



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 2004-2005

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 respects 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 2004 (UNAUDITED)

The board (the "Board") of directors (the "Directors") of B&S Entertainment Holdings Limited (the "Company") is pleased to announce the unaudited quarterly consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 30 September 2004 together with comparative unaudited figures for the corresponding period of 2003 as follows:

		For the three months ended 30 September	
		2004 HK\$'000	2003 HK\$'000
	Notes		
TURNOVER	2	631	5,235
Cost of sales		<u>(2,382)</u>	<u>(2,957)</u>
Gross (loss)/profit		(1,751)	2,278
Other income		36	21
Selling and distribution costs		(137)	(630)
Administrative expenses		<u>(1,342)</u>	<u>(1,223)</u>
(LOSS)/PROFIT FROM OPERATING ACTIVITIES		(3,194)	446
Finance costs		<u>(483)</u>	<u>(201)</u>
(LOSS)/PROFIT BEFORE TAX		(3,677)	245
Tax	3	<u>—</u>	<u>—</u>
NET (LOSS)/PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u><u>(3,677)</u></u>	<u><u>245</u></u>
(LOSS)/EARNINGS PER SHARE			
Basic	4	<u><u>(HK0.92 cent)</u></u>	<u><u>HK0.06 cent</u></u>
Diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>

Notes:

1. Basis of presentation

General information

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.

Basis of presentation

The consolidated financial statements have been prepared using the merger basis of accounting. The unaudited consolidated 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 announcement 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 consolidation. The unaudited consolidated results have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice issued by the Hong Kong Institute of Certified Public 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	
	2004 HK\$'000	2003 HK\$'000
Licensing of film rights	631	5,193
Sub-licensing of film rights	—	35
Sale of videos and video compact discs	—	7
	<u>631</u>	<u>5,235</u>

3. Tax

No Hong Kong profits tax has been provided as there are no assessable profits arising in Hong Kong for the period under review of the individual companies within the Group (2003: Nil).

There was no unprovided deferred tax liability in respect of the period under review (2003: Nil).

4. (Loss)/Earnings per share

The basic (loss)/earnings per share for the three months ended 30 September 2004 is calculated based on the unaudited consolidated net loss from ordinary activities attributable to shareholders of the Company for the said period of approximately HK\$3,677,000 (2003: profit of approximately HK\$245,000) and on a weighted average number of approximately 400,000,000 (2003: 400,000,000) ordinary shares in issue.

Diluted earnings per share for the three months ended 30 September 2004 and 2003 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 2003	20,027	17,590	(11,634)	25,983
Profit for the period	—	—	245	245
At 30 September 2003	<u>20,027</u>	<u>17,590</u>	<u>(11,389)</u>	<u>26,228</u>
At 1 July 2004	20,027	17,590	(10,056)	27,561
Loss for the period	—	—	(3,677)	(3,677)
At 30 September 2004	<u>20,027</u>	<u>17,590</u>	<u>(13,733)</u>	<u>23,884</u>

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 (the "Group Reorganisation") to rationalise the structure of Group in preparation for the listing of its shares on the GEM of the Exchange on 6 August 2002 as set out in the Company's prospectus dated 29 July 2002.

6. Dividends

The Directors do not recommend the payment of an interim dividend for the three months ended 30 September 2004 (2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review

The Group's unaudited turnover for the three months ended 30 September 2004 amounted to approximately HK\$0.6 million (2003: approximately HK\$5.2 million), representing a decrease of around 88% over the corresponding previous quarter. This was mainly due to no movie has launched during the period.

There was gross loss of the Group during the period while compared with the gross profit of the corresponding previous quarter. The significant gross loss was mainly contributed by the amortization of film costs of existing film rights while there was no new movie has launched during the period.

Administrative expenses increased slightly by approximately HK\$0.1 million to approximately HK\$1.3 million, while selling and distribution costs dropped by 78% which was due to the decrease in distribution fee paid during the period.

Due to the net effect of the above, the Group encountered a net loss from ordinary activities attributable to shareholders for the period under review.

Outlook

The Group will continue to expand its distribution network in order to capture a larger market share in this field. With our experience and expertise, we will continue to achieve the objective to become an active movie producer and distributor of Chinese language movies in the Greater China region and other countries. The Group will also continue to expand our distribution network both in local and overseas markets.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 September 2004, the interests and short positions of the Directors in the securities of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which they were deemed or taken 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 5.48 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Exchange, were as follows:

Long positions in the shares of the Company

Name of director	Corporate interest	Percentage of shareholding
Mr. Hung Kam Po	4,000,000 *	1.0%

* Mr. Hung Kam Po has a beneficial interest of 34.2% in Baserich International Limited, which owns 4,000,000 ordinary shares of the Company.

Save as disclosed above, none of the Directors had, as at 30 September 2004, any interests and short positions in the securities 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 Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which they were deemed or taken 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 to be notified to the Company and the Exchange pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Share option scheme" below, at no time during the period under review 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, 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 announcement.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSABLE UNDER THE SFO

So far is known to any Director of the Company, as at 30 September 2004, shareholders (other than Directors of the Company) who had interests and short positions in the securities of the Company which would fall to be disclosed to the

Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly and indirectly interested in 5% or more of the issued share capital of the Company, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name	Number of shares held	Percentage of shareholding
Sparkle China Development Limited (<i>Note i & ii</i>)	170,400,000	42.6%
Mr. Lee Man Kwong (<i>Note i & ii</i>)	170,400,000	42.6%
Mr. Fu Hau Ching	20,012,000	5.0%

Note:

- (i) The 170,400,000 shares are registered in the name of Sparkle China Development Limited. Mr. Lee Man Kwong and Ms. Xiong Jingling have a beneficial interest of 70% and 30% respectively in Sparkle China Development Limited. Accordingly, Mr. Lee Man Kwong is deemed to be interested in all the shares in which Sparkle China Development Limited is interested pursuant to the SFO.
- (ii) The 170,400,000 shares are charged to Kingston Securities Limited for a loan facility granted for financing the mandatory conditional cash offer for all the issued shares of the Company not already owned or agreed to be acquired by Sparkle China Development Limited or parties acting in concert with it at HK\$0.01174 per Share to be made by Shenyn Wanguo Capital (H.K.) Limited on behalf of Sparkle China Development Limited in accordance with the Hong Kong Code on Takeovers and Mergers.

Save as disclosed above, as at 30 September 2004, the Company had not been notified by any persons (other than Directors of the Company) who had interests and short positions in the securities of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly and indirectly interested in 5% or more of the issued share capital of the Company, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

SPONSOR'S INTEREST

South China Capital Limited (the "Sponsor") has confirmed that, as at 30 September 2004, 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 1 August 2004 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 1 August 2004 (date of commencement of the sponsor agreement) to 30 June 2005.

On 10 November 2004, the Sponsor tendered its notice of resignation to the Company. There remains outstanding the appointment of a replacement sponsor by the Company as required by Rule 6.63 of the GEM Listing Rules. The Company will use its best endeavours to appoint a replacement sponsor for the remaining period up to 30 June 2005 within three months from the date on which the Sponsor ceased to act as the sponsor to the Company.

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 during the three months ended 30 September 2004.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the three months ended 30 September 2004.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 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 Group's unaudited results for the three months ended 30 September 2004 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 2004

The Board comprises of:

Mr. Siu Luen Fat (*Executive Director*)

Mr. Siu Kin Fat (*Executive Director*)

Mr. Siu Kuen Fat (*Executive Director*)

Mr. Hung Kam Po (*Non-executive Director*)

Ms. Chiu Kam Hing, Kathy

(*Independent Non-executive Director*)

Dr. Cheung Wai Bun, Charles

(*Independent Non-executive Director*)

Mr. Li Chi Fai (*Independent Non-executive Director*)