



THE STOCK EXCHANGE OF HONG KONG LIMITED
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)
(the “Exchange”)

18 February 2009

The Listing Appeals Committee of The Stock Exchange of Hong Kong Limited (the “Listing Appeals Committee”) censures the following parties for breaching the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”):

- 1. China Vanguard Group Limited (known as B&B Group Holdings Limited at the material time) (the “Company”) (Stock code: 8156);**
- 2. Mr Chan Ting, an executive director of the Company (“Mr Chan”); and**
- 3. Mr Lau Hin Kun, an executive director of the Company (“Mr Lau”).**

On 29 January 2008, the GEM Listing Committee conducted a hearing into the conduct of the Company and Mr Chan and Mr Lau (collectively, the “Relevant Directors”) in relation to their respective obligations under the GEM Listing Rules and the Director’s Declaration, Undertaking and Acknowledgement given by each of the Relevant Directors to the Exchange in the form set out in Appendix 6A of the GEM Listing Rules (the “Director’s Undertaking”).

On 3 June 2008, the GEM Listing Committee of the Exchange conducted a disciplinary (review) hearing (the “Disciplinary (Review) Hearing”) on the application by the Company and the Relevant Directors for a review of the decision of and the sanction imposed by the GEM Listing Committee at first instance.

On 23 December 2008, the Listing Appeals Committee conducted a further disciplinary (review) hearing on the application of the Company and the Relevant Directors for a review of the decision of and the sanction imposed at the Disciplinary (Review) Hearing.

Facts

The disciplinary proceedings were in relation to the accuracy of three statements made by the Company in an announcement of the Company dated 11 August 2005 and published on 12 August 2005 (the “Announcement”).

The Company disclosed in the Announcement that, pursuant to a conditional sale and purchase agreement dated 10 August 2005 (the “Conditional Sale and Purchase Agreement”), China Success Enterprises Limited (a wholly-owned subsidiary of the Company) (“China Success”) agreed to acquire from Bemaestro International Limited (a company beneficially owned as to 60 per cent by Madam Cheung Kwai Lan, a substantial shareholder, the chairman and an executive director of the Company, and 40 per cent by Mr Chan, the son of Madam Cheung) (“Bemaestro”) a 75 per cent equity interest in Skilltime Management Limited (“Skilltime Management”) for a consideration of HK\$330 million (the “Acquisition”). The Acquisition constituted a major and a connected transaction of the Company for the purposes of the GEM Listing Rules.

Dongfeng Limin Technology Limited (a 75 per cent non-wholly owned subsidiary of Skilltime Management) (“Dongfeng Limin”) had entered into a cooperation agreement with Beijing Zhongmin Dongfeng Welfare Business Development Company (“Beijing Zhongmin Dongfeng”) on 19 July 2005 (a supplemental agreement was entered into on 5 August 2005) pursuant to which Dongfeng Limin would provide to Beijing Zhongmin Dongfeng services in respect of the design, establishment, maintenance, marketing and promotion of the welfare lottery shops of Beijing Zhongmin Dongfeng in the PRC, on an exclusive basis for a term of 30 years.

The Company made the following three statements regarding Beijing Zhongmin Dongfeng in the Announcement (collectively, the “Statements”):

- (a) *“Beijing Zhongmin Dongfeng has been granted with the necessary license, approval or authorization by the Ministry of Civil Affairs of the PRC (民政部), a PRC governmental body, to manage and/or operate lottery sales/distribution and other related business in the PRC”;*
- (b) *“Beijing Zhongmin Dongfeng is principally engaged in the establishment and management of the point of sales of welfare lottery business”;* and
- (c) *“Beijing Zhongmin Dongfeng is the subsidiary of the Ministry of Civil Affairs and is licensed as a specialized entity to operate and run the welfare lottery business.”*

Following publication of the Announcement, the Company’s share price rose by approximately 102.7 per cent and its trading volume increased 1,331.6 times.

Since publication of the Announcement, various newspapers articles questioned the legality and existence of the business of Beijing Zhongmin Dongfeng as described in the Announcement. The Listing Division made enquiries of the Company which in turn published an announcement on 30 September 2005 (the “Holding Announcement”).

By the Holding Announcement, the Company announced that China Success had entered into an agreement with Bemaestro to rescind the Conditional Sale and Purchase Agreement. Further, the Company stated that, having conducted the legal due diligence exercise (being one of the conditions precedent under the Conditional Sale and Purchase Agreement), the Company confirmed that the directors had noted certain misconstrued information disclosed in the Announcement and the Company was preparing a separate announcement to clarify the inaccurate information regarding Beijing Zhongmin Dongfeng.

On 24 November 2005, the Company issued a clarification announcement in which it disclosed, among other things, that the Company had mistakenly disclosed the Statements in the Announcement and that, further to the due diligence exercise conducted by the Company and at the advice of Beijing Zhongmin Dongfeng, the directors found that certain descriptions in relation to the business of Beijing Zhongmin Dongfeng had been misconstrued.

The Listing Division alleged that the Company breached Rule 17.56(2) in making the Statements in the Announcement which were not accurate and complete in all material respects and were misleading, and presented risk factors in respect of the Acquisition in a misleading way.

The Listing Division further alleged that each of the Relevant Directors (executive directors of the Company and in the case of Mr Chan, also being the Company's Compliance Officer) was in breach of: (a) the Director's Undertaking to use his best endeavours to procure the Company's compliance with Rule 17.56(2); (b) Rule 5.01(6) for failing to apply such degree of skill, care and diligence as may reasonably be expected of a person of his knowledge and experience and holding his office within the Company; and (c) consequently the Director's Undertaking to comply with the GEM Listing Rules to the best of his ability.

Decision

At the first instance disciplinary hearing, the GEM Listing Committee concluded that:

- (a) the Company breached Rule 17.56(2) of the GEM Listing Rules; and
- (b) Each of the Relevant Directors breached:
 - (i) Rule 5.01(6) of the GEM Listing Rules for failing to apply such degree of skill, care and diligence as may reasonably be expected of a person of his knowledge and experience and holding his office within the Company; and
 - (ii) the Director's Undertaking to comply with the GEM Listing Rules to the best of his ability and to use his best endeavours to procure the Company's compliance with Rule 17.56(2).

The GEM Listing Committee at first instance decided to impose a public censure on the Company and each of the Relevant Directors for their respective breaches mentioned in (a) and (b) above.

At the Disciplinary (Review) Hearing, the GEM Listing Committee upheld the decision reached and the sanction imposed by the GEM Listing Committee at first instance.

At the further disciplinary (review) hearing, the Listing Appeals Committee upheld the decision reached at the Disciplinary (Review) Hearing and the sanction imposed on the Company and the Relevant Directors.

Richard Williams, Head of Listing, said, "The decision of the Committee in this case provides me with the opportunity to comment on two related areas of Listing Rule compliance; first, the importance of ensuring the accuracy and completeness in all material respects of a listed issuer's regulatory announcements and documents; and secondly, the responsibilities of directors in this regard.

First of all, I cannot emphasise more the need to ensure that all regulatory announcements and documents are accurate and complete in all material respects, and they are not misleading or deceptive. Risk factors in relation to a listed issuer's transactions cannot and should not be presented in a misleading way. Accurate and complete information is a prerequisite for informed investment decisions and a failure to ensure the accuracy of disclosures undermines the basis upon which a fair and orderly market operates.

Secondly, the responsibility for ensuring the accuracy and completeness of such documents lies squarely with the directors of a listed issuer, especially with those who are actively involved in their preparation and have knowledge of the relevant matters. In this case, the due diligence work allegedly undertaken by the directors in question was insufficient to support material statements made regarding a counterparty to a cooperation agreement. The statements made in the announcement were found by the Committee to be inaccurate and misleading. The directors were required by their duties to apply skill, care and diligence, and in the circumstances of this case, this would have required them to ensure that there was a sound basis for the making of the statements in question. It is this distinct failing for which they are held accountable and for which they have been sanctioned by the Committee. The fact that the agreement entered into was a conditional one does not obviate the need to ensure that the information disclosed in the announcement was accurate and complete in all material respects as required by Rule 17.56(2) of the GEM Listing Rules.”