5 July 2005 (date of incorporation) to 31 December 2005	Ten months ended 31 October 2006
	HK$'000	*HK$'000*
Deferred tax asset credited to the income statement during the period (Section 5(d))	–	400

No provision for Hong Kong profits tax and the PRC corporate income tax has been made as Century Time Group had no assessable profits arising in Hong Kong and the PRC during the Relevant Periods.

A reconciliation of the tax applicable to loss before tax using the statutory rates in Hong Kong of 17.5% and in the PRC of 33% during the Relevant Periods in which Century Time and the JV Company are domiciled to the effective tax rates, is as follows:

Ten months ended 31 October 2006

	Hong Kong	PRC	Total
	HK$'000	*HK$'000*	*HK$'000*
Loss before tax	(1,772)	(1,220)	(2,992)
Tax at the applicable tax rates	(310)	(403)	(713)
Tax losses for the period not recognised	310	–	310
Others	–	3	3
Tax credit/(charge)	–	400	400

Period from 5 July 2005 (date of incorporation) to 31 December 2005

	Hong Kong	PRC	Total
	HK$'000	*HK$'000*	*HK$'000*
Loss before tax	(2,499)	(130)	(2,629)
Tax at the applicable tax rates	(437)	(43)	(480)
Tax losses for the period not recognised	437	43	480
Tax credit/(charge)	–	–	–

Century Time Group has tax losses arising in Hong Kong of HK$2,499,000 and in the PRC of HK$130,000 as at 31 December 2005 and has tax losses arising in Hong Kong of HK$1,772,000 as at 31 October 2006 that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax asset has not been recognised in respect of the losses arising in Hong Kong as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

(e) LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF CENTURY TIME

The calculation of the basic loss per share is based on the loss for each of the Relevant Periods attributable to equity holders of Century Time of approximately HK$2,565,000 and HK$2,190,000, respectively, and the 50,000 ordinary shares in issue as at 31 December 2005 and 31 October 2006.

Diluted earnings per share amounts have not been disclosed as no diluting events existed during each of the Relevant Periods.

(f) SEGMENT INFORMATION

No business and geographical segment information is presented as Century Time Group operates in the production and trading of methanol in the PRC which have not yet commenced business, and over 90% of the Century Time Group's assets are located in the PRC.

5. BALANCE SHEETS

The following is a summary of the consolidated balance sheets of Century Time Group and the balance sheets of Century Time as at 31 December 2005 and 31 October 2006, prepared on the basis as set out in Section 1 above:

Consolidated balance sheets of Century Time Group

	Sections	**As at 31 December 2005** *HK$'000*	**As at 31 October 2006** *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*5(a)*	4,466	38,768
Advances to minority interest of the JV Company	*5(c)*	107,523	27,736
Prepayments and deposits for property, plant and equipment		46,487	130,154
Deferred tax asset	*5(d)*	–	400
Total non-current assets		158,476	197,058
CURRENT ASSETS			
Prepayment and deposits		–	233
Pledged time deposits	*5(e)*	5,861	8,291
Bank balances		35,603	252
Total current assets		41,464	8,776
CURRENT LIABILITIES			
Bills payable	*5(e)*	5,861	8,291
Other payables and accruals		225	8
Total current liabilities		6,086	8,299
NET CURRENT ASSETS		35,378	477
TOTAL ASSETS LESS CURRENT LIABILITIES		193,854	197,535
NON-CURRENT LIABILITY			
Shareholder's loan	*5(f)*	101,950	104,267
Net assets		91,904	93,268
EQUITY			
Issued share capital	*5(g)*	390	390
Exchange fluctuation reserve		(1,501)	516
Accumulated losses	*5(h)(1)*	(2,565)	(4,755)
		(3,676)	(3,849)
Minority interest		95,580	97,117
Total equity		91,904	93,268

Balance sheets of Century Time

	Sections	**As at 31 December 2005** *HK$'000*	**As at 31 October 2006** *HK$'000*
NON-CURRENT ASSET			
Interest in a subsidiary	*5(b)*	102,335	104,356
CURRENT ASSETS			
Prepayments and deposits		–	233
Bank balances		–	57
Total current assets		–	290
CURRENT LIABILITY			
Accruals		2	2
NET CURRENT ASSETS/ (LIABILITIES)		(2)	288
TOTAL ASSETS LESS CURRENT LIABILITIES		102,333	104,644
NON-CURRENT LIABILITY			
Shareholder's loan	*5(f)*	101,950	104,267
Net assets		383	377
EQUITY			
Issued share capital	*5(g)*	390	390
Accumulated losses	*5(h)(2)*	(7)	(13)
Total equity		383	377

Notes:

(a) PROPERTY, PLANT AND EQUIPMENT

Century Time Group

	Furniture, fixtures and equipment *HK$'000*	Motor Vehicles *HK$'000*	Computers *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
Cost:					
At 5 July 2005 (date of incorporation)	–	–	–	–	–
Additions	–	1,421	–	3,140	4,561
At 31 December 2005 and 1 January 2006	–	1,421	–	3,140	4,561
Additions	191	1,095	77	33,150	34,513
Exchange realignment	–	29	–	64	93
At 31 October 2006	191	2,545	77	36,354	39,167
Accumulated depreciation:					
At 5 July 2005 (date of incorporation)	–	–	–	–	–
Provided during the period – Section 4(b)	–	95	–	–	95
At 31 December 2005 and 1 January 2006	–	95	–	–	95
Provided during the period – Section 4(b)	15	281	6	–	302
Exchange realignment	–	2	–	–	2
At 31 October 2006	15	378	6	–	399
Net carrying amount:					
At 31 October 2006	176	2,167	71	36,354	38,768
At 31 December 2005	–	1,326	–	3,140	4,466

Note:

The construction in progress comprises capital expenditures incurred for the factory under construction for the production of methanol located in Inner Mongolia Autonomous Region of the PRC ("Inner Mongolia").

As at 31 December 2005, the land use right certificate of the parcel of land for the construction of the factory was not obtained. On 1 May 2006, the JV Company signed the land use right agreement with the local land bureau in Inner Mongolia for the aforementioned land with total consideration of RMB13,500,000 (equivalent to HK$13,107,000) (the "Land Premiums"). As at 31 October 2006, the Land Premiums have not been paid and the land use right certificate was still under the application process. In addition, the JV Company was still in the process of applying for all the required construction approval permits in respect of the factory as at 31 October 2006.

Having consulted with Century Time's legal adviser in the PRC, in the opinion of the directors of Century Time, Century Time does not foresee any obstacle in obtaining the land use right certificate and all the required construction approval permits.

(b) INTEREST IN A SUBSIDIARY

Century Time

	As at 31 December 2005	**As at 31 October 2006**
	HK$'000	*HK$'000*
Unlisted shares, at cost	50,000	50,000
Due from a subsidiary	52,335	54,356
	102,335	104,356

The amount due is unsecured, interest-free and has no fixed terms of repayment. The carrying amount of the amount due approximates to its fair value.

Particulars of the Century Time's subsidiary are set out in the introductory section of this accountants' report.

(c) ADVANCES TO MINORITY INTEREST OF THE JV COMPANY

The amount advances to minority interest of the JV Company was for the purchase of the property, plant and equipment for the Project. The balance due is unsecured and interest-free.

(d) DEFERRED TAX ASSET

The movement in deferred tax asset during the Relevant Periods is as follow:

	HK$'000
Balance at 31 December 2005 and 1 January 2006	–
Deferred tax asset credited to the income statement during the period (Section 4(d))	400
Balance at 31 October 2006	400

The principal component of Century Time Group's recognition for deferred tax asset comprises losses available for offset against future taxable profit.

(e) PLEDGED TIME DEPOSITS/BILLS PAYABLE

As at 31 October 2006 and 31 December 2005, the bills payable are secured by the pledge of Century Time Group's time deposits.

(f) SHAREHOLDER'S LOAN

The balance due is unsecured, interest-free and not repayable until Century Time Group is able to meet its capital requirement of the Project, which is expected to commence in the fourth quarter of 2007, and thereafter, to generate sufficient profit and cash inflows to meet the daily working capital requirement.

(g) SHARE CAPITAL

	As at 31 December 2005 HK$'000	As at 31 October 2006 HK$'000
Authorised, issued and fully paid:		
50,000 ordinary shares of US$1 each	390	390

On 5 July 2005, the Century Time's authorised share capital was US$50,000, divided into 50,000 ordinary shares of US$1 each. 50,000 ordinary shares of US$1 each were issued at par for cash upon incorporation as subscriber's shares.

(h) RESERVES

(1) Century Time Group

The amounts of Century Time Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity under Section 7 of this accountants' report.

(2) Century Time

	Accumulated losses HK$'000
At 5 July 2005 (date of incorporation)	–
Loss for the period	7
At 31 December 2005 and 1 January 2006	7
Loss for the period	6
At 31 October 2006	13

(i) COMMITMENTS

Century Time Group had the following capital commitments at the balance sheet dates:

	As at 31 December 2005 HK$'000	As at 31 October 2006 HK$'000
Contracted, but not provided for:		
Land Premiums	–	13,107
Building	162,820	140,315
Plant and machinery	161,406	92,449
Capital contribution to the JV Company	97,050	99,029
	421,276	344,900

At each of the balance sheet dates, Century Time did not have any significant commitments.

(j) RELATED PARTY TRANSACTION

Century Time Group considers the directors of Century Time to be the key management personnel, whose compensation has been disclosed in Section 4(c) above.

(k) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Century Time Group's principal financial instrument comprise shareholder's loan. The main purpose of this financial instrument is to raise finance for Century Time Group's operation. Century Time Group has various other financial liabilities such as bills payable and other payables and accruals, which arise directly from its operations.

The main risks arising from Century Time Group's financial instruments is foreign currency risk and liquidity risk. The directors of Century Time meet periodically to analyse and formulate measures to manage Century Time Group's exposure to these risks. Generally, Century Time Group introduces conservative strategies on its risk management. As Century Time Group's exposure to these risks is kept to a minimum, Century Time Group has not used any derivatives nor other instruments for hedging purposes. Century Time Group does not hold or issue derivative financial instruments for trading purposes. The directors review and agree policies for managing each of these risks and they are summarised as follows:

Foreign exchange risk

Century Time Group's transactions are principally denominated in Hong Kong Dollars ("HK$") and Renminbi ("RMB"). Century Time Group is exposed to foreign exchange risk arising from the exposure of HK$ and RMB. Century Time Group believes its exposure to exchange rate risk is minimal. At present, Century Time Group does not intend to seek measures to hedge its exposure to foreign exchange fluctuations. However, Century Time Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in future as may be necessary.

Liquidity risk

Century Time Group's objective is to ensure adequate financial resources are available to meet its future working capital and capital commitments towards the Project. Cash flows are closely monitored on an ongoing basis. The directors of Century Time have taken measures to address the Century Time Group's liquidity requirement as set out in Section 1 above.

6. CONSOLIDATED CASH FLOW STATEMENTS

	Sections	Period from 5 July 2005 (date of incorporation) to 31 December 2005	Ten months ended 31 October 2006
		HK$'000	HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax:		(2,629)	(2,992)
Adjustments for:			
Interest income	4(a)	(73)	(101)
Depreciation	4(b)	95	302
Operating loss before working capital changes		(2,607)	(2,791)
Increase in prepayments and deposits		–	(233)
Increase/(decrease) in other payables and accruals		225	(217)
Cash used in operations		(2,382)	(3,241)
Interest received	4(a)	73	101
Net cash outflow from operating activities		(2,309)	(3,140)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	5(a)	(4,561)	(34,513)
Advances to minority interest of the JV Company		(107,523)	–
Increase in prepayments and deposits for property, plant and equipment		(46,487)	(15,740)
Increase in pledged time deposits		(5,861)	(2,311)
Net cash outflow from investing activities		(164,432)	(52,564)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		390	–
Shareholder's loan		101,950	2,317
Capital contributions from minority interest of the JV Company		97,087	–
Repayment from minority interest of the JV Company		–	15,000
Increase in bills payable		5,861	2,311
Net cash inflow from financing activities		205,288	19,628
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		38,547	(36,076)
Cash and cash equivalents at beginning of period		–	35,603
Effect of foreign exchange rate changes, net		(2,944)	725
CASH AND CASH EQUIVALENTS AT END OF PERIOD		35,603	252
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances		35,603	252

Non-cash transaction:

During the period ended 31 October 2006, the prepayment and deposits for property, plant and equipment of HK$66,979,000 was paid by minority shareholder of the JV Company on Century Time Group's behalf by utilisation the funds advanced.

7. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The following is a summary of the consolidated statements of changes in equity of Century Time Group for the Relevant Periods, prepared on the basis as set out in Section 1 above:

	Attributable to equity holders of Century Time					
	Issued share capital	**Exchange fluctuation reserve**	**Accumulated losses**	**Total**	**Minority interest**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 5 July 2005 (date of incorporation)	–	–	–	–	–	–
Issued of shares	390	–	–	390	–	390
Capital contributions	–	–	–	–	97,087	97,087
Exchange realignment	–	(1,501)	–	(1,501)	(1,443)	(2,944)
Total expense recognised directly in equity	–	(1,501)	–	(1,501)	(1,443)	(2,944)
Loss for the period	–	–	(2,565)	(2,565)	(64)	(2,629)
Total expense for the period	–	(1,501)	(2,565)	(4,066)	(1,507)	(5,573)
At 31 December 2005 and 1 January 2006	390	(1,501)	(2,565)	(3,676)	95,580	91,904
Exchange realignment	–	2,017	–	2,017	1,939	3,956
Total income recognised directly in equity	–	2,017	–	2,017	1,939	3,956
Loss for the period	–	–	(2,190)	(2,190)	(402)	(2,592)
Total income and expense for the period	–	2,017	(2,190)	(173)	1,537	1,364
At 31 October 2006	390	516	(4,755)	(3,849)	97,117	93,268

8. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Century Time Group in respect of any period subsequent to 31 October 2006.

Yours faithfully,
ERNST & YOUNG
Certified Public Accountants
Hong Kong

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

ERNST & YOUNG
安永會計師事務所

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

29 January 2007

The Board of Directors
139 Holdings Limited

Dear Sirs,

139 Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group")

Unaudited pro forma statement of assets and liabilities

We report on the unaudited pro forma statement of assets and liabilities (the "Unaudited Pro Forma Financial Information") of the Group, Century Time Investments Limited ("Century Time") and its subsidiaries (collectively, the "Enlarged Group"), in connection with the circular for the proposed acquisition of (i) 25% equity interest in Century Time, (ii) 25% of shareholder's loan of Century Time, and (iii) the call option to purchase additional up to 50% equity interest in Century Time and up to 50% of shareholder's loan of Century Time (collectively, the "Transactions"), which has been prepared by the directors for illustrative purposes only, to provide information about how the Transactions might have affected the historical financial information in respect of the Group as at 30 September 2006, for inclusion in Appendix III to the circular dated 29 January 2007 (the "Circular") issued by the Company. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on page 109 to the Circular.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 300 "Accountants' Report on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position or results of

– the Enlarged Group had the transactions actually occurred as at the dates indicated therein; or

– the Enlarged Group at any future date or for any future periods.

Opinion

In our opinion:

(a) the accompanying Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
ERNST & YOUNG
Certified Public Accountants
Hong Kong

UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

Basis of the preparation of the unaudited pro forma statement of assets and liabilities on the Enlarged Group

The information set out below is for illustrative purpose only and does not form part of the accountants' report prepared by the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, as set out in Appendix II to this circular.

To provide additional financial information, the unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 30 September 2006 have been prepared based on:

(i) the audited financial information of Century Time Group as at 31 October 2006 which have been extracted from Appendix II to this circular;

(ii) the unaudited financial information of the Group as at 30 September 2006 which have been extracted from the published interim report of the Group for the six months ended 30 September 2006; and

(iii) after taking into account of the unaudited pro forma adjustments as described in the notes thereto to demonstrate the effect of the Transactions and the financing arrangements for the Transactions might have affected the historical financial information in respect of the Group as if the Transactions had taken place on 30 September 2006.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group presented below does not purport to present what the consolidated balance sheet would actually have been if the Transactions had taken place on 30 September 2006 or to project the financial information for any future period and are included for illustrative purpose only.

The unaudited pro forma statement of assets and liabilities should be read in conjunction with the financial information contained in this circular and the "Accountants' Report on Century Time Group" set out in Appendix II to this circular.

The unaudited pro forma statement of assets and liabilities below has been prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group as at 30 September 2006 or at any future date.

	The Group as at 30 September 2006 (Unaudited)	Unaudited pro forma adjustments		Unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 30 September 2006
	HK$'000	*HK$'000*	*Notes*	*HK$'000*
Non-current assets				
Property, plant and equipment	489			489
Interest in an associate	–	150,000	*1(a)*	150,000
Convertible notes – loan portion	49,275			49,275
Available-for-sale equity investments	103,989			103,989
Total non-current assets	153,753	150,000		303,753
Current assets				
Convertible notes – call option portion	4,921			4,921
Equity investments at fair value through profit or loss	96,441			96,441
Financial asset at fair value through profit or loss	–	423	*2*	423
Inventories	78			78
Trade receivables	11,747			11,747
Bills receivables	2,497			2,497
Prepayments, deposits and other receivables	2,426			2,426
Pledged time deposits	6,860			6,860
Cash and cash equivalents	15,325	(15,000)	*1(b)*	325
Total current assets	140,295	(14,577)		125,718
Current liabilities				
Trade payables	9,100			9,100
Tax payable	363			363
Other payables and accruals	6,138			6,138
Finance lease payables	81			81
Total current liabilities	15,682			15,682
Net current assets	124,613	(14,577)		110,036
Total assets less current liabilities	278,366	135,423		413,789

	The Group as at 30 September 2006 (Unaudited)	Unaudited pro forma adjustments		Unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 30 September 2006
	HK$'000	*HK$'000*	*Notes*	*HK$'000*
Non-current liabilities				
Convertible bonds	–	65,089	*1(c)*	65,089
Finance lease payables	28			28
Total non-current liabilities	28	65,089		65,117
Net assets	278,338	70,334		348,672
Equity				
Issued share capital	11,332	625	*1(d)*	11,957
Share premium account	310,000	24,375	*1(d)*	334,375
Capital reserve	556			556
Contributed surplus	551,174			551,174
Available-for-sale equity investment revaluation reserve	55,549			55,549
Equity component of convertible notes	–	44,911	*1(c)*	44,911
Exchange fluctuation reserve	(94)			(94)
Accumulated losses	(650,179)	423	*2*	(649,756)
Total equity	278,338	70,334		348,672

Notes:

1. In connection with the proposed acquisition of 25% equity interest in Century Time and 25% of shareholder's loan of Century Time (the "Acquisition"), the aggregate consideration of HK$150,000,000 payable by the Company will be satisfied by way of (i) cash consideration of HK$15,000,000; (ii) issuance of the zero coupon convertible notes of HK$110,000,000 to the Vendor; and (iii) issuance of shares of HK$25,000,000 at an issue price of HK$0.40 per share (collectively as the "Aggregate Consideration").

    (a) Upon the completion of the Acquisition, the Group will apply the equity method of accounting to account for the interest in Century Time Group in accordance with HKAS 28 "Interests in associates". The amount of excess of the Aggregate Consideration over the net fair value of the net identifiable assets acquired, and liabilities and contingent liabilities of Century Time Group assumed will be recognised as goodwill and recorded in the interests in associates.

    For the purpose of preparing the unaudited pro forma statement of assets and liabilities, the net book value of the identifiable assets, liabilities and contingent liabilities of Century Time Group as at 31 October 2006, as extracted from the accountants' report on Century Time in Appendix II, is applied in the calculation of the estimated goodwill arising from the Acquisition.

The unaudited pro forma adjustment reflects (i) the share of deficiency in assets of Century Time Group of HK$962,000; (ii) loan to an associate of HK$26,067,000; and (iii) goodwill of HK$124,895,000 as if the Acquisition was completed on 30 September 2006.

The actual goodwill arising at the date of completion of the Acquisition may be different from the estimated goodwill as shown in the unaudited pro forma statement of assets and liabilities because the fair value of the net identifiable assets acquired, and liabilities and contingent liabilities of Century Time Group assumed at the date of completion of the Acquisition may be different from their adjusted book value used in the preparation of the unaudited pro forma statement of assets and liabilities above and the market price of the shares of the Company may be different at the date of exchange.

(b) The unaudited pro forma adjustment reflects the payment of cash consideration of HK$15,000,000, as set out in note 1 (a) above, as if the Acquisition was completed on 30 September 2006.

(c) In connection with the Acquisition, the zero coupon convertible notes of HK$110,000,000 will be issued to the Vendor on the date of completion of the Acquisition.

The fair value of liability portion of the zero coupon convertible notes of HK$65,089,000 as at 30 September 2006 is estimated by RHL Appraisal Ltd. ("RHL"), an independent valuer, by using discounted cash flow method and an equivalent market interest rate for a similar bond with no conversion feature. The residual amount of HK$44,911,000 is assigned as the equity portion and is included in the Group's equity component of convertible notes in accordance with HKAS 32 "Financial Instruments: Disclosure and Presentation".

The actual fair value of liability portion of the zero coupon convertibles notes and the corresponding residual amount assigned as equity portion in accordance with HKAS 32 at the date of completion of the Acquisition may be different from the respective amounts as shown in the unaudited pro forma statement of assets and liabilities as shown above as the market interest rate at the date of completion of the Acquisition may fluctuate and vary from the market interest rate used in the preparation of the unaudited pro forma statement of assets and liabilities.

(d) In connection with the Acquisition, 62,500,000 new consideration shares with total amounts of HK$25,000,000 at an issue price of HK$0.40 per share will be issued on the completion date of the Acquisition (the "Consideration Shares"). As a result of the issuance of the Consideration Shares, the Company's share capital of HK$625,000 and the estimated share premium of HK$24,375,000 was reflected in the unaudited pro forma adjustment as if the Acquisition was completed on 30 September 2006.

The actual share premium amount at the date of completion of the Acquisition may be different from the estimated share premium as shown in the unaudited pro forma statement of assets and liabilities because the market price of the shares of the Company may be different at the date of exchange.

2. Pursuant to the sale and purchase agreement dated 1 November 2006 (the "S&P" Agreement), the Vendor granted to the Group the option to purchase ("the Further Acquisition") from the Vendor additional of up to 50% of the entire issued share capital of Century Time as at the date of the completion of the Further Acquisition, together with the shareholder's loan proportional to the total option shares to be purchased in a total consideration of HK$650,000,000 (the "Call Option"). The consideration for the acquisition of the aforementioned Call Option was HK$1 and the fair value of the Call Option was HK$423,000 as if the Call Option was acquired by the Company on 30 September 2006 with reference to the valuation performed by RHL using the Black-Scholes option pricing model. In accordance with HKAS 32, the Call Option is recognised as a financial asset at fair value through profit or loss. The unaudited pro forma adjustment reflects the recognition of the Call Option.

3. The Vendor has warranted that aggregate audited net profit after tax and any minority interest but before extraordinary or exceptional items of the JV Company under the PRC accounting standards for the two financial years ending 31 December 2009 will not be less than RMB900 million (equivalent to approximately HK$900 million), failing which the Vendor shall refund part or whole of the HK$150 million consideration of the Acquisition for an amount as calculated based on a pre-determined formula/mechanism as set out in the S&P Agreement ("Profit Warranty").

   The Vendor further warranted that the Company has the right to sell all the 25% equity interest in Century Time and 25% of shareholder's loan of Century Time acquired by the Company under the Acquisition, if the audited net profit after tax and any minority interest but before any extraordinary or exceptional items of the JV Company under the PRC accounting standards for the financial year ending 31 December 2008 is less than RMB200 million (equivalent to approximately HK$200 million) ("Put Option").

   For the purpose of preparing the unaudited pro forma statement of assets and liabilities, the financial impacts of the above Profit Warranty and Put Option on the Enlarged Group as at 30 September 2006 have not been estimated as the directors of the Company consider that it would be misleading to include such estimate as a pro forma adjustment.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. 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 in this circular misleading.

SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following Completion are as follows:

Authorised:		*HK$*
60,000,000,000	Shares of nominal value of HK$0.01 each as at the Latest Practicable Date and on Completion	600,000,000.00
Issued and fully paid:		*HK$*
1,359,883,047	Shares as at the Latest Practicable Date	13,598,830.47
62,500,000	Consideration Shares to be issued on Completion	625,000.00
1,422,383,047	Shares immediately following Completion	14,223,830.47

DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short position of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed

Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Capacity	Number of Shares held	Approximate percentage of existing issued share capital of the Company
Mr. Wong Howard	Beneficial owner	21,299,000	1.57%
Mr. Wong Yat Fai	Beneficial owner	21,299,000	1.57%
Mr. Wu Qing	Beneficial owner	21,299,000	1.57%

In addition to the above, Messrs. Wong Howard and Wong Yat Fai hold shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying with the previous minimum company membership requirements.

As at the Latest Practicable Date:

(i) save as disclosed above, none of the Directors and the chief executive of the Company held any interests or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (c) were required pursuant to the Model Code, to be notified to the Company and the Stock Exchange;

(ii) none of the Directors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group; and

(iii) none of the Directors is materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement is subsisting as at the Latest Practicable Date and which is significant in relation to the business of the Group as a whole.

SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors or the chief executive of the Company, the following are details of the persons (other than a Director or chief executive of the Company) who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including any options in respect of such capital) carrying rights to vote in all circumstances at general meeting of any other member of the Group:

Name of shareholder	Long/Short position	Name of Company	Capacity	Number of Shares held	Approximate percentage of existing issued share capital of the Company
Penta Investment Advisers Limited	Long	The Company	Investment Manager	174,630,000	12.84%
Zwaanstra John	Long	The Company	Interest held by a controlled corporation	174,630,000	12.84%
The Vendor	Long	The Company	Beneficial owner	262,500,000	19.30%
The Guarantor	Long	The Company	Interest held by a controlled corporation	262,500,000	19.30%
Surani Varsha Bhupendra *(Note a)*	Long	The Company	Interest of Spouse	262,500,000	19.30%

Note:

a. Surani Varsha Bhupendra is the wife of the Guarantor.

Save as disclosed above, so far as was known to the Directors or the chief executive of the Company, there was no other person (other than the Directors or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, beneficially interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group or in any options in respect of such capital.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or was proposing to enter into, any service contract with any member of the Group which will not expire or be determinable by the Group within one year without payment of compensation (other than statutory compensation).

COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group other than those businesses to which the Directors and their associates were appointed to represent the interests of the Company and/or the Group.

MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within two years preceding the date of this circular and are or may be material:

(a) the Preliminary Agreement;

(b) the SP Agreement;

(c) the placing agreement entered into between the Company and Celestial Securities Limited dated 17 October 2006 in relation to the placing of up to 226,640,000 new Shares at HK$0.325 per Share to at least six independent investors;

(d) the preliminary sale and purchase agreement dated 19 January 2005 and entered into between Walterford Company Limited ("Walterford"), a wholly-owned subsidiary of the Company, and China Travel Service (Hong Kong) Limited ("China Travel Service") setting out the preliminary terms between the parties thereto in connection with the proposed acquisition ("Proposed Acquisition") by Walterford from China Travel Service and Findco Enterprises Limited ("Vendors") of the entire issued share capital for Sociedade De Fomento Perdial Fu Wa (Macau) Limited ("SDFP") and the shareholder's loan of approximately HK$420 million owed to China Travel Service by SDFP as at 31 December 2004;

(e) the sale and purchase agreement entered into, among others, between Walterford and Vendors in relation to the Proposed Acquisition dated 2 February 2005;

(f) the placing agreement entered into between the Company and Tai Fook Securities Limited dated 27 January 2005 in relation to the placing of 2,000,000,000 new Shares at HK$0.032 per Share on a fully underwritten basis; and

(g) the placing agreement entered into between the Company and Tai Fook Securities Limited dated 27 January 2005 in relation to the placing of 2,000,000,000 new Shares at HK$0.032 per Share on a best effort basis.

LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given opinions, letters or advice contained in this circular:

Name	Qualifications
Ernst & Young	certified public accountants

Ernst & Young has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and/or references to its name, in the form and context in which it appears.

Ernst & Young is not beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Ernst & Young is not interested in the assets which have been acquired or disposed of by or leased to any member of the Group since 31 March 2006, the date to which the latest published audited consolidated financial statements of the Group were made up.

MISCELLANEOUS

(a) The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(b) The head office and principal place of business of the Company in Hong Kong is at Room 1603-05, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.

(c) The company secretary and qualified accountant of the Company is Szeto Pui Tong, Patrick, who is an associate member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Company Secretaries, the Chartered Institute of Management Accountants and the Institute of Chartered Secretaries and Administrators.

(d) The Hong Kong branch share registrars and transfer office of the Company is Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(e) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the head office and principal place of business of the Company in Hong Kong at Room 1603-05, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong during normal business hours on any weekday (except Saturdays, Sundays and public holidays) from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and the bye-laws of the Company;

(b) the annual report of the Company for the two years ended 31 March 2006;

(c) the accountants' report in relation to Century Time, the text of which is set out in Appendix II to this circular;

(d) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;

(e) the written consents of the expert referred to in the paragraph headed "Expert and consent" in this appendix;

(f) the report from Ernst & Young in respect of the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular;

(g) the draft note instrument which sets out the terms and conditions of the Convertible Note;

(h) the draft deed of option which sets out the terms and conditions of the Call Option;

(i) the draft Shareholders' Agreement; and

(j) the draft deed of assignment assigning 25% of the Shareholder's Loan.

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 (the "**SGM**") of the shareholders of 139 Holdings Limited (the "**Company**") will be held at Basement Function Room I, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong on Wednesday, 14 February 2007 at 9:30 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the formal sale and purchase agreement (the "**Formal Agreement**") dated 1 November 2006 and entered into among Make Sense Investments Limited as purchaser, JB International Holdings Limited as vendor and Mr. Surani Bhupendra Jivrajbhai as guarantor (a copy of which has been produced at the SGM and marked "A" and signed by the chairman of the SGM for the purpose of identification) relating to, among other matters, the acquisition contemplated under the Formal Agreement (the "**Acquisition**") and the transactions contemplated therein including but not limited to the acceptance of the Call Option (as defined in the Formal Agreement) and the entering into of the Shareholders' Agreement (as defined in the Formal Agreement) be and are hereby approved, ratified and confirmed;

(b) (i) the issue of the convertible note (the "**Convertible Note**") in the aggregate principal amount of HK$110 million by the Company in accordance with the terms and conditions of the Formal Agreement (a draft of which has been produced at the SGM and marked "B" and signed by the chairman of the SGM for the purpose of identification) and the transactions contemplated therein be and are hereby approved;

(b) (ii) the Board be and is hereby authorised to take all steps necessary or expedient in its opinion to implement and/or give effect to the Convertible Notes including but not limited to, subject to the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Conversion Shares (as defined below), the allotment and issue of such number of ordinary shares of the Company of

* *For identification purposes only*

HK$0.01 each in the share capital of the Company (the "**Conversion Shares**") which may fall to be issued upon the exercise of the conversion rights attaching to the Convertible Note pursuant to the Formal Agreement;

(c) subject to the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in the Consideration Shares (as defined below), the allotment and issue of such number of ordinary shares of the Company of HK$0.01 each in the share capital of the Company (the "**Consideration Shares**"), credited as fully paid, as part of the consideration for the Acquisition pursuant to the terms and conditions of the Formal Agreement be and is hereby approved; and

(d) the Board be and is hereby authorised to do all other acts and things and take such action as may in the opinion of the Board be necessary, desirable or expedient to implement and give effect to the Acquisition."

By order of the Board
139 Holdings Limited
Wong Howard
Chairman

Hong Kong, 29 January 2007

Executive Directors:
Wong Howard *(Chairman & Chief Executive Officer)*
Wong Yat Fai
Wu Qing

Independent non-executive Directors:
Li Chi Ming
Tung Tat Chiu, Michael
Wan Ngar Yin, David

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 entitled to attend and vote at the SGM is entitled to appoint one or more proxy to attend and vote on his behalf. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. A form of proxy for use at the SGM is enclosed. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, at the Company's branch share registrar in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the SGM or any adjournment thereof, should he so wish.

3. In the case of joint holders of shares, any one of such holders may vote at the SGM, either personally or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the SGM personally or by proxy, then one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.