

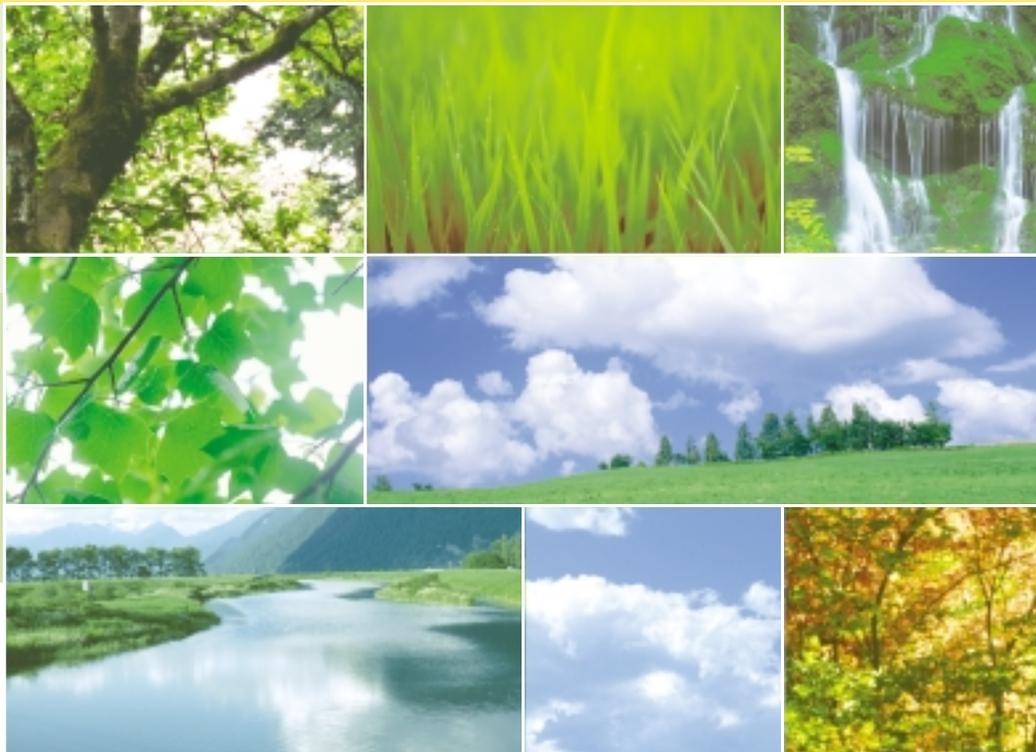
B&B

B & B GROUP HOLDINGS LIMITED
中國蜂業集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8156)

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

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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 2006, together with the comparative unaudited figures for the corresponding period in 2005, are as follows:

	Notes	(Unaudited) Three months ended 31 March		(Unaudited) Nine months ended 31 March	
		2006	2005	2006	2005
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	15,419	43,028	59,480	150,921
Cost of goods sold		(11,494)	(35,939)	(37,938)	(118,443)
Gross profit		3,925	7,089	21,542	32,478
Other revenue	2	33,041	1,003	33,532	9,888
Selling and distribution costs		(1,528)	(2,375)	(5,587)	(5,913)
Administrative expenses		(40,649)	(2,296)	(47,574)	(13,522)
Profit/(loss) from operations		(5,211)	3,421	1,913	22,931
Finance costs		(1,025)	(421)	(2,365)	(1,154)
Share of results of associated company		9,219	11,705	15,703	14,300
Profit before taxation		2,983	14,705	15,251	36,077
Taxation	3	(2,814)	(5,233)	(5,515)	(6,794)
Profit after taxation		169	9,472	9,736	29,283
Attributable to:					
Shareholders of the Company		3,142	9,362	15,232	29,264
Minority interest		(2,973)	110	(5,496)	19
		169	9,472	9,736	29,283
Dividend per share	4	–	–	0.5 cent	0.5 cent
Earnings per share					
– basic	5	0.57 cent	1.94 cents	3.01 cents	6.07 cents
– diluted		0.54 cent	1.92 cents	2.86 cents	6.02 cents

Notes:

1. Basis of preparation and accounting policies

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

The accounts have been prepared under the historical cost convention.

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

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

Business Combination

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

Share-base Payments

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

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

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

No adjustments to the opening balances as at 1 July 2005 are required as no options existed at that time which were 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 a gain on partial disposal of a subsidiary.

3. Taxation

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits arising in Hong Kong during the period (2005: Nil).

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

4. 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 does not recommend the payment of an interim dividend for the three months ended 31 March 2006 (three months ended 31 March 2005: Nil). For the nine months ended 31 March 2006, the Board of Directors has declared 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). Total interim dividend for the nine months ended 31 March 2006 was HK0.5 cent per share (nine months ended 31 March 2005: HK0.5 cent per share).

5. 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 2006 of approximately HK\$3,142,000 and HK\$15,232,000 respectively (three months and nine months ended 31 March 2005: approximately HK\$9,362,000 and HK\$29,264,000 respectively) and of the weighted average number of approximately 554,779,000 and 505,993,000 (three months and nine months ended 31 March 2005: approximately 482,130,000 and 481,844,000 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 2006 of approximately HK\$3,142,000 and HK\$15,232,000 respectively (three months and nine months ended 31 March 2005: approximately HK\$9,362,000 and HK\$29,264,000 respectively) and of the weighted average number of approximately 584,856,000 and 532,613,000 (three months and nine months ended 31 March 2005: approximately 486,439,000 and 486,500,000 respectively) ordinary shares respectively in issue.

6. Movement of reserves

	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Share premium	Translation reserve	Special reserve	Employee share-based compensation reserve	Retained profit and proposed dividend	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 July 2005	80,825	-	(1)	-	74,997	155,821
Issue of shares pursuant to placing	145,520	-	-	-	-	145,520
Issue of shares pursuant to an acquisition of subsidiaries	69,715	-	-	-	-	69,715
Issue of shares pursuant to share award scheme	25,222	-	-	-	-	25,222
Issue of shares pursuant to exercises of share options	317	-	-	-	-	317
Employee share-based compensation benefits	-	-	-	8,856	-	8,856
Share issue expenses	(6,375)	-	-	-	-	(6,375)
Exchange differences arising from translation of financial statements of overseas operation	-	966	-	-	-	966
Net profit for the period	-	-	-	-	15,232	15,232
Final dividend paid for the year ended 30 June 2005	-	-	-	-	(7,232)	(7,232)
Balance as at 31 March 2006	315,224	966	(1)	8,856	82,997	408,042
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Share premium	Translation reserve	Special reserve	Retained profit and proposed dividend	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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)	
Balance as at 31 March 2005	80,825	13	(1)	74,986	155,823	

7. Events after the Balance Sheet Date

On 13th April, 2006, Loylion Limited, a wholly owned subsidiary of the Company, entered into an agreement with Hunan Friendship Apollo Company Limited in relation to the disposal by Loylion Limited of a 20.83% equity interest in Your Mart Co. Ltd at a consideration of RMB56,446,000 (approximately HK\$54,275,000). Completion is expected to be on or before 30 June 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group, through various subsidiaries, is contracted to provide software, hardware and other support services to the China lottery industry in various provinces in the People's Republic of China (the "PRC"). Further, the Group is also involved in the production and distribution of bee related products and other natural products. Via listed subsidiary, Aptus Holdings Limited, the Group is also engaged in the oil and gas business in China.

Financial Review

For the nine months ended 31 March 2006, the Group's unaudited consolidated turnover and net profit attributable to shareholders were approximately HK\$59,480,000 (2005: HK\$150,921,000) and HK\$15,232,000 (2005: HK\$29,264,000) respectively. There was an approximately 61% decrease in turnover with an approximately 48% decrease in net profit attributable to shareholders over the corresponding period of last year. Gross profit ratio was approximately 36.2% for the nine months period under review (2005: 21.5%).

The decrease in turnover was mainly due to the decrease of sales of edible oil due to the keen competition in the market, especially 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.

Factoring out other revenues and share award expenses and employee share-based compensation benefits for the nine months ended 31 March 2006 and for the previous corresponding period, operating profits were approximately HK\$2.8 million against HK\$13.0 million respectively.

There was a gain on partial disposal of a subsidiary amounting to approximately HK\$32 million. In addition, there were share award expenses and employee share-based compensation benefits amounting to approximately HK\$34 million charged to the profit and loss account.

The result reflected the natural products business of the Group and the edible oil operations of Aptus Holdings Limited. The Group's China lottery operations were profitable and have been consolidated into the accounts for nine days for the nine months ended 31 March 2006. Meanwhile, production at Aptus Holdings Limited's Xin Jiang Oilfield have not yet commenced and are planned to begin production in the second half of this calendar year.

Business Review

During the period under review, the Group made a number of strategic moves to expand its lottery and oil and gas operations in China. On 26th January, 2006, a total of 68 million new shares (equivalent to approximately 14% of existing share capital at the time) were placed at HK\$2.15 per share to raise net proceeds of approximately HK\$140 million. These proceeds are ear-marked for use in expansion of the Group's China lottery operations and for general working capital purposes.

Since entering an agreement on 1 December 2005 to acquire Bozone, the Group has been working with the former on expanding its service offerings from just software and technical related services to include hardware, marketing and promotion and assistance in POS management services as well as expanding its operations geographically. On 22nd March 2006, the acquisition of the 51% interest in Bozone was completed, which means that it is now set to be fully integrated into the Group's operations as its vehicle in the China traditional social welfare lottery space.

Meanwhile, on 15th March, 2006, the Group entered into an agreement to acquire an effective 51% stake in Jinan Weita for RMB3.9m (circa HK\$3.8m). Jinan Weita is engaged in the research and development, manufacture and sale of lottery sales terminals in the PRC. The acquisition enables the Group to vertically expand its lottery business thereby strengthening its position in the lottery industry and lowering its costs.

Regarding to Aptus Holdings Limited, during the period under review, Aptus Holdings Limited continued to work with China Hua You Group Corporation (“Hua You”), a wholly-owned subsidiary of China National Petroleum Corporation (CNPC), on plans to bring onstream production at the Xin Jiang Oilfield, an oilfield development project in Feng Cheng, Xin Jiang in the PRC in which Aptus Holdings Limited has a 70% stake.

Further, on 31 March 2006, Aptus Holdings Limited entered into two memoranda of understanding (MOU) with an independent third party, to make capital contributions to two joint venture companies in the southern part of the PRC, each of which is principally engaged in the business of gas pipeline design, and supply, development and management of natural gas distribution facilities in the PRC. Upon completion of the capital contribution, Aptus Holdings Limited would hold 33.46% and 48.33% respectively in the two joint venture companies. The two MOUs are not legally binding and each of them will be subject to the terms of the formal investment agreement to be entered into by the respective parties in due course.

FUTURE OUTLOOK AND PROSPECTS

The Group has diversified from predominantly being a producer and distributor of bee and natural products into two new exciting industries, namely the lottery and the oil and gas sectors in China.

Total China lottery revenues in the PRC have grown at a compound rate of 65% p.a. over the past five years to circa RMB70 billion in 2005. According to the Development Research Centre of the State Council in the PRC, total lottery revenues in China are forecast to reach over RMB100 billion in 2007. Bozone is one of the few integrated service providers within the lottery industry in China. We believe that Bozone and recent agreement to acquire Jinan Weita give us a solid foundation upon which to build and expand into this exciting new business segment. Since the revenue model of Bozone is mainly based on a percentage of lottery sales in its contracted jurisdictions, we believe it is well positioned to capitalize on the fast growing market. Further, it is the Group’s objective to expand its presence in the China lottery market in terms of services provided and geographical coverage.

Meanwhile, at Aptus Holdings Limited, production at the Xin Jiang Oilfield is planned to commence in the second half of this calendar year, enabling the Group to capitalize on the current strong demand and pricing environment for crude thereby enhancing its profitability and operational cashflow.

The longer term objective of management is to develop Aptus Holdings Limited into a diversified oil and gas company with the acquisition of the Xin Jiang Oilfield and the signing of the two pipeline MOUs representing a good start to this process. The establishment of a good business relationship with Hua You is believed to enable the company to explore more business opportunities in the oil and gas industries in the PRC and allow the Group to further expand its business.

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 March 2006, 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	39.76%
Chan Tung Mei	Company	241,130,000 (Note 2)	–	1,380,000 (Note 3)	242,510,000	39.76%
Shaw Kyle Arnold Junior	Company	46,600,000 (Note 4)	–	–	46,600,000	7.64%
Lau Hin Kun	Company	–	450,000	–	450,000	0.07%
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) 1,030,000 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 March 2006 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 March 2006
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 and 40,210,000 share options had been granted in 2004 and 2006 respectively to total 34 eligible participants (including one executive director and one non-executive director) under the Share Option Scheme and 200,000 share options had been exercised.

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 March 2006	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)	915,571,428	-	-	915,571,428	55.41%

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 2006, Best Frontier is interested in approximately 39.54% 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 915,571,428 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 2006.

Save as disclosed above, as at 31 March 2006, 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 March 2006, 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)	–	39.54%
Oppenheimer Funds, Inc.	Investment manager	110,000,000	–	18.04%
Haven Associates Limited	Controlled Corporation	46,600,000 (Note 2)	–	7.64%

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. The 46,600,000 shares represent:
 - (a) 1,030,000 shares beneficially owned by Shaw, Kwei & Partners (Asia) Ltd.
 - (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.) is 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.) is deemed under the SFO to have interest in the same 20,950,000 shares.
 - (d) Haven Associates Limited is the controlling shareholder of Shaw, Kwei & Partners (Asia) Ltd. and SKP Capital Limited.

Save as disclosed above, as at 31 March 2006, 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.

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 nine months ended 31 March 2006 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 2006, 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, 11 May 2006