

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)

04



THIRD QUARTERLY REPORT 2004-2005

* For identification purpose only

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.

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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.

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 and nine months ended 31 March 2005, together with the comparative unaudited figures for the corresponding period in 2004, are as follows:

	Notes	(Unaudited) Three months ended 31 March		(Unaudited) Nine months ended 31 March	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover	3	43,028	34,193	150,921	94,139
Cost of goods sold		(35,939)	(20,567)	(118,443)	(56,540)
Gross profit		7,089	13,626	32,478	37,599
Other revenue	3	1,003	16	9,888	147
Selling and distribution costs		(2,375)	(2,200)	(5,913)	(6,768)
Administrative expenses		(2,296)	(2,279)	(13,522)	(7,445)
Profit from operations		3,421	9,163	22,931	23,533
Finance costs		(421)	(161)	(1,154)	(470)
Share of results of associated company		11,705	–	14,300	–
Profit before taxation		14,705	9,002	36,077	23,063
Taxation	4	(5,233)	(1,717)	(6,794)	(1,718)
Profit before minority interests		9,472	7,285	29,283	21,345
Minority interest		(110)	(231)	(19)	(525)
Net profit for the period		9,362	7,054	29,264	20,820
Dividend per share	5	–	–	0.5 cent	0.5 cent
Earnings per share					
– basic	6	1.94 cents	1.50 cents	6.07 cents	4.80 cents
– diluted		1.92 cents	1.47 cents	6.02 cents	4.63 cents

Notes:

1. Basis of Preparation

The unaudited consolidated results for the three months and nine months ended 31 March 2005 have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

2. Principal accounting policies

The unaudited consolidated results of the Group for the three months and nine months ended 31 March 2005 has been prepared under the historical cost convention.

The principal accounting policies adopted for the preparation of these unaudited consolidated results are consistent with those used in the preparation of the Group's audited financial statements for the year ended 30 June 2004.

3. 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 profit on disposal of subsidiaries and gain on redemption of convertible notes.

4. 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.

5. Dividend

On 29 November 2004, a dividend of HK\$0.013 per share was paid to shareholders as the final dividend for the year ended 30 June 2004 (year ended 30 June 2003: HK\$0.01 per share).

The Board of Directors does not recommend the payment of an interim dividend for the three months ended 31 March 2005 (three months ended 31 March 2004: Nil). For the nine months ended 31 March 2005, the Board of Directors has declared an interim dividend of HK0.5 cent per share for the six months ended 31 December 2004 (six months ended 31 December 2003: HK0.5 cent). Total interim dividend for the nine months ended 31 March 2005 was HK0.5 cent per share (nine months ended 31 March 2004: HK0.5 cent per share).

6. Earnings per share

The calculation of basic earnings per share is based on the unaudited net profit for the three months and nine months ended 31 March 2005 of approximately HK\$9,362,000 and HK\$29,264,000 respectively (three months and nine months ended 31 March 2004: HK\$7,054,000 and HK\$20,820,000 respectively) and of the weighted average number of 482,130,000 and 481,844,000 (three months and nine months ended 31 March 2004: 470,620,000 and 433,602,000 respectively) ordinary shares respectively in issue.

The calculation of diluted earnings per share is based on the unaudited net profit for the three months and nine months ended 31 March 2005 of approximately HK\$9,362,000 and HK\$29,264,000 respectively (three months and nine months ended 31 March 2004: HK\$7,054,000 and HK\$20,820,000 respectively) and of the weighted average number of 486,439,000 and 486,500,000 (three months and nine months ended 31 March 2004: 480,244,000 and 449,745,000 respectively) ordinary shares respectively in issue.

7. 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
Balance as at 1 July 2004	80,649	15	(1)	51,990	132,653
Issue of shares pursuant to exercises of share options	176	-	-	-	176
Exchange differences arising from translation of financial statements of overseas operation	-	(2)	-	-	(2)
Net profit for the period	-	-	-	29,264	29,264
Final dividend paid for the year ended 30 June 2004	-	-	-	(6,268)	(6,268)
	80,825	13	(1)	74,986	155,823
Balance as at 31 March 2005					
	(Unaudited) Share premium HK\$'000	(Unaudited) Translation reserve HK\$'000	(Unaudited) Special reserve HK\$'000	(Unaudited) Retained profit HK\$'000	(Unaudited) Total HK\$'000
Balance as at 1 July 2003	30,881	6	(1)	29,624	60,510
Issue of shares pursuant to exercises of share options and placing	49,116	-	-	-	49,116
Share issue expenses	(1,705)	-	-	-	(1,705)
Exchange differences arising from translation of financial statements of overseas operation	-	15	-	-	15
Net profit for the period	-	-	-	20,820	20,820
Final dividend paid for the year ended 30 June 2003	-	-	-	(4,246)	(4,246)
	78,292	21	(1)	46,198	124,510
Balance as at 31 March 2004					

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the production and distribution of bee related products and other natural products. Since the investment in the retail chain, Your Mart Co. Limited, the Group has gradually increased and engaged in retail chain operations in PRC.

The Group is also engaged in the sourcing and marketing of edible oil through its listed subsidiary Aptus Holdings Limited.

Business Review

During the period under review, the Group has encountered strong competition from other honey wine makers in the Northern part of the PRC. This results in a decrease in the turnover while profit margin remain the same for honey wine. The Group has already taken different measures in response to the increased market competition in order to improve its market share.

In light of the efficient management and cost efficiency, the Group has set up a wholly owned subsidiary in Shenzhen, PRC. The Group continues with its efforts with a focus in product development and distribution.

Internally, the Group explored more channels in recruiting high quality university graduates in the PRC to support the business operation.

In lieu of the encouraging results on introducing the new range of soft drinks from Korea, the Group is further enhancing the distribution channels of the soft drinks. Products selection is being fine-tuned, based on the feedbacks from the initial products launch to prepare for the coming summer time which is the peak season for soft drinks. At the same time, the Group is preparing for distributing the soft drinks into other markets.

The newly acquired natural skin care products lines from Korea and from France have both been kicked-off. Promotion counters have been actively setup in various retail outlets to increase exposure of the products.

During the period under review, the Group acquired the distributorship of a new slimming cream from Thailand. The product has been repeatedly demonstrated to the public of its efficacy in real time reduction of body measurements. The Group is preparing to launch the slimming cream in Hong Kong and the PRC in the near future.

Prospects

The Group has gained valuable experience in the retail business in the PRC through the investment into Your Mart Co. Limited's retail chain in Hunan. As the PRC offers tremendous opportunities, the Group will further explore opportunities in the retail business including any opportunities in acquiring controlling shareholding in retail operation.

The Group will continue to emphasis on expanding its distribution capacity while at the same solidify the existing products.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 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 Rules 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 Director	Number of ordinary shares held			Total interest	Approximate percentage of shareholding
	Corporate interest	Personal interest	Family interest		
Cheung Kwai Lan	262,080,000 (Note 1)	1,380,000	-	263,460,000	54.65%
Chan Tung Mei	262,080,000 (Note 2)	-	1,380,000 (Note 3)	263,460,000	54.65%
Peter Chin Wan Fung	-	1,730,000	-	1,730,000	0.36%
Shaw Kyle Arnold Junior	-	330,000	-	330,000	0.07%

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.

(2) Share options of the Company*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 31 March 2005 were as follows:

Name of Director	Number of share options granted <i>(Note)</i>	Number of share options exercised	Number of share options outstanding as at 31 March 2005
Cheung Kwai Lan	4,000,000	4,000,000	–
Chan Tung Mei	4,000,000	4,000,000	–
Chan Ting	4,000,000	4,000,000	–
Peter Chin Wan Fung	2,600,000	1,730,000	870,000

Note: These share 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.

Share Option Scheme

The Company has adopted a share option scheme on 18 October 2002 (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 Shares.

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

As at 31 March 2005, 40,000,000 share options (including 1,200,000 share options granted to the non-executive director, Mr. Shaw Kyle Arnold Junior) had been granted under the Share Option Scheme.

(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	60.03%	

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 31 March 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 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 31 March 2005.

Save as disclosed herein, as at 31 March 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 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

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 March 2005, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

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

Note:

- 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 31 March 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.

SPONSOR'S INTEREST

To the best knowledge of the Company, as at 31 March 2005, neither Guotai Junan Capital Limited (the "Sponsor"), nor its directors or employees or associates (as referred to in Note 3 of Rule 6.35 of the GEM Listing Rules) had any interest in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

Pursuant to the sponsorship agreement dated 28 October 2002 between the Company and the Sponsor, the Sponsor has been retained for a fee, as the continuing sponsor of the Company until 30 June 2005.

COMPETING INTERESTS

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

BOARD PRACTICES AND PROCEDURES AND CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has complied with Rules 5.34 to 5.45 of the GEM Listing Rules regarding board practices and procedures throughout the nine months ended 31 March 2005.

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in the Rules 5.48 to 5.67 of the GEM Listing Rules. The Company, having made specific enquiry of all the Directors, was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the nine months ended 31 March 2005.

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 nine months ended 31 March 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 nine months ended 31 March 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 and Chief Executive Officer

Hong Kong, 13 May 2005

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