

B&B

B & B GROUP HOLDINGS LIMITED
中國蜂業集團有限公司*
(Incorporated in the Cayman Islands with limited liability)



2005-2006

First Quarterly Report

* For identification purpose

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcement in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM listed issuers.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of B & B Group Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to B & B Group Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– 1. the information contained in this report is accurate and complete in all material respects and not misleading; 2. there are no other matters the omission of which would make any statement in this report misleading; and 3. all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

B & B Group Holdings Limited

The board of directors (the "Board") of B & B Group Holdings Limited (the "Company") announces that the unaudited consolidated results of the Company and its subsidiaries (together the "Group") for the three months ended 30 September 2005, together with the comparative unaudited figures for the corresponding period in 2004, are as follows:

		For the three months ended 30 September	
		2005	2004
		HK\$'000	HK\$'000
	<i>Notes</i>		
Turnover	2	21,476	62,980
Cost of sales		(11,484)	(50,426)
Gross profit		9,992	12,554
Other revenue	2	230	5,674
Selling and distribution costs		(2,530)	(1,845)
Administrative expenses		(2,389)	(2,845)
Profit from operations		5,303	13,538
Finance costs		(726)	(178)
Share of results of associated company		1,201	–
Profit before taxation		5,778	13,360
Taxation	3	(903)	(809)
Profit after taxation		4,875	12,551
Attributable to:			
Shareholders of the Company		5,851	12,063
Minority interests		(976)	488
		4,875	12,551
Earnings per share for profit attributable to the shareholders of the Company during the period	5		
– basic		1.21 cents	2.51 cents
– diluted		1.19 cents	2.50 cents

Notes:

1. Basis of preparation and accounting policies

The accounts are prepared in accordance with Hong Kong Accounting Standards ("HKAS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprises Market of the Stock Exchange of Hong Kong ("the GEM Listing Rules").

The accounts have been prepared under the historical cost convention.

The accounting policies and methods of computation used in the preparation of these accounts are consistent with those used in the annual accounts for the year ended 30 June 2005 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1 January 2005.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out below.

Business Combination

The adoption of HKFRS 3 has resulted in a change in the accounting policy relating to the discontinuation of amortisation of goodwill arising on acquisitions. Goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1 July 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. In prior years, goodwill was capitalised and amortised over its estimated useful life. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for the corresponding period have not been restated.

Share-base Payments

The adoption of HKFRS 2 has resulted in a change in the accounting policy for employee share option benefits. Until 30 June 2005, the provision of share options to employees did not result in an expense in the profit and loss account. Effective on 1 July 2005, the Group expenses the cost of share options in the profit and loss account.

The group has taken advantage of the transitional provisions set out in paragraph 53 of HKFRS 2 under which the new recognition and measurement policies have not been applied to the following grants of options:

- (a) all options granted to employees on or before 7 November 2002; and
- (b) all options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

No adjustments to the opening balances as at 1 July 2005 are required as no options existed at that time which were invested at 1 January 2005.

B & B Group Holdings Limited

2. Turnover and revenue

Turnover represents the net invoiced value of the goods sold, after allowances for returns and trade discounts excluding value-added tax and business tax. Other revenue represents mainly interest income.

3. Taxation

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits arising in Hong Kong during the period (2004: Nil).

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

4. Dividend

The Board does not recommend the payment of any dividend for the three months ended 30 September 2005 (2004: Nil).

5. Earnings per share

The calculation of basic earnings per share is based on the unaudited net profit for the three months ended 30 September 2005 of approximately HK\$5,851,000 (three months ended 30 September 2004: approximately HK\$12,063,000) and of the weighted average number of approximately 482,130,000 (three months ended 30 September 2004: approximately 481,330,000) ordinary shares in issue.

The calculation of diluted earnings per share is based on the unaudited net profit for the three months ended 30 September 2005 of approximately HK\$5,851,000 (three months ended 30 September 2004: approximately HK\$12,063,000) and of the weighted average number of approximately 490,118,000 (three months ended 30 September 2004: approximately 484,481,000) ordinary shares in issue.

6. Movement of Reserves

	(Unaudited) Share premium HK\$'000	(Unaudited) Translation reserve HK\$'000	(Unaudited) Special reserve HK\$'000	(Unaudited) Retained profit HK\$'000	(Unaudited) Total HK\$'000
At 1 July 2005	80,825	-	(1)	74,997	155,821
Exchange differences arising from translation of financial statements of overseas operation	-	1,000	-	-	1,000
Net profit for the period	-	-	-	5,851	5,851
At 30 September 2005	80,825	1,000	(1)	80,848	162,722

B & B Group Holdings Limited

	(Unaudited) Share premium <i>HK\$'000</i>	(Unaudited) Translation reserve <i>HK\$'000</i>	(Unaudited) Special reserve <i>HK\$'000</i>	(Unaudited) Retained profit <i>HK\$'000</i>	(Unaudited) Total <i>HK\$'000</i>
At 1 July 2004	80,649	15	(1)	51,990	132,653
Exchange differences arising from translation of financial statements of overseas operation	-	18	-	-	18
Net profit for the period	-	-	-	12,063	12,063
At 30 September 2004	80,649	33	(1)	64,053	144,734

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the production and distribution of natural health products and trading of edible oil.

FINANCIAL REVIEW

For the three months ended 30 September 2005, the Group's unaudited consolidated turnover and net profit attributable to shareholders are approximately HK\$21.48 million (2004: HK\$62.98 million) and HK\$5.85 million (2004: HK\$12.06 million) respectively. There is an approximately 66% decrease in turnover with an approximately 51% decrease in net profit attributable to shareholders over the corresponding period of last year. Gross profit ratio was approximately 46.5% for the three months period under review (2004: 19.9%).

The decrease in turnover was due to the decrease of sales of edible oil, which was in turn due to the keen competition in the market, especially the People's Republic of China (the "PRC"). The decrease also accounted for the increase in overall gross profit ratio as the gross profit of edible oil trading is less than other businesses of the Group.

The decrease in net profit attributable to shareholders was due to that there was other revenue of approximately HK\$5.7 million which was mainly a gain on disposal of subsidiaries in last year.

BUSINESS REVIEW

During the period under review, the Group's natural health products business was slightly decreased.

During the period under review, the Group's trading of edible oil was not satisfactory. There was a sharp decrease in the turnover which was accounted by the keen competition in the market, especially the PRC.

In June 2005, the Group entered into an agreement with China United Company Limited to acquire 70% equity interest of CNPC HuaYou CU Energy Investment Co. Ltd. ("**CNPC Investment**"). CNPC Investment is a sino foreign co-operative joint venture enterprise established by China Hua You Group Corporation ("**Hua You**") and a company established in Hong Kong, an independent third party. CNPC Investment has an oilfield development project located in Feng Cheng, Xin Jiang the PRC ("**Xin Jiang Oilfield**").

The mining operation of Xin Jiang Oilfield is anticipated to be managed and operated by Hua You, which is a wholly-owned subsidiary of China National Petroleum Corporation, being one of the three largest oil and gas firms in the PRC, and engaging in the production and marketing of oil and gas products, production of latest building materials and gas development and exploitation in the PRC and has extensive experience in mining industries in the PRC. The Directors believe that the Group has to diversify and expand its business in order to enhance its financial position.

In 10 August 2005, the Group entered into a conditional sales and purchase agreement with a connected person to participate in the lottery-related business in the PRC. The transaction was subsequently called off on 26 August 2005. The Directors believe that the lottery-related business in the PRC provides a lot of potential opportunities, and the Group is actively seeking for investment opportunity in the lottery-related business in the PRC.

PROSPECT

The Group will continue its efforts in developing its natural health products business which is still the Group's core business.

The acquisition of CNPC Investment shall provide a marvelous opportunity for the Group to expand its business into the rapid growing oil industry in the PRC. The profit from the mining of the Xin Jiang Oilfield is prosperous and shall be able to enhance the Group's financial position. Besides, this acquisition permits the Group to establish business relationship with Hua You, which is believed to enable the Group to explore more business opportunities in the oil and gas industries in the PRC and allow the Group to further expand its business.

The Group will continuously seek other business opportunities in the lucrative lottery-related business in the PRC.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 September 2005, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(1) Long positions in the shares of the Company

Name of Directors	Company/ Name of associated corporation	Corporate interest	Number of ordinary shares held		Total interest	Percentage of interest
			Personal interest	Family interest		
Cheung Kwai Lan	Company	262,080,000 (Note 1)	1,380,000	-	263,460,000	54.65%
Chan Tung Mei	Company	262,080,000 (Note 2)	-	1,380,000 (Note 3)	263,460,000	54.65%
Peter Chin Wan Fung	Company	-	1,730,000	-	1,730,000	0.36%
Shaw Kyle Arnold Junior	Company	330,000	-	-	330,000	0.07%
Lau Hin Kun	Company	-	805,000	-	805,000	0.17%
Cheung Kwai Lan	Best Frontier Investments Limited	-	909	1 (Note 4)	910	-
Chan Tung Mei	Best Frontier Investments Limited	-	1	909 (Note 5)	910	-

B & B Group Holdings Limited

Notes:

1. The 262,080,000 shares are owned by Best Frontier Investments Limited ("Best Frontier") which is owned as to 99.89% and 0.11% by Madam Cheung Kwai Lan and Mr. Chan Tung Mei respectively. Madam Cheung Kwai Lan is the spouse of Mr. Chan Tung Mei. Accordingly, Madam Cheung Kwai Lan is deemed to be interested in the shares under the SFO.
2. The 262,080,000 shares are owned by Best Frontier which is owned as to 99.89% and 0.11% by Madam Cheung Kwai Lan and Mr. Chan Tung Mei respectively. Mr. Chan Tung Mei is the spouse of Madam Cheung Kwai Lan. Accordingly, Mr. Chan Tung Mei is deemed to be interested in the shares under the SFO.
3. The 1,380,000 shares are owned by Madam Cheung Kwai Lan who is the spouse of Mr. Chan Tung Mei. Accordingly, Mr. Chan Tung Mei is deemed to be interested in the shares under the SFO.
4. The 1 share of US\$1 in Best Frontier is owned by Mr. Chan Tung Mei who is the spouse of Madam Cheung Kwai Lan. Accordingly, Madam Cheung Kwai Lan is deemed to be interested in the shares under the SFO.
5. The 909 shares of US\$1 each in Best Frontier are owned by Madam Cheung Kwai Lan who is the spouse of Mr. Chan Tung Mei. Accordingly, Mr. Chan Tung Mei is deemed to be interested in the shares under the SFO.

(2) Share option schemes

Pre-IPO Share Option Scheme

Pursuant to the Pre-IPO share option scheme adopted by the Company on 18 October 2002 ("Pre-IPO Share Option Scheme"), certain Directors had been granted share options to subscribe for shares, details of which as at 30 September 2005 were as follows:

Name of director	Date of grant	Exercise price HK\$	Outstanding at 1 July 2005	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at 30 September 2005
Peter Chin Wan Fung	18/10/2002	0.23	870,000	-	-	-	-	870,000

These shares options were granted on 18 October 2002, at an exercise price of HK\$0.23 per share, representing 50% of the offer price of HK\$0.46 per share in respect of the Company's initial public offering. The share options are exercisable in three equal portions. The respective portions are exercised at any time commencing on 12 May 2003, 12 November 2003 and 12 May 2004 respectively. These share options, if not otherwise exercised, will lapse on 17 October 2007.

B & B Group Holdings Limited

Share Option Scheme

The Company has adopted a share option scheme (the “Share Option Scheme”), under which the Board may, at its discretion, invite any persons who satisfy the criteria of the Share Option Scheme, to take up options to subscribe for the shares in the Company.

The Share Option Scheme will remain valid for a period of 10 years commencing from 18 October 2002.

40,000,000 share options had been granted to 19 eligible participants (including one executive director and one non-executive director) under the Share Option Scheme.

Name of director	Date of grant	Exercise price HK\$	Outstanding at 1 July 2005	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at 30 September 2005	Exercise period of share options
Lau Hin Kun	18/8/2004	0.64	1,600,000	-	-	-	-	1,600,000	19/8/2004- 17/10/2012
Shaw Kyle Arnold Junior	19/10/2004	0.65	1,200,000	-	-	-	-	1,200,000	20/10/2004- 17/10/2012
Total			2,800,000	-	-	-	-	2,800,000	

The closing prices of the Company’s shares on 18 August 2004 and 19 October 2004, the dates of grant of the share options, were HK\$0.64 and HK\$0.65, respectively.

(3) Long positions in the shares of associated corporation – Aptus Holdings Limited

Name of Director	Corporate interest	Number of ordinary shares held			Total interest	Approximate percentage of shareholding
		Personal interest	Family interest			
Cheung Kwai Lan (Note)	928,571,428	-	-	928,571,428	59.90%	

Note: Madam Cheung Kwai Lan and Mr. Chan Tung Mei have equity interests of 99.89% and 0.11% respectively of the issued share capital of Best Frontier Investments Limited (“Best Frontier”). Madam Cheung Kwai Lan is the spouse of Mr. Chan Tung Mei. Accordingly, Madam Cheung Kwai Lan is deemed to be 100% interested in the shares of Best Frontier under the SFO. As at 30 September 2005, Best Frontier is interested in approximately 54.36% of the issued share capital of B & B Group Holdings Limited which in turn holds 100% shareholding of China Success

B & B Group Holdings Limited

Enterprises Limited. China Success Enterprises Limited then holds 100% shareholding of Precise Result Profits Limited which directly holds 928,571,428 shares of Aptus Holdings Limited. Besides, Madam Cheung Kwai Lan holds 1,380,000 shares of B & B Group Holdings Limited as at 30 September 2005.

Save as disclosed above, as at 30 September 2005, none of the directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 September 2005, so far as is known to the Directors and the chief executives of the Company, the interests and short positions of the persons or corporations in the shares or underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholders	Capacity	Number of ordinary shares held		Percentage of shareholding
		Long position	Short position	
Best Frontier Investments Limited	Directly beneficially owned	262,080,000 (Note 1)	–	54.36%
Oppenheimer Funds, Inc.	Investment manager	26,000,000	–	5.39%
China Value Investment Limited	Investment manager	24,620,000 (Note 2)	–	5.11%
Asian Value Investment Fund, L. P.	Investment manager	24,620,000 (Note 2)	–	5.11%

B & B Group Holdings Limited

Notes:

1. The 262,080,000 shares are owned by Best Frontier Investments Limited which is owned as to 99.89% and 0.11% by Madam Cheung Kwai Lan and Mr. Chan Tung Mei respectively.
2. The shares are held by China Value Investment Limited, which is wholly owned by Asian Value Investment Fund, L. P. Accordingly, Asian Value Investment Fund, L. P. is deemed to be interested in the shares under the SFO.

Save as disclosed above, as at 30 September 2005, the directors are not aware of any other person who has an interest or short position in the shares or underlying shares and debentures of the Company which would fall to be disclosed to the Company under Section 336 of the SFO, or who is interested in 5% or more of the Company's issued share capital.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had any business that competed or might compete with the business of the Group.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines published by the Hong Kong Institute of Certified Public Accountants. The primary duties of the audit committee are to review the Company's annual report and accounts, half-year reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures. The audit committee consisted of four independent non-executive Directors, namely Professor Peter Chin Wan Fung, Mr. Tian He Nian, Mr. Du Ying Min and Mr. Tsui Wing Tak. Professor Peter Chin Wan Fung is the chairman of the audit committee. The Group's unaudited results for the three months ended 30 September 2005 have been reviewed by the audit committee which was of the opinion that the preparation of such results complied with applicable accounting standards and requirements and that adequate disclosures had been made.

PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the three months ended 30 September 2005, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

By order of the Board

CHAN Ting

Director

As at the date of this report, the executive Directors are Madam Cheung Kwai Lan, Mr. Chan Tung Mei, Mr. Lau Hin Kun and Mr. Chan Ting; the non-executive Director is Mr. Shaw Kyle Arnold Junior; and the independent non-executive Directors are Professor Peter Chin Wan Fung, Mr. Tian He Nian, Mr. Du Ying Min and Mr. Tsui Wing Tak.

Hong Kong, 12 November 2005