

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)

INTERIM REPORT 2005-2006



* For identification purpose only

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

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This report, for which the directors of B & B Group Holding 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 Holding 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 condensed consolidated results of the Company and its subsidiaries (together the "Group") for the three months and six months ended 31 December 2005, together with the comparative unaudited figures for the corresponding periods in 2004, are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

For the three months and six months ended 31 December 2005

	Notes	(Unaudited) Three months ended 31 December		(Unaudited) Six months ended 31 December	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover	2	22,585	44,913	44,061	107,893
Cost of sales		(14,960)	(32,078)	(26,444)	(82,504)
Gross profit		7,625	12,835	17,617	25,389
Other revenue	2	261	3,211	491	8,885
Selling and distribution costs		(1,529)	(1,693)	(4,059)	(3,538)
Administrative expenses		(4,536)	(8,381)	(6,925)	(11,226)
Profit from operations	4	1,821	5,972	7,124	19,510
Finance costs		(614)	(555)	(1,340)	(733)
Share of results of associated company		5,283	2,595	6,484	2,595
Profit before taxation		6,490	8,012	12,268	21,372
Taxation	5	(1,798)	(752)	(2,701)	(1,561)
Profit after taxation		4,692	7,260	9,567	19,811
Attributable to:					
Shareholders of the Company		6,239	7,839	12,090	19,902
Minority interests		(1,547)	(579)	(2,523)	(91)
		4,692	7,260	9,567	19,811
Dividend per share (cent)	6	0.5	0.5	0.5	0.5
Earnings per share	7				
– basic (cents)		1.29	1.63	2.51	4.13
– diluted (cents)		1.24	1.60	2.42	4.09

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2005

		(Unaudited) 31 December 2005 HK\$'000	(Audited) 30 June 2005 HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		2,960	3,329
Investment in associated company		35,933	31,081
Goodwill		12,230	12,230
Deposits made on acquisition of property, plant and equipment		3,852	3,779
Deposits made on investment in a subsidiary		15,023	–
		69,998	50,419
Current assets			
Inventories		4,975	5,738
Trade and other receivables and prepayment	8	9,056	24,944
Pledged bank deposits	11	17,241	31,761
Bank balances and cash		146,143	135,489
		177,415	197,932
Current liabilities			
Trade and other payables	9	9,653	20,602
Taxation		555	539
Bank borrowings – secured		22,720	51,722
		32,928	72,863
Net current assets		144,487	125,069
Total assets less current liabilities		214,485	175,488
Non-current liabilities			
Other loan		22,500	–
Bank borrowings – secured		–	4,717
Net assets		191,985	170,771
Capital and reserves			
Share capital	10	4,821	4,821
Reserves		159,275	148,589
Proposed dividend			
Interim dividend for 2005/06		2,411	–
Final dividend for 2004/05		–	7,232
Shareholders' fund		166,507	160,642
Minority interests		25,478	10,129
		191,985	170,771

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED*For the six months ended 31 December 2005*

	(Unaudited)	
	Six months ended	
	31 December	
	2005	2004
	HK\$'000	HK\$'000
Net cash inflow from operating activities	10,396	4,630
Net cash inflow/(outflow) from investing activities	9,831	(12,217)
Net cash inflow/(outflow) from financing activities	2,361	(9,300)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	22,588	(16,887)
Effect of foreign exchange rates change	1,007	12
Cash and cash equivalents at beginning of period	105,597	94,486
	<hr/>	<hr/>
Cash and cash equivalents at end of period	129,192	77,611
	<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 31 December 2005

	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Share capital	Share premium	Translation reserve	Special reserve	Retained profit and proposed dividend	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 July 2005	4,821	80,825	-	(1)	74,997	10,129	170,771
Exchange differences arising from translation of financial statements of overseas operation	-	-	1,007	-	-	-	1,007
Contribution from minority interests	-	-	-	-	-	17,872	17,872
Net profit/(loss) for the period	-	-	-	-	12,090	(2,523)	9,567
Final dividend paid for the year ended 30 June 2005	-	-	-	-	(7,232)	-	(7,232)
Balance as at 31 December 2005	4,821	80,825	1,007	(1)	79,855	25,478	191,985
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Share capital	Share premium	Translation reserve	Special reserve	Retained profit and proposed dividend	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 July 2004	4,813	80,649	15	(1)	51,990	4,824	142,290
Issue of shares pursuant to exercises of share options	8	176	-	-	-	-	184
Exchange differences arising from translation of financial statements of overseas operation	-	-	12	-	-	-	12
Contribution from minority interests	-	-	-	-	-	7,124	7,124
Disposal of minority interests	-	-	-	-	-	(144)	(144)
Net profit/(loss) for the period	-	-	-	-	19,902	(91)	19,811
Final dividend paid for the year ended 30 June 2004	-	-	-	-	(6,268)	-	(6,268)
Balance as at 31 December 2004	4,821	80,825	27	(1)	65,624	11,713	163,009

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 of 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 unvested at 1 January 2005.

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. Segment information

During the period, since the Group is principally engaged in the manufacture and sales of natural supplementary products, the directors consider that the Group operated within a single business segment. Accordingly, no business segment information is presented.

An analysis of the Group's turnover and results by geographical market is as follows:

	(Unaudited) Turnover		(Unaudited) Results	
	Six months ended 31 December		Six months ended 31 December	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC	30,388	78,320	15,142	21,846
Hong Kong	896	2,342	(2,405)	(2,614)
South East Asia	12,777	27,231	(5,613)	278
	44,061	107,893		
Profit from operations			7,124	19,510
Finance costs			(1,340)	(733)
Share of results of associated company			6,484	2,595
Profit before taxation			12,268	21,372
Taxation			(2,701)	(1,561)
Profit before minority interests			9,567	19,811
Minority interests			2,523	91
Net profit for the period			12,090	19,902

4. Profit from operations

Profit from operations has been arrived at after charging/(crediting):

	(Unaudited) Six months ended 31 December	
	2005	2004
	HK\$'000	HK\$'000
Amortisation of technical know-how	-	58
Amortisation of goodwill	-	244
Depreciation of property, plant and equipment	276	608
Interest on bank borrowings	1,340	733
Interest income	(352)	(49)

5. 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.

6. Dividend

On 29 November 2005, a dividend of HK\$0.015 per share was paid to shareholders as the final dividend for the year ended 30 June 2005 (year ended 30 June 2004: HK\$0.013 per share).

The Board of Directors recommends the payment of an interim dividend of HK0.5 cent per share for the six months ended 31 December 2005 (six months ended 31 December 2004: HK0.5 cent per share).

7. Earnings per share

The calculation of basic earnings per share is based on the unaudited net profit for the three months and six months ended 31 December 2005 of approximately HK\$6,239,000 and HK\$12,090,000 respectively (three months and six months ended 31 December 2004: approximately HK\$7,839,000 and HK\$19,902,000 respectively) and of the weighted average number of approximately 482,130,000 and 482,130,000 (three months and six months ended 31 December 2004: approximately 482,078,000 and 481,704,000 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 six months ended 31 December 2005 of approximately HK\$6,239,000 and HK\$12,090,000 respectively (three months and six months ended 31 December 2004: approximately HK\$7,839,000 and HK\$19,902,000 respectively) and of the weighted average number of approximately 502,514,000 and 499,319,000 (three months and six months ended 31 December 2004: approximately 488,582,000 and 486,322,000 respectively) ordinary shares respectively in issue.

8. Trade receivables

Payment terms with customers are mainly on credit together with deposits. Invoices are normally payable within 60 days of issuance.

An aged analysis of the Group's trade receivables at the balance sheet dates, is as follows:

	(Unaudited)	(Audited)
	31 December	30 June
	2005	2005
	HK\$'000	HK\$'000
0 to 30 days	2,917	18,073
31 to 60 days	246	2,288
61 to 365 days	1,285	1,792
Over 1 year	572	2
	<u>5,020</u>	<u>22,155</u>

9. Trade payables

An aged analysis of the Group's trade payables at the balance sheet dates, is as follows:

	(Unaudited) 31 December 2005 HK\$'000	(Audited) 30 June 2005 HK\$'000
0 to 30 days	1,744	11,235
31 to 120 days	271	661
	<u>2,015</u>	<u>11,896</u>

10. Share capital

Shares

	(Unaudited) 31 December 2005 HK\$'000	(Audited) 30 June 2005 HK\$'000
<i>Authorised:</i>		
20,000,000,000 (30 June 2005: 20,000,000,000) ordinary shares of HK\$0.01 each	<u>200,000</u>	<u>200,000</u>
<i>Issued and fully paid:</i>		
482,130,000 (30 June 2005: 482,130,000) ordinary shares of HK\$0.01 each	<u>4,821</u>	<u>4,821</u>

Share options

The Company operates the Pre-IPO Share Option Scheme and Share Option Scheme, details of the share option schemes of the Company are set out in the paragraph headed "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation". At 31 December 2005, the Company had outstanding pre-IPO share options and share options entitling the holders to subscribe for 870,000 and 40,000,000 shares in the Company respectively.

11. Pledge of assets

At 31 December 2005, the Group has pledged its bank deposits of approximately HK\$17,241,000 (30 June 2005: HK\$31,761,000) to banks to secure the credit facilities granted to the Group.

12. Operating leases commitments

At 31 December 2005, the Group was committed to make the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	(Unaudited) 31 December 2005 HK\$'000	(Audited) 30 June 2005 HK\$'000
Within one year	358	693
In the second to fifth year inclusive	88	26
	<u>446</u>	<u>719</u>

13. Capital commitments

At 31 December 2005, the Group had the following capital commitments:

	(Unaudited) 31 December 2005 HK\$'000	(Audited) 30 June 2005 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment		
– authorized but not contracted for	19,346	18,981
– contracted for but not provided in the financial statements	20,405	20,019
	39,751	39,000
Capital expenditure in respect of the acquisition of joint stock limited company and subsidiary		
– contracted for but not provided in the financial statements	76,617	22,453
Total	<u>116,368</u>	<u>61,453</u>

14. Events after the Balance Sheet Date

The Placing and Subscription Agreement was entered into on 12 January, 2006, pursuant to which Pacific Foundation Securities Ltd, being the placing agent, has placed an aggregate of 68,000,000 placing shares which Best Frontier Investments Limited (the "Vendor") held, to independent third parties who are independent of and not connected with the directors, chief executive, management shareholders or substantial shareholders of the Company or its subsidiaries, or any of their respective associates at HK\$2.15 per placing share ("Placing").

Under the Placing and Subscription Agreement, the Vendor has conditionally agreed to subscribe for the subscription shares (the number of which is equivalent to the placing shares) at HK\$2.15 per subscription share ("Subscription").

The Placing and Subscription had been completed on 26 January 2006.

MANAGEMENT DISCUSSION AND ANALYSIS**Financial Performance**

For the six months ended 31 December 2005, the Group's unaudited consolidated turnover and net profit attributable to shareholders are approximately HK\$44.06 million (2004: HK\$107.89 million) and HK\$12.1 million (2004: HK\$19.90 million) respectively. There is an approximately 59% decrease in turnover with an approximately 39% decrease in net profit attributable to shareholders over the corresponding period of last year. Gross profit ratio was approximately 40.0% for the six months period under review (2004:23.5%).

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.

Financial resources and liquidity

As at 31 December 2005, the Group enjoyed a healthy financial position, with cash and bank balance of approximately HK\$163,384,000 (30 June 2005: HK\$167,250,000). Net asset value per share was approximately HK\$0.35 (30 June 2005: approximately HK\$0.33), and current assets stood at HK\$177,415,000 (30 June 2005: HK\$197,932,000). The gearing ratio was 48.6% as at 31 December 2005 (30 June 2005: 54.6%). Gearing ratio is calculated as total liabilities divided by shareholders' funds.

The Group's sales and purchases are transacted mainly in Renminbi, Hong Kong Dollars, Singaporean Dollars and US Dollars and the books are recorded in Hong Kong dollars. The exchange rate fluctuation between these currencies have not been material. The foreign exchange risk was very low and no hedging was undertaken.

Capital structure

During the six months ended 31 December 2005, there was no material change in the capital structure of the Group.

Charges on the Group assets

As at 31 December 2005, the Group has pledged its bank deposits of approximately HK\$17,241,000 (30 June 2005: HK\$31,761,000) to banks to secure the credit facilities granted to the Group.

Contingent liabilities

The Group did not have any contingent liabilities as at 31 December 2005 (30 June 2005: Nil).

Commitments

The Group had capital commitments of approximately HK\$116,368,000 and operating leases commitment of approximately HK\$446,000 as at 31 December 2005 (30 June 2005: HK\$61,453,000 and HK\$719,000 respectively).

Significant investments and acquisitions

The Group did not make any material acquisition or disposal of subsidiaries and affiliated companies during the six months ended 31 December 2005.

During the six months ended 31 December 2005, the Group has entered into an agreement for the acquisition of 51% of the registered capital of Shenzhen Bozone IT Co., Limited ("Bozone") at the consideration of RMB55,880,000 (equivalent to approximately HK\$53,731,000). Completion is expected to be on or before 31 March 2006.

Bozone is principally engaged in the research and development and application of information technology in the lottery field. This includes 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.

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 People's Republic of China (the "PRC") ("**Xin Jiang Oilfield**"). The acquisition had been completed on 11 January 2006.

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.

Employees

The Group employed 92 employees as at 31 December 2005. Employees' remuneration is in line with market conditions, working experience and performance. In addition to basic salaries and provident fund contributions, the Group also offers medical benefits and training programs.

Business Review

During the period under review, the Group continued its growth in both product range and in distribution range.

The Group has introduced various new products from Taiwan and Thailand. To create exposures for the new products, the Group has participated in various exhibitions including Beauty and Fitness Expo, Food Festival and other promotion activities. At the same time, the Group closely work with retail chain stores and supermarkets with the help of active advertising and promotions, the Group has strengthened its distribution capacity. Some of the products, after positive results on trial distributions have been reinforced with an expanded line of products with new flavors. Product categories included from health and beauty products to snacks with a health concept.

On geographic expansion, the Group has initiated trial distributorship in Taiwan and will review the result in the second half of the financial year.

The acquisition in Bozone brought in a new business division for the Group. Bozone has contracted and is providing their system and technical services in various provinces including Heilungjiang which ranks within the top three in social welfare lottery sales in 2005 among all provinces in the PRC. The system that Bozone presently provides is the core system that supports the daily operation of traditional social welfare lottery within a province. It is an on-line system that real-time registers every traditional social welfare lottery tickets that is issued within the province.

Future Outlook and Prospects

Traditional Lottery sales in the PRC has shown a very fast growth trend in the past years. Bozone is one of the few service providers within the lottery industry in the PRC, the management of the Company believes that the strategic acquisition into Bozone, would provide the Company a solid foundation in entering into this new business segment. Since the revenue model of Bozone is mainly based on a percentage of the lottery sales recorded on the system, the strategic acquisition will well position the Company in capturing the growing market. This business development can broaden the Company revenue base while at the same time opens up high growth potential for the Company.

According to the latest data published by the U.S. Energy Information Administration (“EIA”) in August 2005, a governmental authority of the United States, the PRC was the world’s second largest consumer of petroleum products in 2004, with total demand of 6.5 million barrels per day (bbl/d). The PRC’s oil demand is projected by the EIA to reach 14.2 million bbl/d by 2025, with net imports of 10.9 million bbl/d. As the source of around 40% of world oil demand growth over the past four years, oil demand by the PRC is a very significant factor in the world oil markets.

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.

Besides the Group all-along business development direction, the above two new business division shall bring exercise business prospect to the Group in the near future.

INTERIM DIVIDEND

The Board recommends the payment of an interim dividend of HK0.5 cent per share for the six months ended 31 December 2005 (six months ended 31 December 2004: HK0.5 cent per share). The dividend will be payable on Thursday, 4 May 2006 to shareholders whose names appear on the Register of Members of the Company on Friday, 28 April 2006. The Register of Members will be closed between Monday, 24 April 2006 and Friday, 28 April 2006 (both days inclusive) during which period no transfer of the Company’s shares will be effected. To qualify for the aforesaid interim dividend, all completed transfer forms, accompanied by the relevant share certificates, must be lodged with the Company’s Hong Kong branch share registrar, Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 21 April 2006 .

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

As at 31 December 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	241,130,000 (Note 1)	1,380,000	-	242,510,000	50.30%
Chan Tung Mei	Company	241,130,000 (Note 2)	-	1,380,000 (Note 3)	242,510,000	50.30%
Shaw Kyle Arnold Junior	Company	46,400,000 (Note 4)	-	-	46,400,000	9.62%
Lau Hin Kun	Company	-	805,000	-	805,000	0.17%
Cheung Kwai Lan	Best Frontier Investments Limited	-	909	1 (Note 5)	910	-
Chan Tung Mei	Best Frontier Investments Limited	-	1	909 (Note 6)	910	-

Notes:

- The 241,130,000 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 241,130,000 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. These interests represent Mr. Shaw Kyle Arnold Junior's interests in:
 - (a) 830,000 shares beneficially owned by Shaw, Kwei & Partners (Asia) Ltd. of which Mr. Shaw Kyle Arnold Junior is deemed under the SFO to have an interest by reason of his being the indirect controlling shareholder of Shaw, Kwei & Partners (Asia) Ltd. through his controlled corporation Haven Associates Limited.
 - (b) 24,620,000 shares beneficially owned by China Value Investment Limited which is wholly-owned by Asian Value Investment Fund L.P. (AVIF, L.P.), a limited liability partnership, whose general partner Shaw, Kwei & Partners (Asia) Ltd. (having a 1% interest in AVIF, L.P.) and its indirect controlling shareholder Mr. Shaw Kyle Arnold Junior are both deemed under the SFO to have interest in the same 24,620,000 shares.
 - (c) 20,950,000 shares beneficially owned by Javelin Capital Holdings Limited which is wholly-owned by Asian Value Investment Fund II, L.P. (AVIF II, L.P.), a limited liability partnership, whose general partner SKP Capital Limited (having a 1.19% interest in AVIF II, L.P.) and its indirect controlling shareholder Mr. Shaw Kyle Arnold Junior are both deemed under the SFO to have interest in the same 20,950,000 shares.
5. 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.
6. 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 31 December 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 31 December 2005
Peter Chin Wan Fung (a director resigned on 25 November 2005)	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.

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 31 December 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			<u>2,800,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,800,000</u>	

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	Number of ordinary shares held				Approximate percentage of shareholding
	Corporate interest	Personal interest	Family interest	Total interest	
Cheung Kwai Lan (Note)	928,571,428	-	-	928,571,428	56.33%

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 December 2005, Best Frontier is interested in approximately 50.01% 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 December 2005.

Save as disclosed above, as at 31 December 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 31 December 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	241,130,000 (Note 1)	–	50.01%
Oppenheimer Funds, Inc.	Investment manager	58,500,000	–	12.13%
China Value Investment Limited	Beneficial owner	24,620,000 (Note 2)	–	5.11%
Asian Value Investment Fund L.P.	Controlled Corporation	24,620,000 (Note 2)	–	5.11%
Shaw, Kwei & Partners (Asia) Ltd.	Controlled Corporation	24,620,000 (Note 2)	–	5.11%
Haven Associates Limited	Controlled Corporation	46,400,000 (Note 2)	–	9.62%

Notes:

1. The 241,130,000 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. (i) These 46,400,000 shares were the shares referred to in note (4) to the sub-section titled "Long positions in the shares of the Company" under the section titled "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the company or any associated corporation".
 (ii) Haven Associates Limited is the controlling shareholder of Shaw, Kwei & Partners (Asia) Ltd. and SKP Capital Limited.
 (iii) Shaw, Kwei & Partners (Asia) Ltd. holds a 1% interest of Asian Value Investment Fund L.P. and 830,000 shares of the Company directly.

- (iv) Asian Value Investment Fund L.P. holds 100% of the issued share capital of China Value Investment Limited which directly holds 24,620,000 shares of the Company.
- (v) SKP Capital Limited holds a 1.19% interest of Asian Value Investment Fund II, L.P..
- (vi) Asian Value Investment Fund II, L.P. holds 100% of the issued share capital of Javelin Capital Holdings Limited which directly holds 20,950,000 shares of the Company.

Save as disclosed above, as at 31 December 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.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules throughout the six months ended 31 December 2005, except for the following deviations:

- Code provision A4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election, and code provision A4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Non-Executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation in accordance with the Articles of Association of the Company (the "Articles"). The Directors have not been required by the Articles to retire by rotation at least once every three years. However, in accordance with article 116 of the Articles, at each annual general meeting of the Company, one-third of the Directors (other than the Managing Director or Joint Managing Director) for the time being, or, if their number is not three or a multiple of three, the number nearest to, but not exceeding, one-third, shall retire from office by rotation. As such, the management considered that there is no imminent need to amend the Articles of Association of the Company.

- Code provision B1.1 stipulates the establishment of a remuneration committee with specific written terms of reference which deal clearly with its authority and duties and a majority of the remuneration committee should be independent non-executive directors. The Company has not set up a remuneration committee during the period under review. Nevertheless, the staff (including Directors) remuneration policies have been set out in annual reports, which were received by shareholders in the general meetings and stipulated in the Directors' service contracts.

The Directors will review the corporate governance structure and practices from time to time and shall make necessary arrangement when the Board consider appropriate.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Code"). Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard as set out in the Code.

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 three independent non-executive Directors, namely Mr. Tian He Nian, Mr. Zhao Zhi Ming and Mr. To Yan Ming, Edmond. Mr. To Yan Ming, Edmond is the chairman of the audit committee. The Group's unaudited results for the six months ended 31 December 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 six months ended 31 December 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 Mr. Tian He Nian, Mr. Zhao Zhi Ming and Mr. To Yan Ming, Edmond.

Hong Kong, 13 February 2006