

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, 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 announcement.

SPARKLE CHINA DEVELOPMENT LIMITED

(Incorporated in the British Virgin Islands with limited liability)



B&S

ENTERTAINMENT HOLDINGS LIMITED

中大娛樂控股有限公司

(Incorporated in the Cayman Islands with limited liability)

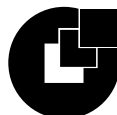
(Stock Code: 8167)

JOINT ANNOUNCEMENT

**(1) Acquisition of shares in B&S Entertainment Holdings Limited by
Sparkle China Development Limited**

AND

(2) Mandatory conditional cash offer by



SHENYIN WANGUO CAPITAL (H.K.) LIMITED

Financial adviser to Sparkle China Development Limited

on behalf of Sparkle China Development Limited

to acquire all the issued shares of B&S Entertainment Holdings Limited

**(other than those already owned by Sparkle China Development Limited and parties acting in
concert with it)**

THE SALE AND PURCHASE AGREEMENT

The boards of directors of the Offeror and the Company announce that the Sale and Purchase Agreement was entered into between, inter alia, the Offeror and the Vendor on 9 September 2004 under which the Offeror agreed to acquire from the Vendor 170,400,000 Shares, representing approximately 42.60% of the issued share capital of the Company as at the date of this announcement, at a total consideration of HK\$2,000,000 or approximately HK\$0.0117 per Share. The Sale and Purchase Agreement was completed on 9 September 2004.

THE OFFER

Under Rule 26.1 of the Takeovers Code, upon Completion, the Offeror is required to make a mandatory conditional cash offer for all the issued Shares other than those already owned by the Offeror and parties acting in concert with it at the price of HK\$0.01174 per Share. Prior to Completion, the Offeror did not have any shareholding interest in the Company. Shenyin Wanguo has been appointed by the Offeror as its financial adviser in respect of the Offer and will make the Offer on behalf of the Offeror.

The principal terms of the Offer are set out under the section headed “Mandatory Conditional Cash Offer” below. Shenyin Wanguo is satisfied that there are sufficient financial resources available to the Offeror to satisfy full acceptance of the Offer.

DESPATCH OF COMPOSITE OFFER DOCUMENT

The Offeror will despatch an offer document within 21 days from the date of this announcement or such later date as may be agreed by the Executive. The Offeror and the Company intend to combine the offer document and the Company’s circular in respect of the Offer in the Composite Offer Document to be posted to the Shareholders within such period. The acceptance and transfer forms in respect of the Offer will be despatched together with the Composite Offer Document.

An independent board committee of the Company will be established and the Company will appoint an independent financial adviser to advise the independent board committee and the independent shareholders of the Company in respect of the Offer. The Company will make an announcement as soon as practicable after the independent financial adviser has been appointed.

SUSPENSION OF TRADING

Trading in the Shares on GEM was suspended with effect from 9:30 a.m. on 24 August 2004 at the request of the Company and will remain suspended pending publication of a clarification announcement in relation to the unusual movement in the price and volume of the Shares.

THE SALE AND PURCHASE AGREEMENT

Date: 9 September 2004

Vendor: Coxwell Corp., the entire issued share capital of which is beneficially owned by Mr. Siu Luen Fat, Mr. Siu Kin Fat and Mr. Siu Kuen Fat in equal shares. The Vendor has no interest in the Company immediately after the Completion.

Purchaser: Sparkle China Development Limited, the entire issued share capital of the Offeror is beneficially owned by Mr. Lee Man Kwong as to 70% and Ms. Xiong Jingling as to 30%, both of whom being the only directors thereof.

The Purchaser confirms that Mr. Lee Man Kwong, the controlling shareholder of the Purchaser, was introduced to the Vendor by Mr. Patrick Tong, being managing director of Mei Ah Entertainment Group Limited.

Sale Shares: 170,400,000 Shares, representing approximately 42.60% of the entire issued share capital of the Company as at the date of this announcement. The Sale Shares were acquired by the Offeror free from all claims, liens, charges, encumbrances or other third party rights, together with all rights and benefits attached thereto on or after the date of the Sale and Purchase Agreement.

Consideration: HK\$2,000,000 in cash for the acquisition of the Sale Shares was determined after arm's length negotiations between the Offeror and the Vendor and represented a price of approximately HK\$0.0117 per Share.

Completion: The Sale and Purchase Agreement was completed on 9 September 2004.

Both the Purchaser and the Directors confirm that, before Completion, the Purchaser was an independent third party, not being persons connected with or acting in concert with the Company, the Directors, chief executive, substantial shareholder or management shareholder of the Company or its subsidiaries or any of their respective associates (as defined under the GEM Listing Rules), and upon Completion, the Purchaser became a controlling shareholder of the Company by virtue of its approximately 42.60% equity interest in the Company, and both the Purchaser and the Vendor confirm that they had no previous business relationship prior to the transaction in respect of the Sale Shares.

MANDATORY CONDITIONAL CASH OFFER

Upon Completion, the Offeror and parties acting in concert with it acquired and owned 170,400,000 Shares, representing approximately 42.60% of the issued share capital of the Company. Under Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory conditional cash offer for all the issued Shares other than those already owned by the Offeror and parties acting in concert with it. Prior to Completion, the Offeror did not have any shareholding interest in the Company.

Shenyin Wanguo has been appointed by the Offeror as its financial adviser in respect of the Offer and will make the Offer, on behalf of the Offeror, on the following basis:—

The Offer

Offer Price for each Share HK\$0.01174 in cash

The Offer Price of HK\$0.01174 per Share is not less than the price paid by the Offeror to the Vendor for each Sale Share under the Sale and Purchase Agreement. The Offer Price of HK\$0.01174 represents:—

- (a) a discount of approximately 75.0% to the closing price of the Shares on GEM of HK\$0.0470 per Share on 23 August 2004, being the last trading date immediately prior to the suspension of trading in the Shares on GEM;
- (b) a discount of approximately 98.4% to the average closing price of the Shares on GEM of approximately HK\$0.7297 per Share for the 10 trading days immediately prior to the suspension of trading in the Shares on GEM on 24 August 2004; and
- (c) a discount of approximately 85.1% to the audited consolidated net asset value per Share of approximately HK\$0.0789 as at 30 June 2004.

The Company has no outstanding warrants, options or securities convertible or exchangeable into Shares as at the date of this announcement.

Based on the total number of 400,000,000 Shares in issue and the Offer Price of HK\$0.01174 per Share, the Offer would value the entire issued share capital of the Company at HK\$4,696,000, representing a discount of approximately 75.0% to the value of HK\$18,800,000, being the market capitalization of the Shares as at 23 August 2004 based on the last closing market price of HK\$0.0470 per Share. The total consideration payable by the Offeror pursuant to the Offer, if accepted in full, would be approximately HK\$2,696,000.

Condition of the Offer

The Offer will be subject to the Offeror receiving acceptances in respect of Shares which, together with Shares already owned by it and parties acting in concert with it before or during the Offer, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company. If the Offeror cannot receive acceptances of the Offer by the first closing date which is expected to be on 17 November 2004 which, together with the Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it before or during the offer period, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company, the Offer will not become unconditional and, unless extended by the Offeror, may lapse.

Shenyin Wanguo is satisfied that there are sufficient financial resources available to the Offeror to satisfy full acceptance of the Offer.

Effect of Accepting the Offer

Acceptance of the Offer by any person(s) will be deemed to constitute a warranty by such person(s) that any Shares acquired pursuant to the Offer are sold by such person(s) free from all liens, charges, options, claims, equities, adverse interests, third-party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including (without limitation) the right to receive dividends and distributions declared, made or paid, if any, on or after the date of the Sale and Purchase Agreement.

Stamp Duty

Accepting Shareholders' ad valorem stamp duty at the rate of HK\$1.00 for every HK\$1,000 or part thereof of the consideration arising in connection with acceptance of the Offer will be payable by those Shareholders of the Company who accept the Offer and will be deducted from the consideration due to such persons on acceptance of the Offer. The Offeror will pay the stamp duty on behalf of the accepting Shareholders.

DEALINGS IN SHARES BY THE OFFEROR

Prior to Completion, neither the Offeror nor any other parties acting in concert with it owned any Shares or any other securities of the Company. Neither the Offeror nor any parties acting in concert with it had dealt in any Shares or any securities of the Company during the six months prior to the date of the Sale and Purchase Agreement and up to the date of this announcement.

INFORMATION ON THE GROUP

The Group is principally engaged in the production of movies and distribution of copyright/film rights in respect of movies produced by the Group to overseas countries and in Hong Kong.

The audited consolidated turnover of the Group for the years ended 30 June 2003 and 30 June 2004 were approximately HK\$28,023,000 and HK\$20,593,000 respectively. The audited consolidated net profit attributable to Shareholders of the Group for the year ended 30 June 2004 was approximately HK\$1,578,000 whereas it was HK\$1,843,000 for the year ended 30 June 2003. The audited consolidated net assets of the Group was approximately HK\$29,983,000 as at 30 June 2003 and approximately HK\$31,561,000 as at 30 June 2004.

The following table sets out the shareholding structure of the Company before and immediately after Completion (but before the Offer):

| | Before Completion | | Immediately Upon Completion (But Before the Offer) | |
|---|--------------------|---------------|--|---------------|
| | No. of Shares | % | No. of Shares | % |
| Vendor (and parties acting in concert with it) | 170,400,000 | 42.60 | — | 0.00 |
| Baserich International Limited (Note 1) | 4,000,000 | 1.00 | 4,000,000 | 1.00 |
| Offeror (and parties acting in concert with it) | — | 0.00 | 170,400,000 | 42.60 |
| Public | 225,600,000 | 56.40 | 225,600,000 | 56.40 |
| Total | <u>400,000,000</u> | <u>100.00</u> | <u>400,000,000</u> | <u>100.00</u> |

Note 1: The entire issued share capital of Baserich International Limited is beneficially owned as to 34.2% by Mr. Hung Kam Po, a non-executive Director, and as to 65.8% by independent third parties, not being persons connected with or acting in concert with the Company, the Directors, chief executive, substantial shareholder or management shareholder of the Company or its subsidiaries or any of their respective associates (as defined under the GEM Listing Rules).

INFORMATION ON THE OFFEROR

The Offeror is a private company incorporated in the British Virgin Islands with limited liability and is beneficially owned by Mr. Lee Man Kwong as to 70% and Ms. Xiong Jingling as to 30%. The Offeror is a special purpose vehicle formed to hold the Shares. Save for entering into of the Sale and Purchase Agreement, the Offeror has not conducted any business since its incorporation on 25 August 2004. Mr. Lee Man Kwong and Ms. Xiong Jingling are the only directors of the Offeror.

Mr. Lee Man Kwong has been practising as a solicitor in Hong Kong for over 20 years and is a partner at Messrs. Chan, Lau & Wai, Solicitors. He is also a solicitor qualified in England and Wales and Singapore. Mr. Lee has 11 years of exposure to the entertainment industry in Hong Kong and has built up extensive connections within the industry. Since 1993, he has been serving as an independent non-executive director of Mei Ah Entertainment Group Limited which is principally engaged in the production and distribution of films and programs in audio visual product format, licensing and sub-licensing of film rights as well as television programming and broadcasting. Besides, Mr. Lee is currently an independent non-executive director of New Spring Holdings Limited and was an independent non-executive director of Asia Standard Hotel Group Limited for the period from 2000 to 2003. He has substantial experience in business management through his personal direct investments in various industries such as Internet, trading and tourism in Hong Kong and the PRC.

Ms. Xiong Jingling holds a Bachelor of Law Degree from the Renmin University of China. Ms. Xiong has 14 years of commercial experience as she took up senior consulting and managerial positions in several consulting and investment companies in the PRC. She is at present the deputy general manager of a property consultancy in Shenzhen, China.

REASONS FOR THE OFFER AND OFFEROR'S INTENTION REGARDING THE COMPANY

Following the close of the Offer and assuming the Offer becomes unconditional, it is the intention of the Offeror to hold the Shares as a long-term investment and to maintain the existing principal activities of the Company. The Offeror has no intention to inject any material assets or businesses into the Company or any of its subsidiaries immediately after the Offer. The Offeror also has no intention to discontinue the employment of the existing employees or to dispose of or re-deploy any material assets of the Company or any of its subsidiaries other than in the ordinary course of business. The Offeror will review the businesses and operations of the Group from time to time with a view to rationalizing and increasing the business activities and performance of the Group. The Offeror intends to maintain the on-going business of the Company immediately upon Completion, and at present, the Offeror has no specific plan over the business development of the Company.

As at the date of this announcement, the Company has three executive Directors, namely Mr. Siu Luen Fat, Mr. Siu Kin Fat and Mr. Siu Kuen Fat, one non-executive Director, namely Mr. Hung Kam Po and three independent non-executive Directors, namely Ms. Chiu Kam Hing, Kathy, Dr. Cheung Wai Bun, Charles and Mr. Li Chi Fai. It is intended that there will be a change in the management of the Company and new Directors may be appointed to the board of Directors at the earliest time as allowed under the Takeovers Code and any such appointment will be made in compliance with the Takeovers Code and the GEM Listing Rules. Further announcement will be made upon any appointment of new Directors.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, is held by the public, or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares; or**
- that there are insufficient Shares in public hands to maintain an orderly market,**

it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends to maintain the listing of the Shares on the Stock Exchange. Each of the Offeror and the Company will undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

WARNING

The Offer will be subject to the Offeror receiving acceptances in respect of Shares which, together with Shares already owned by it and parties acting in concert with it before or during the Offer, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company. As the Offer may or may not proceed, Shareholders and investors should exercise caution when dealing in the Shares.

GENERAL

Despatch of Composite Offer Document

The Offeror will despatch an offer document within 21 days from the date of this announcement or such later date as may be agreed by the Executive. The Offeror and the Company intend to combine the offer document and the Company's circular in respect of the Offer in the Composite Offer Document to be posted to the Shareholders within such period. The acceptance and transfer forms in respect of the Offer will be despatched together with the Composite Offer Document.

An independent board committee of the Company will be established and the Company will appoint an independent financial adviser to advise the independent board committee and the independent shareholders of the Company in respect of the Offer. The Company will make an announcement as soon as practicable after the independent financial adviser has been appointed.

Suspension of Trading

Trading in the Shares on GEM was suspended with effect from 9:30 a.m. on 24 August 2004 at the request of the Company and will remain suspended pending publication of a clarification announcement in relation to the unusual movement in the price and volume of the Shares.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

| | |
|--------------|--|
| “Company” | B&S Entertainment Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM |
| “Completion” | Completion of the sale and purchase of 170,400,000 Shares pursuant to the Sale and Purchase Agreement on 9 September 2004 |

| | |
|-------------------------------|--|
| “Composite Offer Document” | the document to be jointly issued by and on behalf of the Offeror and the Company to all Shareholders in accordance with the Takeovers Code containing, inter alia, terms and conditions of the Offer, the forms of acceptance and transfer in respect of the Offer, the advice of the independent financial adviser to the independent board committee to be established in respect of the Offer and advice of such committee to the Shareholders (other than the Offeror and parties acting in concert with it) in relation to the Offer |
| “Directors” | directors of the Company |
| “Executive” | the Executive Director of the Corporate Finance Division of the SFC or any of his delegates |
| “GEM” | the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited |
| “GEM Listing Rules” | the Rules Governing the Listing of Securities on GEM |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Offer” | the mandatory conditional cash offer for all issued Shares not already owned by the Offeror and parties acting in concert with it at HK\$0.01174 per Share to be made by Shenyin Wanguo on behalf of the Offeror in accordance with the Takeovers Code |
| “Offer Price” | HK\$0.01174 per Share |
| “Offeror” or “Purchaser” | Sparkle China Development Limited, a company incorporated in the British Virgin Islands with limited liability and is beneficially owned as to 70% by Mr. Lee Man Kwong and as to 30% by Ms. Xiong Jingling |
| “PRC” or “China” | People’s Republic of China. Unless the context otherwise requires, references in this announcement to the PRC or China exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan. |
| “Sale and Purchase Agreement” | the sale and purchase agreement in relation to the Sale Shares entered into between, inter alia, the Offeror and the Vendor, dated 9 September 2004 |
| “Sale Share(s)” | 170,400,000 Shares acquired by the Offeror under the Sale and Purchase Agreement |
| “SFC” | the Securities and Futures Commission of Hong Kong |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |

| | |
|------------------|---|
| “Shareholders” | holders of the Shares |
| “Share(s)” | par value of ordinary share(s) of HK\$0.01 each in the issued share capital of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Shenyin Wanguo” | Shenyin Wanguo Capital (H.K.) Limited, a licensed corporation to conduct types 1, 4, 6 and 9 regulated activities under the SFO |
| “Takeovers Code” | The Hong Kong Code on Takeovers and Mergers |
| “Vendor” | Coxwell Corp., a company incorporated in the British Virgin Islands with limited liability and beneficially owned by Mr. Siu Luen Fat, Mr. Siu Kin Fat and Mr. Siu Kuen Fat in equal shares |
| “HK\$” | Hong Kong Dollars, the lawful currency of Hong Kong |
| “%” | per cent. |

Hong Kong, 6 October 2004

By Order of the Board of
Sparkle China Development Limited
Mr. Lee Man Kwong
Director

By Order of the Board of
B&S Entertainment Holdings Limited
Mr. Siu Luen Fat
Chairman

This announcement, for which the Directors collectively and individually accept full responsibility (except those relating to the Offeror), includes particulars given in compliance with the GEM Listing Rules 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 (except those relating to the Offeror) is accurate and complete in all material respects and not misleading; (2) there are no other matters (except those relating to the Offeror) the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement (except those relating to the Offeror) have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement, for which the directors of the Offeror collectively and individually accept full responsibility (except those relating to the Vendor and the Group) includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Offeror. The directors of the Offeror, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement (except those relating to the Vendor and the Group) is accurate and complete in all material respects and not misleading; (2) there are no other matters (except those relating to the Vendor and the Group) the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement (except those relating to the Vendor and the Group) 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 for a period at least until the date on which the offer document relating to the Offer is despatched.