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## **B & B GROUP HOLDINGS LIMITED**

**(中國蜂業集團有限公司\*)**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8156)**

### **DISCLOSEABLE TRANSACTION**

On 28th November, 2005, the Purchaser, a wholly owned subsidiary of the Company, entered into the Agreement with the Vendors pursuant to which the Purchaser has agreed to purchase from the Vendors 51% of the registered capital of Bozone at the aggregate cash consideration of RMB55,880,000 (equivalent to approximately HK\$53,731,000). Immediately after Completion, the Group will have a 51% interest in the registered capital of Bozone.

Bozone is principally engaged in the research and development and application of information technology in the lottery field. This include application software development and production of large online lottery systems and multi-platform wagering systems, integration of online lottery networks, network security system solutions, wagering terminals, operational solutions and operational consultation services.

The Acquisition constitutes a discloseable transaction for the Company as the consideration of the Acquisition represents more than 5% but less than 25% under the applicable percentage ratios under Chapter 19 of the GEM Listing Rules. A circular containing details of the Acquisition will be despatched to the Shareholders as soon as possible.

**Completion of the Acquisition is subject to various conditions precedent having been fulfilled failing which the Acquisition may not take place. Shareholders and investors should therefore exercise caution when trading in the Shares. A further announcement will be made as and when applicable.**

## **DATE OF THE AGREEMENT**

28th November, 2005

## **PARTIES TO THE AGREEMENT**

- (i) The Purchaser, a wholly owned subsidiary of the Company, as purchaser;
- (ii) Mr. Xu, Mr. Li, Mr. Lin, Mr. Miao, Mr. Jiang, Ms. Liu and Ms. Zhu, who are to the best knowledge, information and belief of the Directors, having made all reasonable enquiry, not connected persons of the Company (as defined in the GEM Listing Rules).

The Vendors were introduced to the Purchaser by an independent third party in the PRC not connected with the Company.

## **THE ACQUISITION**

Under the Agreement, the Purchaser has agreed to acquire from the Vendors, free from rights of pre-emption, an aggregate of 51% of the registered capital of Bozone (as to 33.71%, 5.10%, 5.10%, 2.55%, 1.94%, 1.94% and 0.66% by Mr. Xu, Mr. Li, Mr. Lin, Mr. Miao, Mr. Jiang, Ms. Liu and Ms. Zhu respectively), at an aggregate cash consideration of RMB55,880,000 (equivalent to approximately HK\$53,731,000) which will (subject to the withholding of RMB8,200,000 (equivalent to approximately HK\$7,885,000)) be payable in full on Completion and be shared by the Vendors proportional to their interest in the registered capital of Bozone to be sold. The balance 49% of the registered capital of Bozone is held by independent third parties who are not connected persons of the Company (as that term is defined in the GEM Listing Rules). The Consideration shall be satisfied as to RMB33,000,000 (equivalent to approximately HK\$31,731,000) in cash from internal resources and RMB22,880,000 (approximately HK\$22,000,000) by the Company allotting and issuing the Consideration Shares (being 24,122,807 Shares calculated by reference to the last 10 days trading average of the price of the Shares on the Stock Exchange immediately before the date of the Agreement ie. \$0.912 per Share) representing approximately 5.00% of the issued share capital of the Company as at the date of this Announcement and approximately 4.76% of the enlarged issued share capital of the Company taking into account the Consideration Shares) to the Vendors credited as fully paid. The Consideration Shares will be allotted and issued under the general mandate granted to the Directors at the annual general meeting on 31st October, 2005. The consideration was determined on an arms length commercial basis having regard to the audited accounts of Bozone for the year ended 31st December, 2004 and the management accounts for the period ended 31st August, 2005. No separate independent valuation had been conducted by the Company on Bozone.

The Vendors have severally undertaken to the Purchaser that the Net Profit for the Relevant Period shall not be less than RMB8,200,000 (equivalent to approximately HK\$7,885,000, the “Guaranteed Profit”). If the Net Profit for the Relevant Period shall be less than RMB8,200,000 (equivalent to approximately HK\$7,885,000), then the amount of the shortfall shall be deducted from the consideration under the Agreement. As such, the Purchaser will on Completion withhold such amount as security for the Net Profit undertaking.

Based on Bozone’s audited financial statements for the years ended 31st December, 2003 and 2004 which were prepared in accordance with PRC GAAP, the audited consolidated net assets value of Bozone as at 31st December, 2003 and 2004 were approximately RMB10,172,000 (equivalent to approximately HK\$9,781,000) and RMB10,423,000 (equivalent to approximately HK\$10,022,000) respectively. The audited profit before tax of Bozone for the years ended 31st December 2003 and 2004 were approximately RMB213,000 (equivalent to approximately HK\$205,000) and RMB147,000 (equivalent to approximately HK\$141,000) respectively. The audited profit attributable to Bozone shareholders for the years ended 31st December 2003 and 2004 were approximately RMB172,000 (equivalent to approximately HK\$165,000) and RMB110,000 (equivalent to approximately HK\$106,000) respectively.

Based on Bozone’s unaudited financial statements for the eight months ended 31st August, 2005 which were prepared in accordance with PRC GAAP, the net asset value of Bozone as at 31st August, 2005 was approximately RMB13,628,000 (equivalent to approximately HK\$13,104,000) and the profit attributable to its shareholders for the eight months ended 31st August, 2005 was approximately RMB2,911,000 (equivalent to approximately HK\$2,799,000). The surge in profit attributable to Bozone shareholders for the eight months ended 31st August, 2005 is due to an approximately RMB4,135,000 (equivalent to approximately HK\$3,976,000) income arising from the agreement for the provision of technical support and service for the Longjiangfengcai computer-generated lottery hotline sales system with the Heilongjiang Province Welfare Lottery Issue Centre which commenced on 1st January, 2005.

The purchase price for the Sale Shares was determined after arm’s length negotiation between the Company and the Vendors, having taken into account the net asset value of Bozone as at 31 August 2005 and the actual financial results of Bozone for the eight months ended 31st August, 2005. The Consideration represents a valuation of approximately 13 times of the Guaranteed Profit for the year ending 31st December, 2005. The Consideration also represents a valuation of approximately 8 times over the net assets value of Bozone as at 31 August 2005. When determining the fair and reasonableness of the valuation of Bozone, the Directors had made reference to the pricing of a similar business transaction carried out by Kantone Holdings Limited (Stock Code: 1059, “Kantone”) in September 2005. Based on the information as disclosed in the circular of Kantone dated 17 September 2005, Kantone acquired a controlling stake in a company which is principally engaged in the development and provision of paperless lottery operating systems and other technological support to PRC governmental lottery administration authorities in respect of government-organized welfare lottery business. The reason Kantone was used as a reference is because: (i) it is the most relevant reference that can be found recently for listed companies in Hong Kong, the Directors had also examined some of the transactions which involved social welfare lottery sales but they involved

setting up joint ventures of which the structure is quite different from Kantone's transaction and the Company's transaction; (ii) the nature of services of the Kantone acquisition target and Bozone are similar, namely, system development and maintenance services on systems for and assist in sales of social welfare lottery; (iii) their income model are similar, specifically, on percentage of social welfare lottery sales that are processed by the system supported; and (iv) the market is the same ie. information technology relating to social welfare lottery in the PRC.

The Directors, including the independent non-executive Directors, consider that the purchase price for the 51% interest in Bozone is fair and reasonable so far as the Company and its Shareholders are concerned, and it is the present intention of the Board that the purchase price will be satisfied by the internal resources of the Group.

## **CONDITIONS FOR COMPLETION**

Completion is conditional upon fulfillment (or waiver) of the following conditions on or before 31st March, 2006:

- (A) the clearance of all announcement(s) and circular(s) required to be issued by B & B under the GEM Listing Rules and granting of all approvals, if necessary by the Stock Exchange in respect of all transactions contemplated by this Agreement including the Stock Exchange granting listing of, and permission to deal in, the Consideration Shares;
- (B) the Purchaser undertaking a due diligence investigation in respect of the Bozone Group including but not limited to the financial affairs, business, assets, results, legal and financing structure of Bozone and the Purchaser being in its sole and reasonable discretion satisfied with the results of such due diligence investigation;
- (C) no event having occurred since the date hereof to Completion, the consequence of which is to materially and adversely affect the financial position, business or property, results of operations or business prospects of Bozone and such material adverse effect shall not have been caused;
- (D) the Purchaser having despatched a circular to its shareholders in connection with the transaction contemplated herein as required under Chapter 19 of the GEM Listing Rules;
- (E) the warranties in the Agreement remaining true and accurate and not misleading at Completion as if repeated at Completion and at all times between the date of this Agreement and Completion;
- (F) all reasonably relevant approvals, consents, licences and/or permits in relation to the transaction contemplated hereunder, including without limitation from the PRC Foreign Exchange Bureau, Industry and Commerce Bureau and the Ministry of Foreign Trade and Economic Co-operation, having been obtained;
- (G) the due valid and legal completion of the changing of Bozone from a limited liability company to a Chinese-foreign equity joint venture;

(H) such PRC legal opinion in the form satisfactory to the Purchaser as the Purchaser may require with respect to the transactions contemplated pursuant to the Agreement; and

All and any of the above conditions precedent may be waived by the Purchaser. A further announcement will be made in case the Directors decide to waive any of the conditions precedent stated above. The Directors do not currently have any intention to waive any of the above conditions precedent.

In respect of condition (B) above, the Group has undertaken, among others, the following due diligence on the Bozone Group prior to the signing of the Agreement:

- conducted site visits at the premises at which the operations of the Bozone Group is situated;
- met with the senior management of Bozone;
- reviewed financial statements of the Bozone Group;
- commenced its legal due diligence exercise, including, among others, review of certain of the corporate documents of each member of Bozone, the co-operative agreements entered into by Bozone with other regional welfare lottery issue centres in the PRC;
- engaged Hills & Co., which are qualified lawyers in the PRC and are independent of and not connected with the Group, as the Company's PRC legal advisers to advise the Group in respect of the PRC legal matters of this transaction;
- met with the Company's Hong Kong legal advisers and the PRC legal advisers to review and discuss the agreements, licences and corporate structure of Bozone.

Such due diligence is ongoing and has not been completed as at the date of this announcement. Based on the results of the due diligence exercise conducted by the Company and its advisors so far, the Directors are not aware of any problems which may prevent the completion of the Acquisition. Furthermore, based on the due diligence exercise conducted so far by the Company, Bozone has obtained all relevant government approvals (where necessary) in order for it to carry on its business in the PRC. The PRC lawyers have indicated that based on their due diligence conducted so far and the description of the business conducted by Bozone provided by the Bozone Group, they concur with Bozone that it and its ancillary companies have obtained all relevant governmental approvals required to carry on the business within the business scope described in their business licences.

## **COMPLETION**

Completion of the Acquisition shall take place on the fifth Business Day falling on the date of fulfillment or waiver of the above conditions. Application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

## INFORMATION ON BOZONE GROUP

Bozone is principally engaged in the research and development and application of information technology in the lottery field. This include application software development and production of large online lottery systems and multi-platform wagering systems, integration of online lottery networks, network security system solutions, wagering terminals, operational solutions and operational consultation services.

## MATERIAL CONTRACTS ENTERED INTO BY THE BOZONE GROUP

- (1) The Bozone Group entered into a *Fujian Changcheng Agreement for Betting System Development for Telephone Betting, Mobile Phone Betting and E-Betting* with Fujian Province Changcheng IT Development Co. Ltd. (福建省長城信息發展有限公司) (“Fujian Changcheng”) on 22 June, 2005, pursuant to which the Bozone Group has agreed to undertake, among other matters:
  - to develop, maintain, install and upgrade the betting system and be responsible for the stability and reliability of the betting system;
  - to develop, set up and test the operating system; and
  - to provide solutions for the automatic terminals connected with banks after technical exchange and communication with banks.
  
- (2) The Bozone Group entered into a *Renewed Shenzhen Welfare Lottery Agreement for the Upgrade, Maintenance and Related Development of the Operating System Software (the original Shenzhen Welfare Lottery Agreement for the Upgrade, Maintenance and Related Development of Hotline Operating System Software has already been expired)* with Shenzhen Welfare Lottery Issue Centre (深圳市福利彩票發行中心) (“Shenzhen Issue Centre”) on 30 September, 2005, pursuant to which the Bozone Group has agreed to undertake, among other matters:
  - to provide regular and ad hoc repair and maintenance of the software systems by key engineers;
  - to be responsible for the continuity, reliability and safety of the running of the software;
  - to complete, in collaboration with Shenzhen Issue Centre, the issuing and drawing of computer-generated lotteries and the distribution of lottery prizes; and
  - to maintain, upgrade, develop and improve the system and to provide technical assistance to assist Shenzhen Issue Centre in the management of the operating system upon request of Shenzhen Issue Centre.



- (3) The Bozone Group entered into a *Technical Service Agreement for Computer-generated Welfare Lottery Betting System* with Zhejiang Province Welfare Lottery Issue Centre (浙江省福利彩票發行中心) (“Zhejiang Issue Centre”) on 1st April, 2004, pursuant to which the Bozone Group has agreed to undertake, among other matters, to ensure the safety and stability of the operation of the betting system.
- (4) The Bozone Group entered into a *Service Agreement for the Maintenance and Repair of Betting Machines* with Zhejiang Issue Centre on 1st July, 2004, pursuant to which the Bozone Group has agreed to undertake, among other matters:
- to repair, maintain and replace the betting devices of Zhejiang Issue Centre and their damaged parts to ensure that all the betting devices are in order;
  - to visit the local management points and outlets of the Zhejiang Issue Centre and to monitor and implement the maintenance work and to organize an overall check-up on the betting devices annually; and
  - to provide regular training to the technical staff of Zhejiang Issue Centre to ensure that the technical staff at the local management points has acquired the necessary repair and maintenance skills.
- (5) The Bozone Group entered into an *Agreement for Technical Support and Service for “Longjiangfengcai” Computer-generated Welfare Lottery Hotline Sales System* with Heilongjiang Issue Centre on 1st January, 2005, pursuant to which the Bozone Group has agreed to undertake, among other matters:
- to coordinate with various related communication units or organizations to ensure that a safe and reliable communication network with the best service will be provided to Heilongjiang Issue Centre;
  - to be responsible for the day-to-day hardware and software maintenance and the set up and testing of equipments and devices;
  - to repair and maintain the devices of the main machines, network, telecommunication and firewall at the central machine rooms in the province and various cities;
  - to ensure the safe storage of and the day-to-day back-up of the betting data;
  - to assist in the day-to-day work such as the issue of lotteries, closure of devices, sorting of data, drawing, verification etc. in the entire province; and
  - to provide regular training and daily operational guidance to technical staff in each city.

## **INFORMATION OF THE GROUP**

The Group is principally engaged in the production and/or distribution of bee related products, other natural products and trading of edible oil.

## **REASONS AND BENEFITS OF THE ACQUISITION**

The Group has been actively looking for investment opportunities in various fields which could broaden the base of income stream of the Group. With the continuous development of the PRC economy, the lottery business has witnessed rapid growth. The Directors believe the growth will be sustainable in the foreseeable future. The Group is currently looking for feasible ways to enter into the lottery-related business. The Directors believe the Acquisition will enable the Group to attain strong technical backup for entering into this fast growing business and consider the Acquisition to be fair and reasonable and in the interests of the Shareholders as a whole.

The current Board does not have their expertise in the management of the business conducted by Bozone. However, the Company intends to maintain the current management at the Bozone Group to carry on the business. The Company intends to appoint nominees to senior management of Bozone and to appoint persons with experience in the PRC lottery field to the management of the Company.

## **GENERAL**

The Acquisition constitutes a discloseable transaction for the Company as the consideration of the Acquisition represents more than 5% but less than 25% under the applicable percentage ratios under Chapter 19 of the GEM Listing Rules. A circular containing details of the Acquisition will be despatched to the Shareholders as soon as possible.

**Completion of the Acquisition is subject to various conditions precedent having been fulfilled failing which the Acquisition may not take place. Shareholders and investors should therefore exercise caution when trading in the Shares. A further announcement will be made as and when applicable.**



## DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Purchaser pursuant to the terms and conditions of the Agreement;
“Agreement”	the agreement dated 28th November, 2005 and entered into between the Vendors and the Purchaser in relation to the Acquisition;
“associate(s)”	shall have the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Bozone”	Shenzhen Bozone IT Co., Limited, a company established in the PRC with limited liability on 8th March, 2002;
“Bozone Group”	Bozone and its subsidiaries and associated companies;
“Business Day”	a day on which banks are normally open for business in Hong Kong (excluding Saturdays and days on which a tropical cyclone warning signal number 8 or above or a “black” rain warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.);
“Company”	B & B Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the securities of which are listed on the GEM board of the Stock Exchange;
“Completion”	completion of the Agreement in accordance with its terms;
“Consideration”	RMB55,880,000 (approximately HK\$53,731,000);
“connected person(s)”	shall have the meaning ascribed to it under the GEM Listing Rules;
“Consideration Shares”	such number of Shares as represents HK\$22,000,000 with each Share priced at the average closing price for the 10 trading days immediately before the date of the Agreement, being HK\$0.912 per Share ie. 24,122,807 Shares;
“Directors”	the directors of the Company;

“GEM Listing Rules”	Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange;
“Group”	the Company together with its subsidiaries;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Long Stop Date”	31st March, 2006, or such later date as the Purchaser may agree, being the date on which the conditions for Completion, particulars of which are set out in the paragraph “Conditions for Completion” in this announcement, must be fulfilled or, as the case may be, waived;
“Mr. Xu”	Mr. Xu Ming
“Mr. Li”	Mr. Li Jun
“Mr. Lin”	Mr. Lin Zhiwei
“Mr. Miao”	Mr. Miao Jian
“Mr. Jiang”	Mr. Jiang Chuan
“Ms. Liu”	Ms. Liu Ling
“Ms. Zhu”	Ms. Zhu Yuan
“Net Profit”	the audited consolidated net profit after taxation of Bozone excluding extraordinary items and amounts received or written back for debt or any other provisions;
“PRC”	the People’s Republic of China which, for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“PRC GAAP”	accounting principles generally accepted in the PRC;
“Purchaser”	Ace Bingo Group Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company;
“Relevant Period”	1st January, 2005 to 31st December, 2005 (both dates inclusive);

“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	share(s) in the registered capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vendors”	collectively Mr. Xu, Mr. Li, Mr. Lin, Mr. Miao, Mr. Jiang, Ms. Liu and Ms. Zhu; and
“%”	per cent.

*(In this announcement the exchange rate of HK\$1.00 to RMB1.04 is used. However, it does not constitute a representation that any amount has been or may be exchanged at this or another rates or at all).*

By Order of the Board  
**B & B Group Holdings Limited**  
**Chan Ting**  
*Director*

Hong Kong, 1st December, 2005

*As at the date of this announcement, 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 Mr. Tian He Nian, Mr. Du Ying Min and Mr. Tsui Wing Tak.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting.*

\* *For identification purpose only*