



**B&S**

**ENTERTAINMENT HOLDINGS LIMITED**

中大娛樂控股有限公司

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

**First Quarterly Report 2002 - 2003**

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

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements 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.**

*The Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, for which the directors (the “Directors”) of B&S Entertainment Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to B&S Entertainment Holdings Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material aspects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) 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.*

## QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2002 (UNAUDITED)

The board (the "Board") of directors (the "Directors") of B&S Entertainment Holdings Limited (the "Company") is pleased to announce the unaudited quarterly combined results of the Company and its subsidiaries (the "Group") for the three months ended 30 September 2002 together with comparative unaudited figures for the corresponding period of 2001 as follows:

		<b>For the three months ended 30 September</b>	
		<b>2002</b>	2001
		<b>HK\$'000</b>	<b>HK\$'000</b>
	<i>Notes</i>		
TURNOVER	2	5,607	3,441
Cost of sales		<u>(3,534)</u>	<u>(2,429)</u>
Gross profit		2,073	1,012
Other income		30	1
Selling and distribution costs		(650)	(284)
Administrative expenses		<u>(1,329)</u>	<u>(868)</u>
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		124	(139)
Finance costs		<u>(6)</u>	<u>(11)</u>
PROFIT/(LOSS) BEFORE TAX		118	(150)
Tax	3	<u>(10)</u>	<u>—</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>108</u>	<u>(150)</u>
EARNINGS/(LOSS) PER SHARE	4		
Basic		<u>HK0.03 cent</u>	<u>(HK0.04 cent)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

*Notes:*

**1. Group reorganisation and basis of presentation**

**Group reorganisation**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 11 April 2002. Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of its shares on the GEM of the Exchange on 6 August 2002, the Company became the holding company of the companies now comprising the Group on 22 July 2002. Further details of the Group Reorganisation are set out in the Company's prospectus (the "Prospectus") dated 29 July 2002.

**Basis of presentation**

The Group Reorganisation has been accounted for by the Company using the merger accounting method in accordance with the Statement of Standard Accounting Practice ("SSAP") No. 2.127 "Accounting for Group Reconstructions". The unaudited combined results of the Group included the results of all companies now comprising the Group as if the current group structure had been in existence throughout the periods covered by this report or since their respective dates of incorporation, where this is a shorter period.

All significant transactions and balances among the companies comprising the Group have been eliminated on combination. The unaudited combined results have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants and accounting principles generally accepted in Hong Kong.

## 2. Turnover

Turnover represents licensing and sub-licensing fee income and the net invoiced value of goods sold, after allowances for returns and trade discounts.

	For the three months ended 30 September	
	2002 HK\$'000	2001 HK\$'000
Licensing of film rights	5,586	3,436
Sale of videos and video compact discs	21	5
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	<b>5,607</b>	<b>3,441</b>
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## 3. Tax

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong for the period under review of the individual companies within the Group.

There was no unprovided deferred tax liability in respect of the period under review (2001: Nil).

## 4. Earnings/(Loss) per share

The basic earnings/(loss) per share for the three months ended 30 September 2002 is calculated based on the unaudited combined net profit from ordinary activities attributable to shareholders of the Company for the said period of HK\$108,000 (2001: net loss of HK\$150,000) and on a weighted average number of approximately 379,130,435 shares (2001: 340,000,000 shares) deemed to have been issued and issuable during the said period on the assumption that the Group Reorganisation and the subsequent capitalisation issue of 330,000,000 shares of the Company had been effective on 1 July 2001.

Diluted earnings/(loss) per share for the three months ended 30 September 2002 and 2001 has not been disclosed as no diluting event existed during these periods.

## 5. Movement of reserves

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2001	—	17,590	(17,612)	(22)
Loss for the period	—	—	(150)	(150)
At 30 September 2001	—	17,590	(17,762)	(172)
At 1 July 2002	—	17,590	(16,175)	1,415
Premium on issuance of shares	29,400	—	—	29,400
Capitalisation issue	(3,300)	—	—	(3,300)
Share issuance expenses	(6,073)	—	—	(6,073)
Profit for the period	—	—	108	108
At 30 September 2002	20,027	17,590	(16,067)	21,550

The capital reserve of the Group represents the followings:

- (i) the difference between the aggregate nominal value of the share capital of subsidiaries acquired by the Company and the nominal value of the share capital of the Company issued as consideration in exchange therefor of HK\$157,000; and
- (ii) the surplus of HK\$17,433,000 arising from allotment and issuance of 15,000 shares of US\$1 each of B & S Group Limited, credited as fully paid to set off against loans of HK\$17,550,000 owing to the executive Directors pursuant to the Group Reorganisation as set out in the Prospectus.

## 6. Dividends

The Directors do not recommend the payment of an interim dividend for the three months ended 30 September 2002 (2001: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Operation Review

The Group's unaudited turnover for the three months ended 30 September 2002 amounted to approximately HK\$5.6 million (2001: approximately HK\$3.4 million), representing an increase of around 63% over the corresponding previous quarter.

The gross profit margin of the Group was approximately 37%, representing an increase of approximately 8% as compared to that of the corresponding previous quarter. The significant increase in gross profit margin from licensing of film rights was due to higher quality movies with better casting, which in turn generated higher revenue and licensing of film rights for which the film cost was fully amortised.

Administrative expenses were increased by approximately HK\$0.5million to approximately HK\$1.3 million mainly because of the increase in operations of the Company during the period under review. Selling and distribution costs of approximately HK\$0.7 million were mainly comprised of commission paid to distributors and distribution fee paid to media companies which were increased in line with the surge in turnover.

Due to the net effect of the above, the net profit from ordinary activities attributable to shareholders of the Company, therefore improved, for the two periods under comparison, from net loss of about HK\$0.2 million to net profit of about HK\$0.1 million while the net profit margin improved to about 2%.

## Outlook

During the period under review, the Group has entered into several contracts with an independent film production company for the production of a number of DV format movies and 35mm format movies which are expected to be completed in the next three years. At the same time, the Group has been taking proactive actions in selection of scripts and cooperation parties including film production companies, directors, and famous actors/actresses to enhance the quality and to stabilize the quantity of the films produced by the Group. These aim to increase the Group's market share in the DV format movies and to enrich the contents and range of the Group's film library as a supermarket which offers films to satisfy the demand of customers from different areas.

Another major objective of the Group is to expand its distribution network. Through participation in various films activities held in Hong Kong and overseas including Hong Kong Films Awards, Taipei Golden Horse Awards, MIFED Milan, Shanghai International Film Festivals and Hong Kong International and TV Market Filmart, the popularity and image of the Group and its films will be enhanced and known by overseas customers.

## DIRECTORS' INTERESTS IN SHARES

As at 30 September 2002, the interests of the Directors and their associates in the listed share capital of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as otherwise notified to the Company and the Exchange pursuant to the minimum standards of dealing by directors of listed issuer as referred to in Rule 5.40 of the GEM Listing Rules, were set out below:

Name of Director	Corporate interest	Percentage of shareholding
Mr. Siu Luen Fat	200,400,000*	50.1%
Mr. Siu Kin Fat	200,400,000*	50.1%
Mr. Siu Kuen Fat	200,400,000*	50.1%
Mr. Hung Kam Po	40,800,000**	10.2%



- \* Mr. Siu Luen Fat, Mr. Siu Kin Fat and Mr. Siu Kuen Fat have equally beneficial interest in Coxwell Corp., which owns 200,400,000 ordinary shares of the Company.
- \*\* Mr. Hung Kam Po has a beneficial interest of 34.2% in Baserich International Limited, which owns 40,800,000 ordinary shares of the Company.

Save as disclosed above, none of the Directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance as at 30 September 2002.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed under the heading "Share option scheme" below, and other than in connection with the Group Reorganisation in preparation for the Company's placing, at no time since its incorporation was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## **SHARE OPTION SCHEME**

On 22 July 2002, a share option scheme (the "Scheme") was approved by the Company. The purpose of the Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include directors of the Company or any of its subsidiaries, independent non-executive directors and employees of the Group, and suppliers of goods or services to the Group.

No share option has been granted by the Company under the Scheme up to the date of this report.

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2002, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage of shareholding
Coxwell Corp.	200,400,000*	50.1%
Baserich International Limited	40,800,000*	10.2%

\* The shareholdings are duplicated in the "Directors' interests in shares" section above.

Save as disclosed above, as at 30 September 2002, no person, other than the Directors whose interests are set out in the section headed "Directors' interests in shares" above, had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

## SPONSOR'S INTEREST

Kim Eng Capital (Hong Kong) Limited (the "Sponsor") has confirmed, as at 30 September 2002, that, to its best knowledge, none of the Sponsor or its associates, directors or employees have or may have any interest in any class of securities of the Company or any of member company of the Group (including options or rights to subscribe for such securities).

Pursuant to a sponsor agreement dated 29 July 2002 between the Company and the Sponsor, the Sponsor is entitled to receive a fee for acting as the Company's sponsor for the period from 6 August 2002 (date of commencement of the dealing of the Company's shares on the GEM of the Exchange) to 30 June 2005.

## COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

The Company's shares were listed on the GEM of the Exchange on 6 August 2002. Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities since that date.

## AUDIT COMMITTEE

The Company established an audit committee on 22 July 2002 with written terms of reference in compliance with Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group and to review the Company's annual reports and accounts, and half yearly and quarterly reports. The audit committee comprises three members, Ms. Chiu Kam Hing, Kathy, Dr. Cheung Wai Bun, Charles, and Mr. Kan Ching Duen, who are the independent non-executive Directors. The Group's unaudited results for the three months ended 30 September 2002 have been reviewed by the audit committee, who was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

By order of the Board  
**Siu Luen Fat**  
*Chairman*

Hong Kong, 11 November 2002