



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)

FIRST QUARTERLY REPORT
2005

Quarterly ended
30 September 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

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 ended 30 September 2005 together with comparative unaudited figures for the corresponding period of 2004 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	For the three months ended 30 September	
		2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000
TURNOVER	2	240	631
Cost of sales		<u>(679)</u>	<u>(2,382)</u>
Gross loss		(439)	(1,751)
Other revenue		–	36
Selling and distribution costs		–	(137)
Administrative expenses		<u>(61)</u>	<u>(1,342)</u>
LOSS FROM OPERATING ACTIVITIES		(500)	(3,194)
Finance costs		<u>(437)</u>	<u>(483)</u>
LOSS BEFORE TAXATION		(937)	(3,677)
Taxation	3	<u>–</u>	<u>–</u>
LOSS ATTRIBUTABLE TO SHAREHOLDERS		<u>(937)</u>	<u>(3,677)</u>
LOSS PER SHARE			
Basic	4	<u>(0.23 cent)</u>	<u>(0.92 cent)</u>

Notes:

1. Basis of preparation

The results have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention.

HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("HKFRS") which are effective for accounting periods beginning on or after 1 January 2005. Except for the adoption of HKFRS 2 and HKFRS 3, the adoption of HKFRSs did not result in substantial changes to the Group's accounting policies.

The major changes in accounting policies are set out below:-

HKFRS 2 – Share-based payments

Previously, share options granted were not recognised as costs. HKFRS 2 requires an expense to be recognised for the fair value of share options granted, determined at the date of grant of the share options.

HKFRS 3 – Business Combinations

Previously, goodwill arising on acquisition was capitalised and amortised over its estimated useful life. On application of HKFRS 3, goodwill arising on acquisition is measured at cost less accumulated impairment losses after initial recognition. No amortisation is required.

The adoption of these new accounting policies have no significant impact on the Group's results for the current and prior periods.

2. Turnover

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

	For the three months ended 30 September	
	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000
Licensing and sub-licensing of film rights	240	631
	<u>240</u>	<u>631</u>

3. 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 30 September 2005 (2004: Nil).

The Group has no material unprovided deferred taxation in respect of the period under review (2004: Nil).

4. Loss per share

The basic loss per share for the three months ended 30 September 2005 is calculated based on the unaudited consolidated loss attributable to shareholders of the Company for the three months ended 30 September 2005 of approximately losses of HK\$937,000 (2004: approximately HK\$3,677,000) 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 ended 30 September 2005 and 2004 has not been disclosed as no diluting event existed during these periods.

5. Share premium and reserves

	Share premium HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
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>
At 1 July 2005	20,027	17,590	(65,342)	(27,725)
Loss for the period	—	—	(937)	(937)
At 30 September 2005	<u>20,027</u>	<u>17,590</u>	<u>(66,279)</u>	<u>(28,662)</u>

6. Dividends

The Directors do not recommend the payment of an interim dividend for the three months and nine months ended 30 September 2005 (2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review

During the period under review, the Group recorded a turnover of HK\$240,000 representing a 62% decrease when compared with HK\$631,000 recorded in the last corresponding quarter. This was mainly due to no new movie has been launched during the period though the production of a film movie is on track. The income for the period mainly derived from the distribution of film rights from the Group's existing film library. During the period, the film rights of 8 movies had been successfully distributed. Gross loss was mainly contributed by the amortization of film rights.

Outlook

In view of the need for working capital, the Group has arranged a fund raising scheme by way of Rights Issue in the coming quarter and details of which have been set out in the circular dated 31 October 2005. Such arrangement, if successfully put through, will strengthen the capital base and financial position of the Group for its future development. In the meantime, during this difficult period of the group, the cost cutting exercise of the new management has proved to be effective, the administrative expenses have been reduced to HK\$210,000 as compared to HK\$1,342,000 recorded in the last corresponding quarter.

Following the kicking off of the production of one film movie, the Group will continue to search for stories, scripts and casting. There are several stories and scripts under consideration, and it is expected that the Group is able to meet its target and start production or launch about 4 to 5 movies for this financial year. On the other hand, we will continue our efforts to achieve the objective to expand our distribution network and to become an active movie producer and film rights distributor in Hong Kong and in the Greater China region.

ADVANCES TO ENTITIES

Accounts receivable amounted to approximately HK\$4,610,000, HK\$3,490,000 and HK\$3,946,000 was owed from Lupat Trading Limited ("Lupat"), S&R Corporation ("S&R") and Parkline Trading Company ("Parkline") which represent 27.4%, 20.8% and 23.5% respectively of the Company's present market capitalization of approximately HK\$16,400,000, calculated based on the average closing price of the Company's shares of HK\$0.041 per share as stated in the Stock Exchange's daily quotation sheets for the trading days from 5th September 2005 to 9th September 2005. As at 14 November 2005, there was no material change to such accounts receivable since 30 June 2005 and such accounts receivable had not been settled from 1 July 2005 to 14 November 2005.

Lupat, S&R and Parkline are customers of the Group and third parties independent of any of the directors, chief executives and substantial shareholders of the Company, its subsidiaries or their respective associates. Such amounts represent the outstanding balances of certain sales transactions on film rights sub-licensing entered into by the Group in the usual course of the Group's principal business activities which are films production and film rights licensing. The amounts are unsecured and interest-free.

Save as disclosed above, there was no other advances to entities which exceed 8% of the Company's market capitalization and required to be disclosed under Rules 17.15 and 17.17 of the Gem Listing Rules as at 14 November 2005.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 September 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 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 adopted 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 is known to any Director of the Company, as at 30 September 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 other interests and short positions to be recorded pursuant to Section 336 of the SFO.

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 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 ended 30 September 2005.

CORPORATE GOVERNANCE

The Board Practices and Procedures set out in Rules 5.34 to 5.45 of the GEM Listing Rules were replaced by the Code on Corporate Governance Practices (“Code on CG Practices”) as set out in Appendix 15 of the GEM Listing Rules which has become effective for accounting periods commencing on or after 1 January 2005. Appropriate actions are being taken by the Company for complying with the Code on CG Practices.

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, 14 November 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*)