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**B & B GROUP HOLDINGS LIMITED**

**(中國蜂業集團有限公司\*)**

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

**(Stock Code: 8156)**

**ANNOUNCEMENT**

**CLARIFICATION IN RESPECT OF THE ARTICLES AND  
ANNOUNCEMENT DATED 11 AUGUST 2005**

**AND  
RESUMPTION OF TRADING**

Reference is made to the announcement of the Company dated 11 August 2005 (the “**Announcement**”).

**Clarification in respect of the Articles and the announcement dated 11 August 2005**

The Board wishes to clarify the articles appearing in several newspapers including Ming Pao, Hong Kong Daily News and Apple Daily on 15 August 2005, Sing Tao Daily on 16 August 2005 and Oriental Daily and The Sun on 17 and 18 August 2005 regarding the Company’s announcement dated 11 August 2005 in relation to the proposed acquisition of a 75% equity interest in Skilltime Management Limited, in particular, raising doubt as to the legality and business of Beijing Zhongmin Dongfeng.

As the completion of the Conditional Sale and Purchase Agreement was subject to several conditions precedent (including but not limited to, the legal due diligence exercise on Dongfeng Limin, which is to be conducted immediately after publication of the Announcement), the Company mainly relied on the information provided by Dongfeng Limin. Based on the information available to the Group and relying on the interpretation of Mr. Liu Huanlin, the president of Dongfeng Limin (from the Vendor), who has misconstrued the business scope of Beijing Zhongmin Dongfeng, the Company **mistakenly** disclosed in its Announcement that:

- (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 of the PRC (民政部) and is licensed as a specialized entity to operate and run the welfare lottery business”.

After the publication of the Announcement, the Company requested the PRC Legal Advisers to perform the legal due diligence exercise on Dongfeng Limin (including the information provided and representation made by the senior officer of Dongfeng Limin in relation to Dongfeng Limin as well as Beijing Zhongmin Dongfeng). 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 in the Announcement has been misconstrued. The Directors have confirmed that the above captioned statements should be amended as follow:

- (a) Beijing Zhongmin Dongfeng has **not** been granted with the license, approval or authorization by the MCA to manage or operate lottery sales/distribution and other related business in the PRC.
- (b) Beijing Zhongmin Dongfeng is **not** principally engaged in the establishment and management of the point of sales of welfare lottery business.
- (c) Beijing Zhongmin Dongfeng is an affiliated company of the MCA and is **not** licensed as a specialized entity to operate and run the welfare lottery business.

Save as the aforesaid, the Directors confirmed the accuracy of the contents of the Announcement.

At the request of Beijing Zhongmin Dongfeng and advice of the PRC Legal Advisers, the Directors wish to clarify that the China Welfare Lottery Issuance and Management Centre (中國福利彩票發行管理中心) is the only regulatory authority in relation to the issuance of welfare lotteries in the PRC as at the date of this announcement.

The Directors (including the Independent Non-Executive Directors) understand their duty to ensure accuracy of the information contained in the announcement of the Company and will engage experts to review relevant documents and assist in due diligence exercise when circumstances necessitate.

**The Stock Exchange is looking into the matter and reserves its right to take appropriate action against the Company and the Directors regarding the inaccurate information contained in the Announcement.**

As disclosed in the announcement of the Company dated 29 September 2005, the Directors announced that, the Purchaser entered into the Rescission Agreement with the Vendor (Madam Cheung Kwai Lan and Mr. Chan Ting) on 26 August 2005 after arm's length negotiations. Pursuant to the Rescission Agreement, the parties thereto had mutually agreed to rescind the Conditional Sale and Purchase Agreement.

Directors (excluding Madam Cheung Kwai Lan and Mr. Chan Ting) understand that the Company reserved the rights to claim against the Vendor in according to the clauses mentioned in Conditional Sale and Purchase Agreement. Notwithstanding, the Directors (not including Madam Cheung Kwai Lan and Mr. Chan Ting) had considered the costs and benefits of taking further legal actions against the Vendor (the "Legal Actions") before entering into the Rescission Agreement and concluded that the costs will outweigh the benefits.

At the request of the Company, the trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 15 August 2005. Application has been made for the resumption of the trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 24 November 2005.

Reference is made to the Announcement. Capitalised terms used in this announcement shall have the same meanings as defined in the Announcement unless expressly stated otherwise.

#### **Clarification in respect of the Articles**

The Board wishes to clarify the articles (the "Articles") appearing in several newspapers including Ming Pao, Hong Kong Daily News and Apple Daily on 15 August 2005, Sing Tao Daily on 16 August 2005 and Oriental Daily and The Sun on 17 and 18 August 2005 regarding the Announcement in relation to the proposed acquisition of a 75% equity interest in Skilltime Management Limited, in particular, raising doubt as to the legality and business of Beijing Zhongmin Dongfeng.

According to the Articles, the following issues are in question:

- (i) the existence and scope of business of Beijing Zhongmin Dongfeng;
- (ii) the relationship between Beijing Zhongmin Dongfeng and the Ministry of Civil Affairs of the PRC (民政部) (the "MCA");
- (iii) the legality of Beijing Zhongmin Dongfeng to engage in the welfare lottery business in the PRC; and
- (iv) the officials of the China Welfare Lottery Issuing Centre was unaware of the Cooperation Agreement.

After the publication of the Announcement, the Company conducted due diligence exercises, which mainly included:

- (i) reviews of the originals of the corporate documents of Beijing Zhongmin Dongfeng;
- (ii) interviews with the representatives of Beijing Zhongmin Dongfeng and Dongfeng Limin; and
- (iii) seeks the legal advice from Genesis Law Firm (the “PRC Legal Advisers”), the PRC Legal Advisers are independent of and not connected with the Chairman, Substantial Shareholders and Directors of the Group and their respective associates as defined in the GEM Listing Rules.

The PRC Legal Advisers’ opinions were based on, *inter alia*:

- (a) verification of copies of originals of the corporate documents of Beijing Zhongmin Dongfeng at the Beijing Municipal Administration for Industry and Commerce; and
- (b) facts and materials provided or confirmed by the Company, Dongfeng Limin or Beijing Zhongmin Dongfeng.

Relying on the PRC Legal Advisers’ opinions, the Directors wish to make the following clarification in relation to the business of Beijing Zhongmin Dongfeng:

- (i) As advised by the PRC Legal Advisers, Beijing Zhongmin Dongfeng is validly incorporated on 1 January 1994 and is validly existing under the PRC law.

According to Beijing Zhongmin Dongfeng’s business licence dated 12 December 2003 issued by the Beijing Municipal Administration for Industry and Commerce, the scope of principal activities of Beijing Zhongmin Dongfeng includes the sale of metal materials, timber and mineral products, construction materials, chemical products, mechanic equipment, electrical equipment, automobile parts, hardware and electric apparatus, household goods, knitwear products, provision of real estate information consulting service, development of science and technology products, provision of household decoration and funeral services;

- (ii) As advised by the PRC Legal Advisers, Beijing Zhongmin Dongfeng is indirectly controlled by the MCA.

As advised by the PRC Legal Advisers, (i) the investor (投資方) of Beijing Zhongmin Dongfeng is Beijing Civil and Social Services Head Office Company (北京民業社會服務總公司 (formerly known as Civil and Social Services Head Office Company of MCA (民政部社會服務總公司), the “BCSS”); (ii) BCSS is under the Departmental Service Unit (“DSU”) of the MCA, which is an internal unit of the Ministry of Civil Affairs of the PRC; and accordingly, (iii) Beijing Zhongmin Dongfeng is indirectly controlled by the Ministry of Civil Affairs of the PRC.

As advised by the PRC Legal Advisers, Beijing Zhongmin Dongfeng was established by way of transfer of fund from DSU of MCA, and it should be regarded as a collectively owned enterprise unless the nature of such fund transfer has been clearly stated. Nevertheless, the PRC Legal Advisers did not exclude the possibility of its transformation to a state-owned enterprise after the nature of the fund transfer has been verified by government authority on State owned asset management.

The assessment of the economic nature of Beijing Zhongmin Dongfeng as a collectively owned entity instead of state owned is based on the verification document of such enterprise registration authority. Its nature as a collective enterprise does not affect the exercise of control by the DSU of MCA over it.

As advised by the PRC legal advisers, Beijing Zhongmin Dongfeng is indirectly controlled by the DSU of the MCA, which has the rights to manage the human resources and make decision to material matters of Beijing Zhongmin Dongfeng. Accordingly, the PRC Legal Advisers confirmed that it is a “下屬企業和民政系統內企業” (an affiliated company) of the DSU of the MCA, which is an internal department of MCA.

Prior to the publication of the Announcement, having considered that (1) the registered capital examination report stated that BCSS was the party to establish Beijing Zhongmin Dongfeng and BCSS was the only investor (投資方) of Beijing Zhongmin Dongfeng; (2) the employment notice stated that the legal representative of Beijing Zhongmin Dongfeng was appointed by BCSS, the Company was of the view that Beijing Zhongmin Dongfeng was a subsidiary of the MCA.

The legal representative of Beijing Zhongmin Dongfeng has verbally confirmed with the Company that Beijing Zhongmin Dongfeng is 民政部下屬企業 (an affiliated company of MCA). Besides that, either the Company or the PRC legal adviser has not sought further written confirmation from Beijing Zhongmin Dongfeng on (1) the business of Beijing Zhongmin Dongfeng and (2) the relationship between Beijing Zhongmin Dongfeng and Ministry of Civil Affairs as provided under PRC Legal Opinion.

However, the PRC Legal Adviser had reviewed the copy of the documents issued by the Beijing Municipal Administration for Industry and Commerce upon issuing the PRC Legal Opinion and drew the conclusion that Beijing Zhongmin Dongfeng is an affiliated company of the DSU of the MCA.

(iii) Beijing Zhongmin Dongfeng has obtained the internal acknowledgement (the “Internal Acknowledgement”) of the DSU of the MCA on 8 April 2005 in relation to 《關於設立中國福利彩票銷售廳（網點）、開發推廣「福利彩票集成和管理系統」和建設「福利彩票軟件產業化基地及智能福利彩票機生產基地」項目的報告“Submission in relation to the Establishment of PRC Welfare Lottery Shops (Point of Sales), the Development and Promotion of ‘Welfare Lotteries Collection and Management System’ and the Development of ‘Welfare Lottery Softwares Industrialisation Camp and Artificial Intelligence Lottery Machines Production Base’” (the “Reports”) and Beijing Zhongmin Dongfeng is allowed to commence its projects.

The Company (including the Board of Directors) and the PRC Legal Advisers have not reviewed the Reports as referred to in the Internal Acknowledgement. As advised by the PRC Legal Advisers, Beijing Zhongmin Dongfeng can assist in the sales of the welfare lotteries in the following manner on a non-exclusive basis with no further approval is required:

- assist in providing consultation services in respect of the design and establishment of welfare lottery shops;
- assist in the establishment of welfare lottery shops;
- assist in providing non-exclusive facilities (excluding the welfare lottery machines) and application software for the welfare lottery shops and the maintenance services in relation thereto; and
- assist in promoting the business welfare lottery shops, which does not involve the business operation of advertisement.

The aforesaid were the services to be provided by Dongfeng Limin to Beijing Zhongmin Dongfeng and were quoted from the Cooperation Agreement. With reference to 《中國福利彩票發行與銷售管理暫行辦法》(民辦發[1998]12號文)、《關於加強管理擴大發行福利彩票的通知》、《關於中福在線即開型彩票試點工作有關問題的通知》、《中福在線即開型彩票發行與銷售管理試行辦法》、《關於做好擴大中福在線即開型彩票試點工作的通知》 and other relevant rules and regulations (collectively, the “Relevant Rules”), the PRC Legal Adviser advised that Beijing Zhongmin Dongfeng is allowed to assist in providing those four kinds of services without the need to review the Reports as referred to in the “Internal Acknowledgement”. As a result, by virtue of the Relevant Rules, the PRC Legal Adviser can conclude that Beijing Zhongmin Dongfeng is eligible to provide those four kinds of services without reviewing the Reports.

- (iv) The Company is in no position to comment on either the operation of the China Welfare Lottery Issuing Centre or the source of the statement that “the officials of the China Welfare Lottery Issuing Centre were unaware of the Cooperation Agreement.”

Beijing Zhongmin Dongfeng has verbally confirmed with the Company the accuracy of the said information of the 4 replies above.

The Board further wishes to clarify that it is not aware of the sources of information on which the Articles are based. Save with the aforesaid, the Board is in no position to confirm or comment the source of the Articles and accordingly their accuracy.

### **Clarification of inaccurate information contained in the Announcement**

As the completion of the Conditional Sale and Purchase Agreement was subject to several conditions precedent (including but not limited to, the legal due diligence exercise on Dongfeng Limin, which is to be conducted immediately after publication of the Announcement). The Directors confirmed that Mr. Liu Huanlin, the president of Dongfeng Limin (a 75% non-wholly owned subsidiary of the Vendor) (the “President”) was the person who signed the Cooperation Agreement on behalf of Dongfeng Limin with Beijing Zhongmin Dongfeng. Based on the information available to the Group and relying on the interpretation of the President, who has misconstrued the business scope of Beijing Zhongmin Dongfeng, the Company **mistakenly** disclosed in the Announcement that:

- (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 of the PRC (民政部) and is licensed as a specialized entity to operate and run the welfare lottery business”

After the publication of the Announcement, the Company requested the PRC Legal Advisers to perform the legal due diligence exercise on Dongfeng Limin (including the information provided and representation made by the President in relation to Dongfeng Limin as well as Beijing Zhongmin Dongfeng). 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 in the Announcement has been misconstrued. The Directors have confirmed that the above captioned statements should be amended as follow:

- (a1) Beijing Zhongmin Dongfeng has **not** been granted with the license, approval or authorization by the MCA to manage or operate lottery sales/distribution and other related business in the PRC.

- (b1) Beijing Zhongmin Dongfeng is **not** principally engaged in the establishment and management of the point of sales of welfare lottery business.
- (c1) Beijing Zhongmin Dongfeng is an affiliated company of the MCA and is **not** licensed as a specialized entity to operate and run the welfare lottery business.

### **Reasons for disclosing inaccurate information in the Announcement**

At the time of publication of the Announcement, the Directors believed the above statements (i.e. (a) to (c)) were accurate after including but not limited to the following due diligence exercise conducted by the Company:

- review of the copy of the Internal Acknowledgement and corporate documents of Beijing Zhongmin Dongfeng provided by Dongfeng Limin; and
- interview with the President to understand the nature of the Internal Acknowledgement

Having considered that Beijing Zhongmin Dongfeng is an affiliated company of MCA, the Internal Acknowledgement and the explanation given by the President, the Directors believed the above statements (ie (a) to (c)) were accurate at the time of publication of the Announcement.

### **Reasons for relying on the representation of the President**

As early as March 2003, a PRC company of which the President was the legal representative, has already issued a paper on the introduction of the issuance system of the PRC on-line welfare lottery business (“在線即開型福利彩票”發行體系簡介), which included a plan for the development of the issuance system of the PRC on-line welfare lottery business (“在線即開型福利彩票”發行體系建設方案). In fact, he was the person who introduced Beijing Zhongmin Dongfeng to Dongfeng Limin, negotiated with Beijing Zhongmin Dongfeng and subsequently signed (on behalf of Dongfeng Limin) the Cooperation Agreement between Beijing Zhongmin Dongfeng and Dongfeng Limin. On the other hand, lottery business in PRC appears to be a unique and emerging business, there is not much participant in the market could be sought and approached. Given both Madam Cheung Kwai Lan and Mr. Chan Ting are relatively new-comers in the lottery business industry in the PRC and the extensive experiences and proven track-record the President has, both Madam Cheung Kwai Lan and Mr. Chan Ting considered it was sensible to rely on the representation of the President. Since the beneficial owners of the Vendor do not have experience in the industry and has been relying on the President in the operation of Dongfeng Limin, the Vendor was unaware that the interpretation given by the President was inaccurate.

The Vendor would like to stress that other than the fact that the President has 30% shareholding interest in Xingyung Investment Management Limited, which is holding 25% shareholding interest of Dongfeng Limin, he is an independent and not connected with the Madam Cheung Kwai Lan and Mr. Chan Ting or other Directors or substantial shareholder of the Company or any of its subsidiaries or any associate (as defined in the GEM Listing Rules) of any of them.



At the request of Beijing Zhongmin Dongfeng and advice of the PRC Legal Advisers, the Directors wish to clarify that the China Welfare Lottery Issuance and Management Centre (中國福利彩票發行管理中心) is the only regulatory authority in relation to the issuance of welfare lotteries in the PRC as at the date of this announcement.

### **Clarification on the income of Beijing Zhongmin Dongfeng as disclosed in the Announcement**

The Directors further wish to clarify that the Company never stated in the Announcement that Beijing Zhongmin Dongfeng will be entitled to 6% of the total income generated from the welfare lottery shops since it is licensed as a specialized entity to operate and run the welfare lottery business. The statement “Beijing Zhongmin Dongfeng will be entitled to 6% of the total income generated from the welfare lottery shops” as disclosed in the Announcement was quoted from the Cooperation Agreement and the PRC Legal Advisers have confirmed the legality of the Cooperation Agreement as well as the accuracy of the statement.

As advised by the PRC Legal Advisers, pursuant to the relevant regulations promulgated by China Welfare Lottery Issuance and Management Centre, the costs on issuances should be based on the total amount of realized sales, and are provided and appropriated in proportions as follow: (1) a provisional 6% charge on expenses for issuance, management, system development, construction, operation and maintenance services to China Welfare Lottery Issuance and Management Centre; (2) a provisional 1% charge on management fees to provincial Welfare Lottery Issuance and Management Centres; (3) a provisional 8% charge on expenses for management, cost of sale, operational maintenance fees to local Welfare Lottery Issuance and Management Centres and welfare lottery shops. Accordingly, the PRC Legal Advisers opine that if Beijing Zhongmin Dongfeng performs such services, it shall receive a maximum amount equals to 8% of the total realized sales from the welfare lottery shops as consideration for such services.

Pursuant to the Cooperation Agreement, Beijing Zhongmin Dongfeng will be entitled to 6% of the total income generated from the welfare lottery shops and Dongfeng Limin will be entitled to 75% of the income generated from the welfare lottery shops by Beijing Zhongmin. As such, Dongfeng Limin’s income would equal to 4.5% (75% times 6%) of the total income of the welfare lottery shops.

As advised by the PRC Legal Advisers, the execution of the Cooperation Agreement by Beijing Zhongmin Dongfeng and Dongfeng Limin and the performance of their respective obligations and the existence of any of their respective rights under the Cooperation Agreement do not and will not conflict with any PRC law and is viable under the PRC law.

## Due Diligence Work done before publication of the Announcement

### (i) Review of documents

After the first approach by the Vendor on 19 July 2005, Mr. Lau Hin Kun (“Mr. Lau”), being an executive Director, delegated the associate director of business development of the Company, together with the chief financial officer of the Company, to conduct the due diligence exercise (anyone or all of them, the “DD Team”). The documents reviewed by the DD Team are as follows:

Document reviewed/ business entity	Bemaestro	Skilltime Management	High Technology Limited	Dongfeng Limin	Beijing Zhongmin Dongfeng
Business Licence	Not applicable	Not applicable	Original	Copy and original	Copy
Memorandum and Articles of Association	Original	Original	Original	Copy and original	Not available
Certificate of Incorporation	Original	Original	Original	Not applicable	Not applicable
Management accounts	Original	Original	Original	Original	Not available
Cooperation Agreement	Not applicable	Not applicable	Not applicable	Copy and original	Copy
Internal Acknowledgement	Not applicable	Not applicable	Not applicable	Not applicable	Copy
Register of Directors	Original	Original	Original	Not applicable	Not applicable
Register of Shareholders	Original	Original	Original	Original	Not available
Minutes	Original	Not applicable	Not applicable	Not applicable	Not available
Employment notice	Not applicable	Not applicable	Not applicable	Not applicable	Copy
Registered Capital Examination Report	Not applicable	Not applicable	Not applicable	Not applicable	Copy
Offer Letters	Copy	Not applicable	Not applicable	Not applicable	Not applicable

Review of the aforesaid documents enables the Company to:

- understand the group structure of the acquiring business;
- ascertain the legal existence of each member of the group structure of the acquiring business;
- understand the management structure of the acquiring business;
- understand the financial position of the acquiring business; and
- understand the terms of the Cooperation Agreement.

**(ii) Interview with the President**

During the interview between the DD Team and the President, the following matters were discussed:

- the group structure of the acquiring business;
- the financial position of Dongfeng Limin;
- the nature and the business model of Dongfeng Limin in connection with the Cooperation Agreement;
- the welfare lottery industry in the PRC;
- the background of Beijing Zhongmin Dongfeng;
- the scope of business of Beijing Zhongmin Dongfeng; and
- the nature of the Internal Acknowledgement.

As Bemastro, Skilltime Management and High Technology Limited were investment holding companies, the DD Team did not conduct separate interviews of their representatives.

The Company was of the opinion that it has made the best endeavor to obtain all the information as needed to be disclosed prior to the publication of the Announcement. The Company, at any time prior to and at the time of the publication of the Announcement, did not aware that any statements, information and representations made to the Company were untrue and incorrect at the time when they were made. Furthermore, the Company would check the accuracy of those information in the due diligence exercise to be carried out after the publication of the Announcement.

**(iii) Site visit**

Prior to the publication of the Announcement, the DD Team visited the office of Dongfeng Limin at the 5/F, Tianhe Building, A7 Gong Ti West Road, Chaoyang District, Beijing, the PRC (北京市朝陽區工體西路甲7號天和大廈5層) and was unaware of any abnormal circumstances.

**(iv) Collection of industry information**

As disclosed in the Announcement, “According to the China Welfare Lottery Centre & National Statistics (the issue of May 2003), the market size of the welfare lottery industry is RMB1.8 billion in 1994 and RMB30 billion in 2002”. The Directors confirmed that they have taken into account such industry information as part of the reason to enter into the Conditional Sale and Purchase Agreement.

Prior to the publication of the Announcement, the Company did not engage the PRC legal advisers to review the Internal Acknowledgement because the completion of the proposed acquisition contemplated under the Conditional Sale and Purchase Agreement was subject to numerous condition precedents (including, but not limited to, the legal due diligence exercises on the acquiring business) and the Group planned to perform those due diligence exercises immediately after the publication of the Announcement.

The Company would like to apologise for any inconvenience or misunderstanding caused due to the description of the welfare lottery business conducted by Beijing Zhongmin Dongfeng in the Announcement.

The Directors (including the Independent Non-Executive Directors) understand their duty to ensure accuracy of the information contained in the announcement of the Company and will engage experts to review relevant documents and assist in due diligence exercise when circumstances necessitate.

The Directors also understand their fiduciary duties to the Company which include but not limited to avoid the conflict of interests when facing market opportunities. Therefore, in the case of a market opportunity arises, Madam Cheung Kwai Lan, being a substantial Shareholder and an executive Director of the Company, and Mr. Chan Ting, being an executive Director of the Company, will consider the principal factors which include the following in order to decide whether their private companies or the Company should pursue the opportunity:

- 1) whether their private companies or the Company have the experience on the subject;
- 2) any synergistic effect and the extent of such effect will be generated to each of them;
- 3) whether both of them have sufficient resources to pursue such opportunity; and

4) implication of the compliance of GEM Listing Rules

Madam Cheung Kwai Lan and Mr. Chan Ting wish to stress that if under the same conditions, they will give the listed company first priority to pursue the opportunity.

In this occasion, both Madam Cheung Kwai Lan and Mr. Chan Ting have considered the possibility to let the Company pursue such market opportunity. However, at the time of negotiating and exploring the market opportunity, the Company could not engage in other business different from its then principal business. Therefore, they decide to capture such opportunity for their own benefits.

**The Stock Exchange is looking into the matter and reserves its right to take appropriate action against the Company and the Directors regarding the inaccurate information contained in the Announcement.**

As disclosed in the announcement of the Company dated 29 September 2005, the Directors announced that, the Purchaser entered into the Rescission Agreement with the Vendor (Madam Cheung Kwai Lan and Mr. Chan Ting) on 26 August 2005 after arm's length negotiations. Pursuant to the Rescission Agreement, the parties thereto had mutually agreed to rescind the Conditional Sale and Purchase Agreement and absolutely release and discharge each other from all future claims and demands, liabilities and obligations arising out of or in connection with the Conditional Sale and Purchase Agreement.

Set out below are the 2 clauses as quoted from the Conditional Sale and Purchase Agreement.

- (1) In the event that any of the said representations, warranties or undertakings made by the Vendor are untrue, misleading or incorrect or have not been fully carried out in any respect, or in the event of any matter or thing arising or becoming known or being notified to the Purchaser which is inconsistent with any such representation, warranty or undertaking or any other provision of this Conditional Sale and Purchase Agreement or in the event of the Vendor becoming unable or failing to do anything required to be done by them at or before Completion the Purchaser shall not be bound to complete the purchase of the Sale Shares and the Purchaser may by notice rescind this Conditional Sale and Purchase Agreement without liability on its part. The right conferred upon the Purchaser is in addition to and without prejudice to any other rights of the Purchaser (including any rights to claim damages or compensation from the Vendor by reason of any such breach or non-fulfillment) and failure to exercise it shall not constitute a waiver of any such rights.

- (2) The Vendor undertook to indemnify and keep indemnified on demand the Purchaser (for itself and as trustee for each member of the Group) against any loss or liability suffered by the Purchaser or any member of the Group as a result of or in connection with any breach of any of the said representations, warranties and undertakings including, but not limited to, any diminution in the value of the assets of and any payment made or required to be made by the Purchaser or any member of the Group and any costs and expenses incurred as a result of such breach provided that the indemnity contained in this clause shall be without prejudice to any other rights and remedies of the Purchaser in relation to any such breach of representation, warranty or undertaking and all such other rights and remedies are hereby expressly reserved to the Purchaser.

Directors (excluding Madam Cheung Kwai Lan and Mr. Chan Ting) understand that the Company reserved the rights to claim against the Vendor in according to the clauses mentioned above. Notwithstanding, the Directors (not including Madam Cheung Kwai Lan and Mr. Chan Ting) had considered the costs and benefits of taking further legal actions against the Vendor (the “Legal Actions”) before entering into the Rescission Agreement. The reasons that the Directors (excluding Madam Cheung Kwai Lan and Mr. Chan Ting) have considered to absolutely release and discharge the Vendor from all future claims and demands include but not limited to the followings:

- 1) the amount of legal fee needed to be incurred for the Legal Actions;
- 2) the considerable time cost of the management of the Company is required for the Legal Actions;
- 3) the uncertainty of the Legal Actions result; and
- 4) the possible claims on the Legal Actions may be just close to amount associated with the professional fees incurred for the clarification.

In view of the above, the Directors (excluding Madam Cheung Kwai Lan and Mr. Chan Ting) concluded that the costs will outweigh the benefits and believes that it is not in the interest of the Company to pursue the recession of the agreement further. The Directors (excluding Madam Cheung Kwai Lan and Mr. Chan Ting) have decided to move on with other business proposal which will be beneficial to the Company and in the interest of Shareholders as a whole.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, the trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 15 August 2005. Application has been made for the resumption of the trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 24 November 2005.

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

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

Hong Kong, 23 November 2005

*This announcement, for which the directors (the “Directors”) of the Company 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 for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

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