



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)

THIRD QUARTERLY REPORT
2004 – 2005

For the three months and nine months ended
31 March 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.

RESULTS

The board of Directors (the “Board”) of B&S Entertainment Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 31 March 2005 together with comparative unaudited figures for the corresponding period of 2004 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended 31 March		For the nine months ended 31 March	
		2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000
TURNOVER	1	150	5,305	1,532	15,500
Cost of sales		<u>(1,128)</u>	<u>(983)</u>	<u>(4,644)</u>	<u>(5,970)</u>
Gross (loss)/profit		(978)	4,322	(3,112)	9,530
Other revenue		–	4	40	34
Selling and distribution costs		–	(312)	(233)	(1,231)
Administrative expenses		(182)	(877)	(4,227)	(3,467)
Provision for deposit and accounts receivable		<u>(4,610)</u>	<u>–</u>	<u>(10,056)</u>	<u>–</u>
(LOSS)/PROFIT FROM OPERATING ACTIVITIES		(5,770)	3,137	(17,588)	4,866
Finance costs		<u>(109)</u>	<u>(186)</u>	<u>(944)</u>	<u>(554)</u>
(LOSS)/PROFIT BEFORE TAXATION		(5,879)	2,951	(18,532)	4,312
Taxation	2	<u>–</u>	<u>(533)</u>	<u>–</u>	<u>(849)</u>
(LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<u>(5,879)</u>	<u>2,418</u>	<u>(18,532)</u>	<u>3,463</u>
(LOSS)/EARNINGS PER SHARE Basic	3	<u>(1.47 cent)</u>	<u>0.6 cent</u>	<u>(4.63 cent)</u>	<u>0.87 cent</u>

Notes:

1. Turnover

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

An analysis of the Group's turnover is as follows:

	For the three months ended 31 March 2005		For the nine months ended 31 March 2005	
	(unaudited) HK\$'000	2004 (unaudited) HK\$'000	(unaudited) HK\$'000	2004 (unaudited) HK\$'000
Licensing and sub-licensing of film rights	150	5,303	1,523	15,487
Sale of videos and video compact discs	—	2	9	13
	<u>150</u>	<u>5,305</u>	<u>1,532</u>	<u>15,500</u>

2. Taxation

No Hong Kong profits tax has been provided as there are no assessable profits arising in Hong Kong for the three months and nine months ended 31 March 2005 (2004: Nil and approximately HK\$6,000 respectively). Hong Kong profits tax for the nine months ended 31 March 2004 has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong for the relevant period under review of the individual companies within the Group.

The Group has no material unprovided deferred taxation for the three months and nine months ended 31 March 2005 (2004: approximately HK\$533,000 and HK\$843,000 respectively). Deferred taxation is accounted for at the current taxation rate.

3. (Loss)/earnings per share

The basic (loss)/earnings per share for the three months and nine months ended 31 March 2005 are calculated based on the unaudited consolidated (loss)/profit attributable to shareholders of the Company for the three months and nine months ended 31 March 2005 of approximately losses of HK\$5,879,000 and HK\$18,532,000 respectively (2004: profit of approximately HK\$2,418,000 and HK\$3,463,000 respectively) and on a weighted average number of 400,000,000 shares in issue during the periods (2004: 400,000,000 shares).

Diluted (loss)/earnings per share for the three months and nine months ended 31 March 2005 and 2004 has not been disclosed as no diluting event existed during these periods.

4. Share premium and reserves

	Share premium HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 July 2003, as previously reported	20,027	17,590	(14,115)	23,502
Prior year adjustment: SSAP 12 – restatement of deferred tax assets	—	—	2,481	2,481
At 1 July 2003, as restated	20,027	17,590	(11,634)	25,983
Profit for the period	—	—	3,463	3,463
At 31 March 2004	<u>20,027</u>	<u>17,590</u>	<u>(8,171)</u>	<u>29,446</u>
At 1 July 2004	20,027	17,590	(10,056)	27,561
Loss for the period	—	—	(18,532)	(18,532)
At 31 March 2005	<u>20,027</u>	<u>17,590</u>	<u>(28,588)</u>	<u>9,029</u>

5. Dividends

The Directors do not recommend the payment of an interim dividend for the three months and nine months ended 31 March 2005 (2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review

The Group's turnover for the nine months ended 31 March 2005 amounted to approximately HK\$1.5 million (2004: approximately HK\$15.5 million), representing a decrease of 90%. This was mainly due to substantial decrease in the number of movies launched during the period. Gross loss during the period was mainly contributed by the amortization of film rights.

As new management joined the Group during the period, focus has been placed on organizational and financial restructuring of the Group. During the period, the Group was able to obtain full support from the new controlling shareholder and has repaid its bank and other loan by approximately HK\$13.2 million. In March 2005, the Group has concluded a distribution agreement with a leading movie distributor in Hong Kong. By kicking off its new strategic alliance with one of the prime distributors in the industry, the Group is expecting to develop its new network of distribution and be able to secure a steady income stream in the coming years.

Outlook

With the experienced new management team, it is expected that the Group will be supported by producers with strong track records, the Group will continue to search for high quality film projects. In light of strong growth of the China economy and the encouraging policy for the film industry of the Hong Kong Government, the Group will take advantage of the Closer Economic Partnership Arrangement ("CEPA") and will target for new co-production partners in China, as well as other South East Asia countries. Other than theatrical market, the Group will continue to expand the distribution network through Pay and Non-pay TV, Internet, digital versatile discs, mobile content and other non-theatrical markets. With the experience and expertise of the management, the Group will continue to achieve the objective to become an active movie producer and distributor in the Greater China region and other countries.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 March 2005, the interests or 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 or 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 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the shares of the Company

Name of director	Corporate interest	Percentage of shareholding
Mr. Lee Man Kwong	170,400,000*	42.6%
Ms. Xiong Jingling	170,400,000*	42.6%

* Mr. Lee Man Kwong and Ms. Xiong Jingling have beneficial interests of 70% and 30% respectively in Sparkle China Development Limited, which owns 170,400,000 ordinary shares of the Company.

Save as disclosed above, the directors do not have any interests or short positions in the shares of the Company.

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, 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 announcement.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSABLE UNDER THE SFO

So far as is known to any Director of the Company, as at 31 March 2005, shareholders (other than Directors of the Company) who had interests or 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	170,400,000	42.6%
Mr. Fu Hau Ching	20,012,000	5.0%

Save as disclosed above and in "Directors' Interests and Short Positions in Shares", the Company had no notice of any interests and short positions to be recorded pursuant to Section 336 of the SFO.

SPONSOR'S INTEREST

Kingston Corporate Finance Limited (the "Sponsor") has confirmed that, as at 31 March 2005, 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 of rights to subscribe for such securities).

Pursuant the sponsor agreement 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 7 December 2004 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 during the nine months ended 31 March 2005.

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 and nine months ended 31 March 2005.

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.

On behalf of the Board
Lee Man Kwong
Director

Hong Kong, 18 May 2005

The Board comprises of:

Mr. Lee Man Kwong (*Executive Director*)
Ms. Xiong Jingling (*Executive Director*)
Mr. Chan Kwok Sun, Dennis (*Executive Director*)
Mr. Law Kwok Keung (*Executive Director*)
Mr. Lam Kin Kau, Mark (*Independent Non-executive Director*)
Mr. Law Kwok Leung (*Independent Non-executive Director*)
Mr. Fung Wing Keung (*Independent Non-executive Director*)