

THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this prospectus or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in B&S Entertainment Holdings Limited, you should at once hand this prospectus and the accompanying provisional allotment letter and form of application for excess rights shares to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

A copy of this prospectus, together with copies of the provisional allotment letter, the form of application for excess rights shares and the documents mentioned in the paragraph headed "Documents delivered to The Registrar of Companies" in appendix III to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance of Hong Kong. The Registrar of Companies in Hong Kong takes no responsibility for the contents of any of these documents.

Dealings in the securities of B&S Entertainment Holdings Limited may be settled through the Central Clearing and Settlement System. You should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.



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)

**RIGHTS ISSUE OF 80,000,000 RIGHTS SHARES
OF HK\$0.20 EACH AT HK\$0.20 PER RIGHTS SHARE
PAYABLE IN FULL ON ACCEPTANCE
(IN THE PROPORTION OF FOUR RIGHTS SHARES
FOR EVERY ONE CONSOLIDATED SHARE HELD ON THE RECORD DATE)**

Underwriter

 **taifook大福**
securities 證券

It should be noted that the Underwriting Agreement contains provisions granting Tai Fook Securities, by notice in writing, the right to terminate its obligations thereunder on the occurrence of certain events. These events are set out in the paragraph headed "Termination of the Underwriting Agreement" on pages 13 to 14 of this prospectus. If the Underwriting Agreement is terminated by Tai Fook Securities or does not become unconditional, the Rights Issue will not proceed.

The Consolidated Shares will be dealt in on an ex-rights basis from Thursday, 17 November 2005. Dealings in the Rights Shares in the nil-paid form will take place from Monday, 21 November 2005 to Monday, 28 November 2005 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled and/or waived on or before Monday, 5 December 2005 (or such later time and/or date as the Company and Tai Fook Securities may determine), or the Underwriting Agreement is terminated by Tai Fook Securities, the Rights Issue will not proceed and the Rights Issue will lapse. Any persons contemplating buying or selling Consolidated Shares up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form between Monday, 21 November 2005 to Monday, 28 November 2005 (both dates inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating dealing in the Consolidated Shares or nil-paid Rights Shares are recommended to consult their own professional advisers.

The latest time for acceptance and payment for the Rights Shares is 4:00 p.m. on Thursday, 1 December 2005 (or such later date as described in this prospectus). The procedure for acceptance is set out on pages 17 to 18 of this prospectus.

This prospectus will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven (7) days from the date of its posting.

* for identification purposes only

17 November 2005

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CHARACTERISTICS OF GEM

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 Stock 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.

DEFINITIONS

In this prospectus, unless the context requires otherwise, the following expressions have the following meanings:

“Announcement”	the announcement of the Company dated 7 October 2005 relating to, among other things, the proposed Rights Issue and the proposed Share Consolidation
“associate(s)”	has the meaning ascribed to it under Chapter 1 of the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday) on which banks generally are open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	B&S Entertainment Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM
“Consolidated Share(s)”	ordinary share(s) having a par value of HK\$0.20 each in the capital of the Company, immediately after the Share Consolidation which became effective from 4:00 p.m. on 16 November 2005
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company convened and held on Wednesday, 16 November 2005 for the purpose of considering, among other things, the proposed Rights Issue and Share Consolidation
“Excluded Shareholders”	Overseas Shareholders, to whom the Directors, based on legal opinions provided by legal advisers and on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place, consider it necessary or expedient not to offer the Rights Shares
“Excess Application Form(s)”	Form(s) of application for excess Rights Shares

DEFINITIONS

“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Committee”	the listing sub-committee of the board of the Stock Exchange with responsibility for GEM
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM
“GEM website”	the internet website operated by the Stock Exchange for the purposes of GEM, the current domain name of which is www.hkgem.com
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Independent Shareholders”	Shareholders, other than Sparkle China, Mr Lee and their respective associates
“Latest Acceptance Date”	being 4:00 p.m. on Thursday, 1 December 2005 or such later date as described in this prospectus, the latest date upon which provisional allotments of Rights Shares in nil-paid form may be validly accepted
“Latest Practicable Date”	14 November 2005, being the latest practicable date prior to the printing of this prospectus for inclusion of certain information in this prospectus
“Last Trading Date”	30 September 2005, being the last trading day of the Pre-consolidation Shares prior to the release of the Announcement
“Mr Lee”	Mr Lee Man Kwong, an executive Director, and who is interested in 70% of the issued share capital of Sparkle China and, accordingly, a controlling shareholder (as defined in the GEM Listing Rules) of the Company
“Overseas Shareholders”	the Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose registered address(es) on that date is/are outside Hong Kong

DEFINITIONS

“Pre-consolidation Share(s)”	share(s) having a par value of HK\$0.01 each in the capital of the Company before the implementation of the Share Consolidation and every 20 of which were consolidated into one Consolidated Share having a par value of HK\$0.20 with effect from 4:00 p.m. on 16 November 2005
“Prospectus Posting Date”	17 November 2005 or such later date as Tai Fook Securities may agree in writing with the Company
“Provisional Allotment Letter(s)”	provisional allotment letter(s) for the Rights Shares
“Qualifying Shareholder(s)”	the Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Excluded Shareholders
“Record Date”	16 November 2005
“Rights Issue”	the proposed issue of Rights Shares on the basis of four Rights Shares for every one Consolidated Share to Qualifying Shareholders by way of rights or to holders of nil-paid Rights Shares at the Subscription Price, pursuant to the terms and conditions of the rights issue
“Rights Issue Documents”	this prospectus, the Provisional Allotment Letter and the Excess Application Form
“Rights Share(s)”	new Consolidated Share(s) to be issued by the Company pursuant to the Rights Issue
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Consolidation”	such steps with the objective to consolidate every twenty (20) Pre-consolidation Shares having a par value of HK\$0.01 each into one share having a par value of HK\$0.20
“Shareholder(s)”	shareholder(s) of the Company
“Sparkle China”	Sparkle China Development Limited, a controlling Shareholder (as defined in the GEM Listing Rules) of the Company, the issued share capital of which is owned as to 70% by Mr Lee and 30% by Ms Xiong Jingling, an executive Director

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	subscription price of HK\$0.20 per Rights Share
“Subscription Monies”	the subscription monies payable by the Underwriter to the Company in respect of the Rights Shares underwritten by the Underwriter
“Tai Fook Securities” or “Underwriter”	Tai Fook Securities Company Limited, a licensed corporation to carry on types 1, 3 and 4 regulated activities for the purpose of the SFO
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriting Agreement”	the underwriting agreement dated 7 October 2005 and entered into between the Company and the Underwriter in relation to the Rights Issue
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent

EXPECTED TIMETABLE

2005

Record Date	Wednesday, 16 November
Register of members re-opens	Thursday, 17 November
First day of dealings in nil-paid Rights Shares	Monday, 21 November
Latest time for splitting of nil-paid Rights Shares	4:00 p.m., Wednesday, 23 November
Last day of dealings in nil-paid Rights Shares	Monday, 28 November
Latest time for payment and acceptance of the Rights Shares	4:00 p.m., Thursday, 1 December
Latest time for the Rights Issue to become unconditional	4:00 p.m., Monday, 5 December
Announcement of results of acceptance of and excess applications for the Rights Shares to be published on the GEM website	Wednesday, 7 December
Despatch of refund cheques in respect of unsuccessful or partially unsuccessful excess applications for excess Rights Shares	Wednesday, 7 December
Despatch of certificates for fully-paid Rights Shares	Wednesday, 7 December
Commencement of dealings in fully-paid Rights Shares	9:30 a.m., Friday, 9 December

Notes:

1. All times and dates refer to Hong Kong local times and dates.
2. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on Thursday, 1 December 2005 at any time between 12:00 noon and 4:00 p.m., the latest time for payment and acceptance of the Rights Share (i.e. the Latest Acceptance Date) will be postponed to the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 12:00 noon and 4:00 p.m..

It should be noted that the Underwriting Agreement contains provisions granting Tai Fook Securities, by notice in writing, the right to terminate its obligations thereunder on the occurrence of certain events. These events are set out in the paragraph headed "Termination of the Underwriting Agreement" on pages 13 to 14 of this prospectus. If the Underwriting Agreement is terminated by Tai Fook Securities or does not become unconditional, the Rights Issue will not proceed.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr Lee Man Kwong
Ms Xiong Jingling
Mr Chan Kwok Sun, Dennis
Mr Law Kwok Keung

Registered Office:

Century Yard, Cricket Square
Hutchins Drive, P.O. Box 2681 GT
George Town, Grand Cayman
British West Indies

Independent non-executive Directors:

Mr Lam Kin Kau, Mark
Mr Fung Wing Keung
Mr Law Kwok Leung

Principal place of business in

Hong Kong:
Room 1108, Asia Standard Tower
59-65 Queen's Road Central
Hong Kong

17 November 2005

**RIGHTS ISSUE OF 80,000,000 RIGHTS SHARES
OF HK\$0.20 EACH AT HK\$0.20 PER RIGHTS SHARE
PAYABLE IN FULL ON ACCEPTANCE
(IN THE PROPORTION OF FOUR RIGHTS SHARES
FOR EVERY ONE CONSOLIDATED SHARE HELD ON THE RECORD DATE)**

To the Qualifying Shareholders and for information only, the Excluded Shareholders

Dear Sir or Madam,

INTRODUCTION

On 7 October 2005, the Board announced that the Company proposed to implement the Share Consolidation and raise HK\$16 million before expenses by issuing 80,000,000 Rights Shares at the Subscription Price of HK\$0.20 per Rights Share on the basis of four Rights Shares for every one Consolidated Share held on the Record Date.

The Rights Issue will be fully underwritten by the Underwriter, on the terms and subject to the conditions set out in the Underwriting Agreement. As at the Latest Practicable Date, Sparkle China was beneficially interested in 170,400,000 Pre-consolidation Shares, representing 42.6% of the existing issued share capital of the Company. Pursuant to the Underwriting Agreement, each of Sparkle China and the shareholders of Sparkle China (i.e. Mr Lee and Ms Xiong Jingling), which were directly or indirectly interested in 170,400,000 Pre-consolidation Shares (or 8,520,000 Consolidated Shares immediately after the Share Consolidation) as at Latest Practicable Date, has given undertakings to accept or procure acceptance of all the Rights Shares to be provisionally allotted to it/him/her, or

* *for identification purposes only*

LETTER FROM THE BOARD

its/his/her nominee(s) as the holder of such Rights Shares pursuant to the Rights Issue. The Rights Issue will be fully underwritten by the Underwriter (other than the Rights Shares provisionally allotted to Sparkle China) on the terms and subject to the conditions set out in the Underwriting Agreement. The Underwriting Agreement contains provisions granting Tai Fook Securities the right to terminate its obligations thereunder on the occurrence of certain events as set out under the section headed "Termination of the Underwriting Agreement" on or before the second Business Day after the Latest Acceptance Date.

The purpose of this prospectus is to give you further information on, among other things, details of the Rights Issue and certain information in respect of the Group.

TERMS OF THE RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	:	Four Rights Shares for every one Consolidated Share held on the Record Date
Number of Consolidated Shares in issue as at the date of this prospectus	:	20,000,000 Consolidated Shares
Number of Rights Shares	:	80,000,000 Rights Shares

The nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represent 400% of the Company's issued share capital immediately after the Share Consolidation and 80% of the Company's enlarged issued share capital of the Company immediately following completion of the Rights Issue.

Subscription Price

The Subscription Price for the Rights Shares is HK\$0.20 per Rights Share, payable in full when a Qualifying Shareholder accepts his/her provisional allotment under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price

- represents a discount of 65.5% to the closing price of HK\$0.58 per Consolidated Share as quoted on GEM on 30 September 2005, being the Last Trading Date;
- represents a discount of 68.8% to the average closing price of HK\$0.64 per Consolidated Share for the 10 consecutive trading days up to and including 30 September 2005, being the Last Trading Date;

LETTER FROM THE BOARD

- a discount of 9.1% to the closing price of HK\$0.22 per Consolidated Share as quoted on GEM on the Latest Practicable Date; and
- represents a discount of 28.6% to the theoretical ex-rights price of HK\$0.28 per Consolidated Share based on the closing price as quoted on GEM on 30 September 2005, being the Last Trading Date.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the market price of the Pre-consolidation Shares under prevailing market conditions and the recent financial condition of the Company. As disclosed in the Company's annual report for the year ended 30 June 2005, the net loss of the Group attributable to Shareholders for the year ended 30 June 2005 amounted to approximately HK\$55.3 million and the Group's cash and cash equivalents as at 30 June 2005, comprising cash and bank balances of approximately HK\$0.1 million and bank overdrafts of approximately HK\$6.1 million, were in the negative balance of approximately HK\$6 million. The Group needs additional funds to finance its operations and activities. In view of the recent financial condition of the Group as mentioned above and taking into consideration the theoretical ex-rights price per Consolidated Share, in order to increase the attractiveness of the Rights Issue to the Qualifying Shareholders, the Directors consider that the discount on the Subscription Price to the above average closing prices is appropriate. Each Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his or her existing shareholding in the Company. The Directors consider the Subscription Price to be fair and reasonable and to be in the interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares, when allotted and fully-paid, will rank pari passu with the then existing Consolidated Shares in issue on the date of allotment of the Rights Shares in fully-paid form. Holders of such Rights Shares will be entitled to receive all future dividends and distributions which are declared after the date of allotment and issue of the Rights Shares.

Application for excess Rights Shares

Qualifying Shareholders are entitled to apply for any unsold entitlements of the Excluded Shareholders, any unsold Rights Shares created by adding together fractions of the Rights Shares and any nil-paid Rights Shares provisionally allotted but not accepted.

Applications may be made by completing the form of application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis, but will give preference to topping-up odd lots to whole board lots of Shares. Shareholders with their Pre-consolidation Shares held by a nominee company should note that the Directors will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the allocation of excess Rights Shares will not be extended to the ultimate beneficial owners individually.

LETTER FROM THE BOARD

Fractional entitlements

Fractional entitlements for the nil-paid Rights Shares will not be issued but will be aggregated and sold, if a premium (net of expenses) can be obtained, for the benefit of the Company.

Share certificates for the Rights Shares

Subject to the fulfilment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to Qualifying Shareholders who have accepted and applied for (where appropriate), and paid for the Rights Shares on Wednesday, 7 December 2005 at their own risk.

Qualifying Shareholders

The Company will send the Rights Issue Documents to Qualifying Shareholders only.

To qualify for the Rights Issue, the Shareholder must be registered as a member of the Company at the close of business on the Record Date.

The Pre-consolidation Shares have been dealt in on an ex-rights basis from Thursday, 10 November 2005. The Consolidated Shares will be dealt in on an ex-rights basis from Thursday, 17 November 2005.

Excluded Shareholders

If at the close of business on the Record Date, a Shareholder's address on the Company's register of members is in a place outside Hong Kong, that Shareholder may not be eligible to take part in the Rights Issue. The Rights Issue Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than Hong Kong.

The Directors will make enquiries as to whether the issue of Rights Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange. If, after making such enquiry, the Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer the Rights Shares to such Overseas Shareholders, no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to the Excluded Shareholders. The Rights Issue is not available to the Excluded Shareholders. The Company will send the Prospectus (without any Provisional Allotment Letters and Excess Application Forms) to the Excluded Shareholders for their information only.

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Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders in nil-paid form, to be sold as soon as practicable after dealings in nil-paid Rights Shares commence, if a premium, net of expenses, can be obtained. The proceeds of each sale, less expenses, of HK\$100 or more will be paid to the Excluded Shareholders in Hong Kong dollars pro rata to their respective shareholding. The Company will keep individual amounts of less than HK\$100 for its own benefit.

If, based on the enquiries made by the Directors, the issue of the Rights Shares to the Overseas Shareholders will not contravene the applicable securities legislation of the relevant overseas jurisdictions or the requirements of the relevant regulatory body or stock exchange of such jurisdictions, the Rights Issue will be extended to such Overseas Shareholders.

As at the Latest Practicable Date, the Company did not have any Overseas Shareholder nor Excluded Shareholder.

Share option scheme and convertible securities

As at the Latest Practicable Date, there were no outstanding share options granted pursuant to the Company's share option scheme approved by Shareholders on 22 July 2002 nor outstanding convertible securities issued by the Company.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled:

- (a) the Company despatching the circular to the Shareholders containing, among other things, details of the Rights Issue together with proxy form and notice of EGM;
- (b) the passing of a resolution by the Independent Shareholders at the EGM to approve the Rights Issue as contained in the notice of EGM, by no later than the Prospectus Posting Date;
- (c) the passing of a resolution by the Shareholders at the EGM to approve the Share Consolidation as contained in the notice of EGM, by no later than the Prospectus Posting Date and the Share Consolidation having been completed and becoming effective;
- (d) the GEM Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of, and permission to deal in, all the Rights Shares (in their nil-paid and fully-paid forms) by no later than the Prospectus Posting Date;
- (e) Tai Fook Securities not having been requested or directed by any regulatory authorities or otherwise being required to make a mandatory general offer for the Consolidated Shares under the Takeovers Code as a result of the performance of its obligations under the Underwriting Agreement;

LETTER FROM THE BOARD

- (f) compliance with and performance of all the undertakings and obligations of the Company under the Underwriting Agreement; and
- (g) compliance with and performance by Sparkle China, Mr Lee and Ms Xiong Jingling of all of their respective obligations and undertakings to accept or procure acceptance of the Rights Shares to be provisionally allotted to it/him/her or its/his/her nominee(s).

As at the date of this prospectus, conditions (a), (b) and (c) were fulfilled.

If any of the remaining conditions of the Rights Issue are not fulfilled or waived (in respect of conditions (f) and/or (g) only) on or before Monday, 5 December 2005 (or such later time and/or date as the Company and Tai Fook Securities may determine), neither the Company nor Tai Fook Securities shall have any rights or be subject to any obligations arising from the Underwriting Agreement and the Rights Issue will not proceed. As at the Latest Practicable Date, Tai Fook Securities had no intention to waive any of conditions (f) and (g).

REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS

The Group is principally engaged in the production of videos and films, and the licensing of video and copyrights/film rights.

Upon the full subscription of the Rights Shares, the Company will receive approximately HK\$14.5 million by way of subscription proceeds net of expenses. As mentioned above, the net loss of the Group attributable to Shareholders for the year ended 30 June 2005 amounted to approximately HK\$55.3 million and the Group's cash and cash equivalents as at 30 June 2005, comprising cash and bank balances of approximately HK\$0.1 million and bank overdrafts of approximately HK\$6.1 million, were in the negative balance of approximately HK\$6 million. The Group needs additional funds to finance its operations and activities. The Directors intend to use the net proceeds of the Rights Issue as general working capital which can be used for operation of the Group. The proportion of the entitlements to the Rights Issue of every four Rights Shares for every one Consolidated Share was determined by reference to the amount of the net current liabilities of the Group as at 30 June 2005 of approximately HK\$15 million.

The Directors have considered other ways of fund raising such as bank borrowings, share placement and issue of convertible debt securities but the preliminary responses to those proposed fund raising activities were not forthcoming. The Directors consider that it is in the best interest of the Company and the Shareholders to raise further capital by way of Rights Issue as it will allow all Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company.

The Company did not carry out any rights issue, open offer or other issue of equity securities for fund raising purpose or otherwise within the past 12 months prior to the date of the Announcement and up to the Latest Practicable Date.

LETTER FROM THE BOARD

UNDERWRITING ARRANGEMENTS

Underwriting Agreement

Date:	7 October 2005
Underwriter:	Tai Fook Securities
Number of Shares underwritten:	45,920,000 Rights Shares (Notes 1 & 2)
Commission:	2.5% of the total Subscription Price of the Rights Shares underwritten by the Underwriter. The commission to be received by the Underwriter will be approximately HK\$230,000. The Directors considered that underwriting commission of 2.5% is comparable with the market rate and reasonable.

Notes:

- (1) This figure excludes 34,080,000 Rights Shares to be provisionally allotted to Sparkle China in respect of its attributable interest in the Consolidated Shares held by it on the Record Date which it has irrevocably undertake to subscribe for in full.
- (2) In respect of the underwriting commitment for the Rights Issue of Tai Fook Securities, Tai Fook Securities has entered into an agreement with a sub-underwriter whereby that sub-underwriter has sub-underwritten a commitment of 18,000,000 Rights Shares.

The Rights Issue (except for the Right Shares that Sparkle China has irrevocably undertaken to subscribe) is fully underwritten by Tai Fook Securities whose ordinary business includes underwriting.

Under the terms of the Underwriting Agreement, the Company and Tai Fook Securities agreed that if the conditions of the Rights Issue are fulfilled on or before the Latest Acceptance Date (or such later time and/or date as the Company and Tai Fook Securities may determine) and the Underwriting Agreement becomes unconditional and is not terminated in accordance with the terms thereof, Tai Fook Securities shall pay the Subscription Monies in cash net of the commission entitled by the Underwriter, being 2.5% of the total Subscription Price of the Rights Shares underwritten by the Underwriter, on the date to be agreed by the Company and the Underwriter, but in the absence of such agreed date, not later than 4:00 p.m. on the third Business Day following the Latest Acceptance Date.

In the event that no Qualifying Shareholders (other than Sparkle China) take up any Rights Shares, Tai Fook Securities, as the underwriter of the Rights Issue, will be required to subscribe for and take up all the Rights Shares that have not been subscribed for under the Rights Issue pursuant to its obligations under the Underwriting Agreement, which will result in Tai Fook Securities holding 45,920,000 Rights Shares, representing 45.92% of the Company's issued share capital as enlarged by the issue of the Rights Shares. However,

LETTER FROM THE BOARD

Tai Fook Securities has entered into an agreement with a sub-underwriter whereby that sub-underwriter has sub-underwritten a commitment of 18,000,000 Rights Shares, representing 18% of issued share capital of the Company as enlarged by the issue of the Rights Shares. The Underwriting Agreement is not conditional upon fulfillments of the terms of such sub-underwriting agreement. However, the sub-underwriting agreement is conditional upon the Underwriting Agreement becoming unconditional and not being terminated according to its terms. As a result of such sub-underwriting arrangement and assuming that the sub-underwriter will take up the Rights Shares if and when called upon to do so, Tai Fook Securities will only be required to subscribe for 27,920,000 Rights Shares (representing 27.92% of the issued share capital of the Company as enlarged by the issue of the Rights Shares) even if no Qualifying Shareholders (other than Sparkle China) take up the Rights Shares provisionally allotted to them. On this basis, Tai Fook Securities will not be obliged to make a general offer for the Consolidated Shares under the Takeovers Code as a result of the performance of its obligations under the Underwriting Agreement.

Termination of the Underwriting Agreement

The Underwriting Agreement contains provisions granting Tai Fook Securities, by notice in writing, the right to terminate its obligations thereunder on the occurrence of certain events. Tai Fook Securities may terminate its commitment under the Underwriting Agreement on or before the second Business Day after the Latest Acceptance Date if:

- (a) in the reasonable opinion of Tai Fook Securities, the success of the Rights Issue would be materially and adversely affected by:**
 - (i) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of Tai Fook Securities materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or**
 - (ii) the occurrence of any local, national or international event or change, whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement, of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of Tai Fook Securities materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or**
 - (iii) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or**
- (b) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a**

LETTER FROM THE BOARD

change in currency conditions for the purpose of the Underwriting Agreement includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the reasonable opinion of Tai Fook Securities makes it inexpedient or inadvisable to proceed with the Rights Issue; or

- (c) the prospectus or the prospectus in connection with the Rights Issue when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the GEM Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which in the reasonable opinion of Tai Fook Securities is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it.

If the Underwriting Agreement is terminated by Tai Fook Securities on or before the aforesaid deadline or does not become unconditional, the Rights Issue will not proceed.

WARNING OF THE RISK OF DEALING IN THE CONSOLIDATED SHARES AND NIL-PAID RIGHTS SHARES

The Pre-consolidation Shares have been dealt in on an ex-rights basis from Thursday, 10 November 2005. The Consolidated Shares would be dealt in on an ex-rights basis from Thursday, 17 November 2005. Dealings in the Rights Shares in the nil-paid form will take place from Monday, 21 November 2005 to Monday, 28 November 2005 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled and/or waived on or before 5 December 2005 (or such later time and/or date as the Company and Tai Fook Securities may determine), or the Underwriting Agreement is terminated by Tai Fook Securities, the Rights Issue will not proceed and the Rights Issue will lapse.

Any persons contemplating buying or selling Consolidated Shares up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form between Monday, 21 November 2005 to Monday, 28 November 2005 (both dates inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed.

Any Shareholders or other persons contemplating dealings in the Consolidated Shares or nil-paid Rights Shares are recommended to consult their own professional advisers.

Shareholders and potential investors are advised to exercise caution when dealing in the Consolidated Shares and the nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled.

LETTER FROM THE BOARD

LISTING AND DEALINGS

The Company has applied to the GEM Listing Committee for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. It is expected that dealings in the Rights Shares in their nil-paid form will take place from Monday, 21 November 2005 to Monday, 28 November 2005, both dates inclusive.

None of the securities of the Company is listed or dealt in on any other stock exchange other than GEM and no such listing or permission to deal is being or is proposed to be sought.

Subject to the grant of listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on GEM as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rule of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted into CCASS.

Rights Shares in their nil-paid form will be traded in board lots of 4,000 (same as the current board lot size of the Pre-consolidation Shares traded on GEM). Dealings in Rights Shares in their nil-paid and fully-paid forms will be subject to the payment of stamp duty in Hong Kong.

The first day of dealings in the Rights Shares in their fully-paid form is expected to commence on Friday, 9 December 2005.

TAXATION

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the tax implications of the acquisition, holding or disposal of, or dealing in the Rights Shares and, as regards the Excluded Shareholders, their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue. It is emphasized that none of the Company, the Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares.

LETTER FROM THE BOARD

CHANGES IN SHAREHOLDING STRUCTURE

Set out below is a table showing the changes in shareholding structure of the Company arising from the Share Consolidation and the Rights Issue:

	Existing shareholding structure as at the Latest Practicable Date		Shareholding structure immediately after the Share Consolidation becoming effective of the Rights Issue		Immediately after the Rights Issue and if all Qualifying Shareholders take up their respective provisional allotments of the Rights Shares in full		Immediately after the Rights Issue and if the Underwriter is required to take up all Rights Shares (other than 34,080,000 Rights Shares to be provisionally allotted to Sparkle China) pursuant to the Underwriting Agreement	
	Number of Pre-consolidation Shares	%	Number of Consolidated Shares	%	Number of Consolidated Shares	%	Number of Consolidated Shares	%
Sparkle China	170,400,000	42.60	8,520,000	42.60	42,600,000	42.60	42,600,000	42.60
Tai Fook Securities (Note 1)	-	-	-	-	-	-	45,920,000	45.92
Public	229,600,000	57.40	11,480,000	57.40	57,400,000	57.40	11,480,000	11.48
Total	<u>400,000,000</u>	<u>100.00</u>	<u>20,000,000</u>	<u>100.00</u>	<u>100,000,000</u>	<u>100.00</u>	<u>100,000,000</u>	<u>100.00</u>

Notes:

- (1) Tai Fook Securities has entered into an agreement with a sub-underwriter whereby that sub-underwriter has sub-underwritten a commitment of 18,000,000 Rights Shares, representing 18% of the issued share capital of the Company as enlarged by the issue of the Rights Shares. Each of Tai Fook Securities and such sub-underwriter is not parties acting in concert (as defined in the Takeovers Code) with each other and Sparkle China. As a result of such sub-underwriting arrangement and assuming that the sub-underwriter will take up the Rights Shares if and when called upon to do so, Tai Fook Securities will only be required to subscribe for 27,920,000 Rights Shares (representing 27.92% of the issued share capital of the Company as enlarged by the issue of the Rights Shares) even if no Qualifying Shareholders (other than Sparkle China) take up the Rights Shares provisionally allotted to them. On this basis,

LETTER FROM THE BOARD

Tai Fook Securities will not be obliged to make a general offer for the Consolidated Shares under the Takeovers Code as a result of the performance of its obligations under the Underwriting Agreement.

- (2) *As shown in the above table, in the event that no Qualifying Shareholders (other than Sparkle China) take up any Rights Shares, less than 25% of the Consolidated Shares will be held by the public. Should the Consolidated Shares held by the public fall below 25%, the Company will make necessary placing arrangements to ensure not less than 25% of the Consolidated Shares are held by the public at all times in order to comply with the minimum public float requirement under Rule 11.23 of the GEM Listing Rules.*

BUSINESS REVIEW AND PROSPECTS

By kicking off its new strategic alliance with one of the prime distributors in the industry, the Group has developed a new network of distribution and has secured a steady income stream for the coming years. The Group will continue to invest in the film production industry in Hong Kong. The Directors expect certain movies with an aggregate investment of approximately HK\$10 million are to be invested in the current financial year, although this estimate may vary depending on the market conditions and the availability of good stories and scripts and the casting that will be involved. As at the Latest Practicable Date, the production of the first film had been kicked off.

PROCEDURE FOR ACCEPTANCE AND TRANSFER

A Provisional Allotment Letter is enclosed with this prospectus which entitles you to subscribe for the number of Rights Shares shown thereon. If you wish to accept all the Rights Shares provisionally allotted to you as specified in the enclosed Provisional Allotment Letter, you must lodge the Provisional Allotment Letter in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Company's branch share registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by no later than 4:00 p.m. on Thursday, 1 December 2005. All remittances must be made in Hong Kong dollars and cheques or cashier's orders must be drawn on a bank account in Hong Kong dollars and made payable to "B&S Entertainment Holdings Limited – Rights Issue Account" and crossed "Account Payee Only".

It should be noted that unless the Provisional Allotment Letter, together with the appropriate remittance, has been lodged with the Company's branch share registrar in Hong Kong by 4:00 p.m. on Thursday, 1 December 2005, whether by the original allotted or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

LETTER FROM THE BOARD

If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on Thursday, 1 December 2005 at any time between 12:00 noon and 4:00 p.m., the latest time for payment and acceptance of the Rights Share (i.e. the Latest Acceptance Date) will be postponed to the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 12:00 noon and 4:00 p.m..

If you wish to accept only part of your provisional allotment or transfer a part of your rights to subscribe for the Rights Shares provisionally allotted to you under the Provisional Allotment Letter or to transfer your rights to more than one person, the entire Provisional Allotment Letter must be surrendered and lodged for cancellation by not later than 4:00 p.m. on Wednesday, 23 November 2005 to the Company’s branch share registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, who will cancel the original Provisional Allotment Letter and issue new Provisional Allotment Letters in the denominations required. It should be noted that Hong Kong stamp duty is payable in connection with the transfer of the rights to subscribe for the Rights Shares.

All cheques or cashier’s orders will be presented for payment following receipt and all interest earned on such moneys will be retained for the benefit of the Company. Any Provisional Allotment Letter in respect of which the cheque or cashier’s order is dishonored on first presentation is liable to be rejected, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be canceled.

No action has been taken to permit the offering of the Rights Shares or the distribution of this prospectus or Provisional Allotment Letters in any territory other than Hong Kong. Accordingly, no person receiving a Provisional Allotment Letter in any territory outside Hong Kong may treat it as an offer or invitation to apply for the Rights Shares, unless in the relevant territory such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements. Subject as referred to below, it is the responsibility of anyone outside Hong Kong wishing to make an application for the Rights Shares to satisfy himself as to the observance of the laws and regulations of all relevant territories, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such territory in connection therewith. No application for Rights Shares will be accepted from any person whose address is outside Hong Kong unless the Company is satisfied (in its absolute discretion) that such acceptance would not involve a breach of any applicable laws or regulatory requirements of any need for compliance with any registration or other legal or regulatory requirements. The Company reserves the right to refuse to accept any application for the Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of the territory of residence of the applicant.

LETTER FROM THE BOARD

APPLICATION FOR EXCESS RIGHTS SHARES

If you wish to apply for any Rights Shares in addition to your provisional allotment, you must complete and sign the enclosed Excess Application Form in accordance with the instructions printed thereon and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Company's branch share registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by no later than 4:00 p.m. on Thursday, 1 December 2005. All remittances must be made in Hong Kong dollars and cheques or cashier's orders must be drawn on a bank account in Hong Kong and made payable to "B&S Entertainment Holdings Limited – Excess Application Account" and crossed "Account Payee Only".

If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on Thursday, 1 December 2005 at any time between 12:00 noon and 4:00 p.m., the latest time for payment and acceptance of the Rights Share (i.e. the Latest Acceptance Date) will be postponed to the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 12:00 noon and 4:00 p.m..

The Company's branch share registrar in Hong Kong will notify you of any allotment of excess Rights Shares made to you, which will be at the discretion of the Directors on a fair and equitable basis, but will give preference to topping-up odd lots to whole board lots of Shares. You should note that the Directors will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, you should note that the aforesaid arrangement in relation to the allocation of excess Rights Shares will not be extended to the ultimate beneficial owners individually.

If no excess Rights Shares are allotted to you, the amount tendered on application is expected to be returned to you in full on Wednesday, 7 December 2005. If the number of excess Rights Shares allotted to you is less than that applied for, the surplus application moneys are also expected to be returned to you on Wednesday, 7 December 2005.

All cheques or cashier's orders will be presented for payment following receipt and all interest earned on such moneys will be retained for the benefit of the Company. Any Excess Application Form in respect of which a cheque or cashier's order is dishonored on first presentation is liable to be rejected.

The Excess Application Form is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including cheques or cashier's orders for amounts due, will be sent at the risk of the persons entitled to their registered addresses by the Company's branch share registrar in Hong Kong.

LETTER FROM THE BOARD

No action has been taken to permit the offering of the Rights Shares or the distribution of this prospectus or the Excess Application Form in any territory outside Hong Kong and therefore the Excess Application Form may not be used by the Excluded Shareholders. Accordingly, no person receiving a copy of the Excess Application Form in any territory outside Hong Kong may treat it as an offer or invitation to apply for excess Rights Shares, unless in the relevant territory such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements. Subject as referred to below, it is the responsibility of anyone outside Hong Kong wishing to make an application for the excess Rights Shares to satisfy himself as to the observance of the laws and regulations of all relevant territories, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such territory in connection therewith. No application for excess Rights Shares will be accepted from any person whose address is outside Hong Kong unless the Company is satisfied (in its absolute discretion) that such acceptance would not involve a breach of any applicable laws or regulatory requirements of any need for compliance with any registration or other legal or regulatory requirements. The Company reserves the right to refuse to accept any application for excess Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of the territory of residence of the applicant.

GENERAL

Your attention is drawn to the additional information contained in the appendices to this prospectus.

Yours faithfully,
For and on behalf of the Board of
B&S Entertainment Holdings Limited
Lee Man Kwong
Director

1. SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last three financial years, as extracted from the audited financial statements, is set out below.

Results

	Year ended 30 June		
	2005	2004	2003
	HK\$'000	HK\$'000	HK\$'000
TURNOVER	1,763	20,593	28,023
Cost of sales	(5,704)	(7,724)	(17,118)
Gross (loss)/profit	(3,941)	12,869	10,905
Other revenues	262	51	118
Selling and distribution costs	(253)	(1,371)	(3,005)
Administrative and other expenses	(49,700)	(8,570)	(5,501)
(LOSS)/PROFIT FROM OPEATING ACTIVITIES	(53,632)	2,979	2,517
Finance costs	(1,659)	(750)	(438)
(LOSS)/PROFIT BEFORE TAXATION	(55,291)	2,229	2,079
Taxation credit/(charged)	5	(651)	(236)
(LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS	(55,286)	1,578	1,843

Assets and liabilities

	Year ended 30 June		
	2005	2004	2003
	HK\$'000	HK\$'000	HK\$'000
TOTAL ASSETS	5,615	66,221	58,948
TOTAL LIABILITIES	(29,340)	(34,660)	(28,965)
Net Assets/(Liabilities)	(23,725)	31,561	29,983

2. SUMMARY OF AUDITED FINANCIAL STATEMENTS

Set out below is the audited consolidated income statement, consolidated balance sheet, balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and notes to the financial statements of the Group as extracted from pages 18 to 48 of the annual report of the Company for the year ended 30 June 2005. References to page numbers in this appendix are to the page numbers of such annual report of the Company.

CONSOLIDATED INCOME STATEMENT

For the year ended 30th June 2005

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
TURNOVER	5	1,763	20,593
Cost of sales		<u>(5,704)</u>	<u>(7,724)</u>
Gross (loss)/ profit		(3,941)	12,869
Other revenues	6	262	51
Selling and distribution costs		(253)	(1,371)
Administrative and other expenses		<u>(49,700)</u>	<u>(8,570)</u>
(LOSS)/PROFIT FROM OPERATING ACTIVITIES	8	(53,632)	2,979
Finance costs	9	<u>(1,659)</u>	<u>(750)</u>
(LOSS)/PROFIT BEFORE TAXATION		(55,291)	2,229
Taxation credit/(charged)	12	<u>5</u>	<u>(651)</u>
(LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<u><u>(55,286)</u></u>	<u><u>1,578</u></u>
(LOSS)/EARNINGS PER SHARE	15		
Basic		<u>(HK13.82 cents)</u>	<u>HK0.39 cent</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET

As at 30th June 2005

	Notes	2005 HK\$'000	2004 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	–	30
Film rights and films in progress	17	611	3,946
Prepayments	20	–	5,600
Deferred tax assets	27	1,830	1,830
		<u>2,441</u>	<u>11,406</u>
Current assets			
Film rights and films in progress	17	2,815	25,186
Accounts receivable	19	–	9,038
Prepayments, deposits and other receivables	20	274	9,958
Pledged deposits	21	–	10,000
Cash and cash equivalents	21	85	633
		<u>3,174</u>	<u>54,815</u>
LIABILITIES			
Current liabilities			
Deposits received		1,772	1,212
Accounts payable	22	170	89
Accrued liabilities and other payables		2,640	936
Tax payable		–	16
Bank overdrafts, secured	23	6,118	17,361
Shareholder's loan	24	4,640	–
Short term loans	25	3,000	6,000
		<u>18,340</u>	<u>25,614</u>
Net current (liabilities)/assets		<u>(15,166)</u>	<u>29,201</u>
Total assets less current liabilities		<u>(12,725)</u>	<u>40,607</u>
Non-current liabilities			
Due to a director		–	9,046
Other loan	26	11,000	–
NET (LIABILITIES)/ASSETS		<u>(23,725)</u>	<u>31,561</u>
CAPITAL AND RESERVES			
Issued capital	28	4,000	4,000
Reserves		(27,725)	27,561
		<u>(23,725)</u>	<u>31,561</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30th June 2005

Group

	Issued capital HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Accumu- lated losses HK\$'000	Total HK\$'000
At 30th June 2003 and 1st July 2003	4,000	20,027	17,590	(11,634)	29,983
Net profit for the year	—	—	—	1,578	1,578
At 30th June 2004 and 1st July 2004	4,000	20,027	17,590	(10,056)	31,561
Net loss for the year	—	—	—	(55,286)	(55,286)
At 30th June 2005	<u>4,000</u>	<u>20,027</u>	<u>17,590</u>	<u>(65,342)</u>	<u>(23,725)</u>

Company

	Issued capital HK\$'000	Share premium account HK\$'000	Accumu- lated losses HK\$'000	Total HK\$'000
At 30th June 2003 and 1st July 2003	4,000	20,027	(720)	23,307
Net loss for the year	—	—	(890)	(890)
At 30th June 2004 and 1st July 2004	4,000	20,027	(1,610)	22,417
Net loss for the year	—	—	(27,301)	(27,301)
At 30th June 2005	<u>4,000</u>	<u>20,027</u>	<u>(28,911)</u>	<u>(4,884)</u>

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30th June 2005

	2005 HK\$'000	2004 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(55,291)	2,229
Adjustments for:		
Finance costs	1,659	750
Interest income	(10)	(32)
Depreciation	17	33
Impairment losses on film rights and films in progress	20,474	–
Loss on disposal of property, plant and equipment	13	–
Provision for irrecoverable deposits and prepayments	15,400	–
Provision for doubtful debts	8,556	3,490
OPERATING (LOSS)/PROFIT BEFORE WORKING CAPITAL CHANGES	(9,182)	6,470
Decrease/(increase) in film rights and films in progress	5,232	(3,663)
Decrease/(increase) in accounts receivable	482	(10,018)
(Increase)/decrease in prepayments, deposits and other receivables	(116)	1,730
Increase in deposits received	560	289
Increase/(decrease) in accounts payable	81	(570)
Increase/(decrease) in accrued liabilities and other payables	1,704	(12)
Decrease in an amount due to a director	(9,046)	–
Increase in other loan	11,000	–
CASH GENERATED FROM/(USED IN) OPERATIONS	715	(5,774)
Hong Kong profits tax paid	(11)	(11)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	704	(5,785)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	10	32
Purchases of property, plant and equipment	–	(12)
NET CASH INFLOW FROM INVESTING ACTIVITIES	10	20
CASH FLOWS FROM FINANCING ACTIVITIES		
New loans raised	5,439	6,000
Loans repayment	(3,900)	–
Interest paid	(1,558)	(750)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	(19)	5,250
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	695	(515)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	(6,728)	(6,213)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>(6,033)</u>	<u>(6,728)</u>

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	85	541
Non-pledged time deposits with original maturity of less than three months when acquired	21	–	92
Time deposits with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities	21	–	10,000
Bank overdrafts, secured	23	(6,118)	(17,361)
		<u>(6,033)</u>	<u>(6,728)</u>

BALANCE SHEET*As at 30th June 2005*

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Interests in subsidiaries	18	295	17,443
Current assets			
Prepayments, deposits and other receivables		56	60
Pledged deposits	21	–	10,000
Cash and cash equivalents	21	2	95
		<u>58</u>	<u>10,155</u>
LIABILITIES			
Current liabilities			
Accrued liabilities and other payables		1,464	181
Shareholder's loan	24	773	–
Short term loan, secured	25	3,000	5,000
		<u>5,237</u>	<u>5,181</u>
Net current (liabilities)/assets		<u>(5,179)</u>	<u>4,974</u>
NET (Liabilities)/ASSETS		<u><u>(4,884)</u></u>	<u><u>22,417</u></u>
CAPITAL AND RESERVES			
Issued capital	28	4,000	4,000
Reserves		(8,884)	18,417
		<u>(4,884)</u>	<u>22,417</u>

NOTES TO THE FINANCIAL STATEMENTS*30th June 2005***1. CORPORATE INFORMATION**

The Company was incorporated in the Cayman Islands on 11th April 2002 as an exempted company with limited liability under the Companies Law of the Cayman Islands.

The registered office of the Company is located at Century Yard, Cricket Square, Hutchins Drive, P. O. Box 2681 GT, George Town, Grand Cayman, British West Indies. The principal place of business of the Company is located at Room 1108, 11th Floor, Asia Standard Tower, 59-65 Queen's Road Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries have not changed during the year and involve in the production and sales of videos and films, and the licensing of video and copyrights/film rights. The principal activities of the subsidiaries are set out in note 18 to the financial statements.

2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS

The Hong Kong Institute of Certified Public Accountants has issued a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, hereinafter collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 30th June 2005.

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the financial statements, the Directors have given careful consideration to the future liquidity of the Group in the light of its consolidated loss attributable to shareholders of HK\$55,286,000 for the year ended 30th June 2005 and net current liabilities of HK\$15,166,000 and deficiency of shareholders' fund of HK\$23,725,000 as at 30th June 2005.

In preparing the financial statements for the year ended 30th June 2005, the Directors considered that it is still appropriate to adopt a going concern basis for the reason that the Company has various fund raising plans subsequent to the balance sheet date. The Company has already proceeded with one of such fund raising plans to obtain additional working capital. In the opinion of the Directors, after the completion of such fund raising activity, the Group will have sufficient working capital to fulfill its present requirements and finance its operations.

4. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with Statements of Standard Accounting Practice and interpretations issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements are prepared under the historical cost convention.

(a) Revenue Recognition*(i) Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(ii) *Income from the licensing and sub-licensing of distribution rights over films*

Revenue is recognised when the Group's entitlement to such payments has been established, which, subject to the terms of the relevant agreements, is usually upon delivery of the master tapes to the customers; and

(iii) *Interest income*

Interest income is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

(b) Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

Investments in subsidiaries in the balance sheet are stated at cost less provision for impairment losses. The results of subsidiaries are accounted to the extent of dividends received and receivable.

(c) Basis of Consolidation

The consolidated financial statements have been prepared using the merger basis of accounting. Under this basis, the Company has been treated as the holding company of its subsidiaries for the financial years presented rather than from the date of acquisition of the subsidiaries. Accordingly, the consolidated results and cash flows of the Group for each of the years ended 30th June 2004 and 2005 include the results and cash flows of the Company and its subsidiaries with effect from 1st July 2002 or since their respective dates of incorporation, where this is a shorter period.

All significant transactions and balances within the Group have been eliminated in the preparation of the consolidated financial statements.

In the opinion of the directors, the consolidated financial statements prepared on the aforesaid basis present more fairly the results and state of affairs of the Group as a whole.

(d) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of that asset.

The gain or loss on disposal or retirement of an asset recognised in the income statement is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(e) Depreciation

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates are as follows:

Office equipment	25%
Furniture and fixtures	25%
Plant and machinery	25%

(f) Operating Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the lease terms.

(g) Film Rights, Films in Progress and Sub-Licensing Rights*(i) Film rights*

Films produced or acquired by the Group are stated at production or acquisition costs less amortization and any foreseeable losses. Costs represent the carrying amount transferred from films in progress upon their completion or the purchase price of the film rights, and are amortised at rates calculated to write off these costs in proportion to the expected revenues from the distribution and licensing of the films. Provisions are made against the carrying amounts of films if the carrying amounts exceed their expected future revenue.

(ii) Films in progress

Films in progress are stated at cost less impairment losses. Costs include all direct cost associated with the production of films. Provisions are made against costs which are in excess of future revenue expected to be generated by these films. The costs of films in progress are transferred to film rights upon completion.

(iii) Sub-licensing rights

Licence fees paid to acquire the rights for the sub-licensing of films produced by third parties in specified geographical areas and time periods are accounted for as sub-licensing rights. Upon the release of these purchased films, the relevant portion of the licence fees are charged to the income statement on a systematic basis, in proportion to the expected revenues and the underlying licence periods. Provisions are made against the carrying amounts of the sub-licensing rights if the carrying amounts exceeds their expected future revenue.

(h) Impairment of Assets

At each balance sheet date, assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of one of these assets may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss, representing the difference between the carrying amount and the recoverable amount, is recognised in the income statement. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the disposal of an asset in an arm's length transaction less the costs of the disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Reversal of an impairment loss of an asset recognised in prior years is recorded when there is an indication that the impairment loss recognised for the asset no longer exists or has decreased. The reversal is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years and credited to the income statement.

(i) Accounts Receivable

Provision is made against accounts receivable to the extent that they are considered to be doubtful. Accounts receivable in the balance sheet is stated net of such provision.

(j) Cash and Cash Equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

(k) Deferred Taxation

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

(l) Provisions and Contingent Liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(m) Translation of Foreign Currencies

Transactions in foreign currencies during the year are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

The balance sheet of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the income statement is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(n) Employee Benefits*(i) Retirement scheme*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(ii) Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

(o) Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or vice versa. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

5. TURNOVER

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

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Licensing of film rights	1,763	20,200
Sub-licensing of film rights	–	380
Sale of videos and video compact discs	–	13
	<u>1,763</u>	<u>20,593</u>

6. OTHER REVENUES

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interest income	10	32
Others	252	19
	<u>262</u>	<u>51</u>

7. SEGMENT INFORMATION

The Group is principally engaged in the production of video and films, and licensing of video and copyrights/film rights. Accordingly, no analysis of business segment, the primary segment, is provided.

In determining the Group's geographical segments, the secondary segment, revenues and results from the sale of videos and video compact discs are attributed to the segments based on the location of the customers and for the distribution of film rights licensing and sub-licensing activities, based on the location of the ultimate markets. As all of the Group's principal activities were carried out in Hong Kong during the year, no analysis of geographical segment assets information is presented.

Geographical segments

The following tables present revenue and profit/(loss) information for the Group's geographical segments.

Group

	Hong Kong		Elsewhere in the PRC		Asia excluding Hong Kong and elsewhere in the PRC		Others		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	<u>1,456</u>	<u>455</u>	<u>-</u>	<u>11,842</u>	<u>21</u>	<u>5,514</u>	<u>286</u>	<u>2,782</u>	<u>1,763</u>	<u>20,593</u>
Segment results	<u>(51,398)</u>	<u>(315)</u>	<u>-</u>	<u>4,173</u>	<u>(4)</u>	<u>(1,857)</u>	<u>(2,492)</u>	<u>927</u>	<u>(53,894)</u>	<u>2,928</u>
Other revenues									252	19
Interest income									10	32
Finance costs									<u>(1,659)</u>	<u>(750)</u>
(Loss)/Profit before taxation									<u>(55,291)</u>	<u>2,229</u>
Taxation									<u>5</u>	<u>(651)</u>
(Loss)/Profit attributable to shareholders									<u><u>(55,286)</u></u>	<u><u>1,578</u></u>

8. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

The Group's (loss)/profit from operating activities is arrived at after charging:

	For the year ended 30th June	
	2005 HK\$'000	2004 HK\$'000
Cost of film and sub-licensing rights*	5,686	7,709
Cost of inventories sold	18	15
Depreciation	17	33
Provision for doubtful debts	8,556	3,490
Impairment losses on film rights and films in progress	20,474	–
Provision for irrecoverable deposits and prepayments	15,400	–
Loss on disposal of property, plant and equipment	13	–
Auditors' remuneration	131	200
Staff costs (excluding directors' remuneration in (Note 10)):		
Wages and salaries	2,331	2,487
Retirement scheme contributions	53	95
	2,384	2,582
Minimum lease payments under operating leases in respect of land and buildings to:		
– a related company (Note 32)	100	168

* The cost of film and sub-licensing rights for the year included amortisation of film rights of HK\$5,295,000 (2004: HK\$7,002,000) and is included in cost of sales in the consolidated income statement.

9. FINANCE COSTS

	Group	
	2005 HK\$'000	2004 HK\$'000
Interest on bank overdrafts wholly repayable within one year	517	691
Interest on short term loan	1,142	59
	1,659	750

10. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Fees	30	80
Other emoluments:		
Salaries, allowances and benefits in kind	400	1,200
Retirement scheme contributions	10	30
	<u>410</u>	<u>1,230</u>
	<u><u>440</u></u>	<u><u>1,310</u></u>

All the fees were payable to the independent non-executive Directors and there were no remuneration payable to the non-executive Director during the year. (2004: All the fees were payable to independent non-executive Directors and the non-executive Director.)

The remuneration of each of the Directors fell within the band of Nil to HK\$1,000,000 for each of the two years ended 30th June 2005 and 2004.

	2005			2004	
	Fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Total	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Siu Luen Fat	–	280	4	284	852
Siu Kin Fat	–	60	3	63	189
Siu Kuen Fat	–	60	3	63	189
Chiu Kam Hing, Kathy	10	–	–	10	20
Cheung Wai Bun, Charles	10	–	–	10	20
Li Chi Fai	10	–	–	10	–
Kan Ching Duen	–	–	–	–	20
Hung Kam Po	–	–	–	–	20
	<u>30</u>	<u>400</u>	<u>10</u>	<u>440</u>	<u>1,310</u>

No emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. There were no arrangement under which a Director waived or agreed to waive any remuneration during the year.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included one (2004: one) director, details of whose remuneration are set out in note 10 above. Details of the remuneration of the remaining four (2004: four) non-director, highest paid employees are as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Salaries and allowances	1,320	1,424
Retirement scheme contributions	24	46
	<u>1,344</u>	<u>1,470</u>

The emoluments of each of the remaining non-director, highest paid employees fell within the band of Nil to HK\$1,000,000 for each of the two years ended 30th June 2005 and 2004.

12. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the year.

The amount of taxation charged to the income statement represents:

	2005	2004
	HK\$'000	HK\$'000
Hong Kong profits tax	–	–
Over-provision in prior years	(5)	–
Deferred taxation (<i>Note 27</i>)	–	651
	<u>(5)</u>	<u>651</u>

The charge for the year can be reconciled to the (loss)/profit per the income statement as follows:

	2005	2004
	HK\$'000	HK\$'000
(Loss)/profit before taxation	<u>(55,291)</u>	<u>2,229</u>
Calculated at Hong Kong profits tax rate of 17.5% (2004: 17.5%)	(9,675)	390
Tax effect of non-deductible expenses	6,800	–
Over-provision in prior years	(5)	–
Tax effect on unused tax losses not recognised	2,870	259
Tax effect on deductible temporary differences not recognised	5	–
Others	–	2
	<u>(5)</u>	<u>651</u>

13. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 30th June 2005 dealt with in the financial statements of the Company is HK\$27,301,000 (2004: HK\$890,000).

14. DIVIDENDS

No dividend was paid or proposed for the year ended 30th June 2005, nor has any dividend been proposed since the balance sheet date (2004: Nil).

15. LOSS PER SHARE

The basic loss per share for the year (2004: basic earnings per share) is calculated based on the loss from ordinary activities attributable to shareholders of the Group for the year of HK\$55,286,000 (2004: profit of HK\$1,578,000), and the weighted average of 400,000,000 (2004: 400,000,000) ordinary shares in issue during the year.

Diluted earnings per share amounts for each of the two years ended 30th June 2005 and 2004 have not been disclosed as no diluting event existed during these years.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Office equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost				
At 1st July 2004	144	198	339	681
Disposals	(64)	(48)	(12)	(124)
	<u>80</u>	<u>150</u>	<u>327</u>	<u>557</u>
At 30th June 2005	80	150	327	557
Accumulated depreciation				
At 1st July 2004	127	189	335	651
Charge for the year	4	9	4	17
Written back on disposals	(51)	(48)	(12)	(111)
	<u>80</u>	<u>150</u>	<u>327</u>	<u>557</u>
At 30th June 2005	80	150	327	557
Net book value				
At 30th June 2005	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>
At 30th June 2004	<u><u>17</u></u>	<u><u>9</u></u>	<u><u>4</u></u>	<u><u>30</u></u>

At 30th June 2005 and 30th June 2004, the Company had no property, plant and equipment.

17. FILM RIGHTS AND FILMS IN PROGRESS

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Film rights	2,686	5,211
Films in progress	17,241	19,172
Sub-licensing rights	3,973	4,749
	<hr/>	<hr/>
	23,900	29,132
Less: Impairment losses	(20,474)	–
	<hr/>	<hr/>
	3,426	29,132
Less: Amounts classified as current assets	(2,815)	(25,186)
	<hr/>	<hr/>
Non-current portion	<u>611</u>	<u>3,946</u>

18. INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	100	100
Amounts due from subsidiaries	763	17,370
Amounts due to subsidiaries	(568)	(27)
	<hr/>	<hr/>
	<u>295</u>	<u>17,443</u>

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

18. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the subsidiaries are as follows:

Name	Place of incorporation and operations	Nominal Value of issued and paid-up share capital	Percentage of equity attributable to the company		Principal activities
			Direct	Indirect	
B&S Group Limited	British Virgin Islands/ Hong Kong	US\$30,000 ordinary	100	–	Investment holding
Best Faith (Hong Kong) Limited (Trading as B&S Films Creation Works House)	Hong Kong	HK\$3,000 ordinary	–	100	Production and sale of videos and films, and licensing of videos and copyrights/film rights
B&S Films Production Limited	Hong Kong	HK\$10,000 ordinary	–	100	Production of videos and films
B&S Films Distribution Company Limited	Hong Kong	HK\$10,000 Ordinary	–	100	Distribution of videos and copyrights/film rights, and the provision of agency services
Fleur Group Limited	British Virgin Islands/ Hong Kong	US\$15,000 ordinary	–	100	Holding of copyrights

19. ACCOUNTS RECEIVABLE

An aged analysis of the accounts receivable at the balance sheet date, based on invoice date, is as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	–	2,545
Between 31 to 60 days	–	2,400
Between 61 to 90 days	–	1,950
Between 91 to 120 days	–	1,300
Over 120 days	12,046	4,333
	<hr/>	<hr/>
	12,046	12,528
Less: Provision for doubtful debts	(12,046)	(3,490)
	<hr/>	<hr/>
	–	9,038
	<hr/> <hr/>	<hr/> <hr/>

The credit terms offered by the Group are in accordance with the terms specified in the agreements entered into with the customers. For the customers who have a long established business relationship with the Group and who are assessed to have good creditworthiness, a credit term ranging from 30 to 90 days is offered, subject to the directors' approval.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayments, deposits and other receivables	15,674	15,558
Less: Provision for irrecoverable deposits and prepayments	(15,400)	–
	<hr/>	<hr/>
	274	15,558
Less: Amounts classified as current assets	(274)	(9,958)
	<hr/>	<hr/>
Non-current portion	–	5,600
	<hr/> <hr/>	<hr/> <hr/>

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Cash and bank balances	85	541	2	3
Time deposits	–	10,092	–	10,092
	85	10,633	2	10,095
Less: Pledged time deposits, pledged for bank overdraft facilities	–	(10,000)	–	(10,000)
Cash and cash equivalents	<u>85</u>	<u>633</u>	<u>2</u>	<u>95</u>

22. ACCOUNTS PAYABLE

An aged analysis of the accounts payable at the balance sheet date, based on invoice date, is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Within 30 days	18	–
Between 31 to 60 days	12	–
Between 61 to 90 days	48	–
Over 90 days	92	89
	<u>170</u>	<u>89</u>

23. BANK OVERDRAFTS SECURED

The bank overdrafts were secured by a corporate guarantee from the Company and the personal guarantees from certain Directors who resigned during the year.

24. SHAREHOLDER'S LOAN

The loan is unsecured, interest bearing at 5% per annum and repayable on demand.

25. SHORT TERM LOANS

	Group	
	2005 HK\$'000	2004 HK\$'000
Loans wholly repayable within 1 year		
– Secured	3,000	5,000
– Unsecured	–	1,000
	<u>3,000</u>	<u>6,000</u>

At 30th June 2005, the loan was secured by all property and assets of the Company.

26. OTHER LOAN

The loan is unsecured, interest-free and it is the intention of the lender not to demand for repayment in the foreseeable future.

27. DEFERRED TAXATION

The following are the major deferred tax assets recognised by the Group during the current and prior years:

	2005 HK\$'000	2004 HK\$'000
At beginning of the year	1,830	2,481
Transfer to income statements (<i>Note 12</i>)	–	(651)
	<u>1,830</u>	<u>1,830</u>
At end of the year	<u>1,830</u>	<u>1,830</u>
Provided for in respect of:		
Accelerated depreciation allowances	15	15
Unused tax losses	1,815	1,815
	<u>1,830</u>	<u>1,830</u>

At 30th June 2005, there was no material unprovided deferred tax liabilities.

28. ISSUED CAPITAL

	Company	
	2005 HK\$'000	2004 HK\$'000
Authorised:		
3,000,000,000 ordinary shares of HK\$0.01 each	<u>30,000</u>	<u>30,000</u>
Issued and fully paid:		
400,000,000 ordinary shares of HK\$0.01 each	<u>4,000</u>	<u>4,000</u>

29. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's Directors (including independent non-executive Directors), other employees of the Group, and suppliers of goods or services to the Group. The Scheme became effective on 22nd July 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the scheme within any 12 month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder or an independent non-executive Director, or to any of their associates, in excess of 0.1% of the shares of the company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12 month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the Directors, but may not be less than the higher of (i) the Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Exchange closing price of the Company's share for five trading days immediately preceding the date of the offer; and (iii) the nominal value of the shares.

Share options do not confer rights on the holders to dividends or to vote at shareholder's meeting.

No share option has been granted by the Company under the scheme up to the date of approval of these financial statements.

30. CONTINGENT LIABILITIES

As at 30th June 2005, there was a pending litigation against the Group in respect of salaries arrears to the amount of approximately HK\$800,000. The Company is of the view that the claims are without merit and has procured appropriate legal actions for counter-claim against the relevant parties for damages for breach of contracts to amount of approximately HK\$1,600,000. Therefore, no provision has been made for the claim in the financial statements of the Group for the year ended 30th June 2005.

31. OPERATING LEASE ARRANGEMENTS

At 30th June 2005, the Group had total future minimum lease payments under the non-cancellable operating lease falling due as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	–	98
In the second to fifth years, inclusive	–	–
	<u>–</u>	<u>–</u>
	<u>–</u>	<u>98</u>

At 30th June 2005 and 30th June 2004, the Company did not have any significant operating lease arrangements.

32. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties, apart from those disclosed elsewhere in the financial statements, during the year:

		2005 HK\$'000	2004 HK\$'000
(a)	Lightal Limited:		
	Operating lease rentals in		
	respect of land and buildings	<u>100</u>	<u>168</u>

Note: The office rental expense was determined with reference to the prevailing market value.

- (b) A Director, who resigned during the year, has assigned the amount due to him of HK\$11,000,000 by the Company to an independent third party.
- (c) The Group's banking facilities were secured by the unlimited personal guarantees from certain Directors who resigned during the year.

33. COMPARATIVE FIGURES

With a review of financial statements' presentation, certain items in the financial statements were reclassified which would result in a more appropriate presentation of events or transactions. Accordingly, comparative figures have been reclassified to conform with the current year's presentation.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 23rd September 2005.

3. INDEBTEDNESS

Borrowings

As at the close of business on 30 September 2005, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this prospectus, the Group had outstanding borrowings and debts of approximately HK\$24,475,000, comprising the following:

	<i>HK\$'000</i>
1. Bank overdrafts	5,670
2. Shareholder's loan	4,585
3. Short-term loan	3,220
4. Other loan	11,000
	<hr/>
	24,475
	<hr/> <hr/>

The bank overdrafts were secured by guarantee give by the Company and an ex-director of the Company while the short-term loan was secured by floating charges over the undertaking, property and assets of the Company. The net book value of the total assets of the Company was approximately HK\$921,000 as at 30 June 2005 and all such assets were used to secure the short-term loan. The shareholder's loan and other loan were unsecured.

Contingent Liabilities

As at 30 September 2005, guarantees were given by the Company for bank overdrafts of one of its subsidiary to the extent of approximately HK\$18,000,000 which is repayable by a monthly payment of HK\$300,000.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, at the close of business on 30 September 2005, the Group had no other outstanding mortgages, charges, debentures or other loan capital or bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

The Directors confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 30 September 2005 up to the Latest Practicable Date.

4. MATERIAL CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 June 2005, the date to which the latest published audited consolidated financial statements of the Group were made up.

5. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into account the internal resources available to the Group and the net proceed to be raised from the Rights Issue, the Group will have sufficient working capital for at least twelve months from the date of this prospectus.

6. ADVANCES TO ENTITY

As disclosed in the Company's announcement dated 14 September 2005, 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 then 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 5 September 2005 to 9 September 2005. As at the Latest Practicable Date, 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 the Latest Practicable Date.

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 the Latest Practicable Date.

1. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE LIABILITIES

The statement of unaudited pro forma adjusted consolidated net tangible liabilities prepared in accordance with paragraph 13 of Appendix 1B and paragraph 31 of Chapter 7 of the GEM Listing Rules is set out below to illustrate the effect of the Rights Issue on the net tangible liabilities of the Group as if the Rights Issue had taken place on 30 June 2005.

The statement of unaudited pro forma adjusted consolidated net tangible liabilities has been prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Group following the Rights Issue.

The following statement of unaudited pro forma adjusted consolidated net tangible liabilities of the Group is based on the consolidated net liabilities of the Group as at 30 June 2005, adjusted as described below:

Audited consolidated net liabilities of the Group as at 30 June 2005	Less: Intangible assets	Audited consolidated net tangible liabilities of the Group as at 30 June 2005	Estimated net proceeds from the Rights Issue	Unaudited pro forma adjusted consolidated net tangible liabilities of the Group	Unaudited pro forma adjusted consolidated net tangible liabilities value of the Group per Share
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
(a)	(a)	(a)	(b)		
Before completion of the Share Consolidation and Rights Issue					(HK\$0.06)/ Pre-consolidation Share (c)
<u>(23,725)</u>	<u>(739)</u>	<u>(24,464)</u>			
After completion of Share Consolidation but before completion of Rights Issue					(HK\$1.22)/ Consolidated Share (d)
<u>(23,725)</u>	<u>(739)</u>	<u>(24,464)</u>			
After completion of Share Consolidation and Rights Issue			14,500	(9,964)	(HK\$0.10)/ Consolidated Share (e)
<u>(23,725)</u>	<u>(739)</u>	<u>(24,464)</u>			

- (a) The audited consolidated net liabilities of the Group is extracted from the audited financial statements of the Group for the year ended 30 June 2005. As at 30 June 2005, the consolidated net liabilities of the Group included sub-licensing rights of approximately HK\$739,000, out of which approximately HK\$611,000 were classified as non-current assets while the remaining were classified as current assets, which are considered as intangible assets and was adjusted to arrive at the consolidated net tangible liabilities of the Group as at 30 June 2005.
- (b) The estimated net proceeds from the Rights Issue are based on 80,000,000 Rights Shares to be allotted at the Subscription Price of HK\$0.20 each under the Rights Issue and after deducting expenses including underwriting commission, professional fees, printing charges and sundry expenses of approximately HK\$1.5 million.
- (c) The calculation is based on 400,000,000 Pre-consolidation Shares in issue as at 30 June 2005.
- (d) The calculation is based on 20,000,000 Consolidated Shares before completion of the Rights Issue.
- (e) The calculation is based on 100,000,000 Consolidated Shares. (i.e. 20,000,000 Consolidated Shares and 80,000,000 Rights Shares to be issued.)

2. LETTER ON UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE LIABILITIES

The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, received from Hopkins CPA Limited in respect of the unaudited pro forma adjusted consolidated net tangible liabilities of the Group as set out in this appendix.

**HOPKINS CPA LIMITED**

- 25/F Man Yee Building
- 68 Des Voeux Road Central
- Hong Kong

17 November 2005

The Board of Directors
B & S Entertainment Holdings Limited
Room 1108, 11th Floor
Asia Standard Tower
59-65 Queen's Road Central
Hong Kong

Dear Sirs,

We report on the statement of unaudited pro forma adjusted consolidated net tangible liabilities of B & S Entertainment Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 47 to 48 of Appendix II to the prospectus dated 17 November 2005 (the "Prospectus") in connection with the proposed rights issue of 80,000,000 rights shares at a subscription price of HK\$0.20 each in the proportion of four rights shares for every one consolidated share held (the "Rights Issue"). The statement of unaudited pro forma adjusted consolidated net tangible liabilities has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Rights Issue might have affected the consolidated net tangible liabilities of the Group as at 30 June 2005.

Responsibilities

It is the sole responsibility of the directors of the Company to prepare the statement of unaudited pro forma adjusted consolidated net tangible liabilities in accordance with paragraph 13 of Appendix 1B and paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

It is our responsibility to form an opinion, as required by paragraph 31 of Chapter 7 of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given

by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the listing rules" issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the statement of unaudited pro forma adjusted consolidated net tangible liabilities with the directors of the Company.

Our work does not constitute an audit or a review in accordance with Statement of Auditing Standards, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and accordingly we do not express any such assurance on the statement of unaudited pro forma adjusted consolidated net tangible liabilities.

The statement of unaudited pro forma adjusted consolidated net tangible liabilities has been prepared on the basis set out on pages 47 to 48 of Appendix II to the Prospectus for illustrative purposes only and, because of its nature, it may not give an indicative financial position of the Group as a 30 June 2005 or at any future date.

Opinion

In our opinion:

- (a) the statement of unaudited pro forma adjusted consolidated net tangible liabilities has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Yours faithfully,
Hopkins CPA Limited
Certified Public Accountants
Albert Lam
Practising Certificate Number P02080
Hong Kong

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were, and immediately following completion of the Share Consolidation and the Rights Issue will be, as follows:

As at the Latest Practicable Date

<i>Authorised share capital:</i>		<i>HK\$</i>
3,000,000,000	Pre-consolidation Shares	30,000,000.00
<i>Issued and fully paid share capital or credited as fully paid:</i>		
<u>400,000,000</u>	Pre-consolidation Shares	<u>4,000,000.00</u>

Upon completion of the Share Consolidation and the Rights Issue

<i>Authorised share capital:</i>		<i>HK\$</i>
150,000,000	Consolidated Shares	30,000,000.00
<i>Issued and fully paid share capital or credited as fully paid:</i>		
20,000,000	Consolidated Shares	4,000,000.00
<u>80,000,000</u>	Rights Shares	<u>16,000,000.00</u>
<u>100,000,000</u>	Consolidated Shares	<u>20,000,000.00</u>

All the issued shares in the capital of the Company rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital. The Rights Shares to be allotted and issued will, when issued and fully paid, rank pari passu in all respects with the then existing Consolidated Shares in issue on the date of allotment of the Rights Shares in fully-paid form. The Company had no debt securities in issue as at the Latest Practicable Date.

The Company did not have any other options, warrants and other convertible securities or rights affecting the Consolidated Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date

3. DISCLOSURE OF INTERESTS

(1) Directors' interests in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO); or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by Directors to be notified to the Company and the Stock Exchange were as follows:

Interests in Pre-consolidation Shares

Name of Director	Capacity	Number of Pre-consolidation Shares	Approximate shareholding percentage
Lee Man Kwong	Interest of controlled corporation (Note 1)	170,400,000 (Note 2)	Note 2

Notes:

- These shares were held by Sparkle China, the entire issued share capital of which is owned as to 70% by Mr Lee and 30% by Ms Xiong Jingling. Mr Lee is deemed to be interested in all shares held by Sparkle China by virtue of the SFO.
- As confirmed by Mr Lee, these shares were Pre-consolidation Shares having a par value of HK\$0.01 each. These shares represent about 42.6% of the Company's total number of issued shares, on the basis of 400,000,000 Pre-consolidation Shares of HK\$0.01 each in issue.

Interests in Consolidated Shares

Name of Director	Capacity	Number of Consolidated Shares	Approximate shareholding percentage
Lee Man Kwong	Interest of controlled Corporation (<i>Note 1</i>)	34,080,000 (<i>Note 2</i>)	<i>Note 2</i>

Notes:

1. These shares were held by Sparkle China, the entire issued share of which is owned as to 70% by Mr Lee and 30% by Ms Xiong Jingling. Mr Lee is deemed to be interested in all shares held by Sparkle China by virtue of the SFO.
2. As confirmed by Mr Lee, these shares were Consolidated Shares having a par value of HK\$0.20 each and the Rights Shares to be provisionally allotted to Sparkle China which Sparkle China has undertaken to accept. These shares represent about 34.08% of the Company's total number of issued shares, on the basis of 100,000,000 Consolidated Shares of HK\$0.20 each in issue immediately after completion of the Share Consolidation and the Rights Issue.

Save as disclosed in this prospectus, as at the Latest Practicable Date, none of the Directors and chief executive of the Company has any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO); or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by Directors to be notified to the Company and the Stock Exchange.

(2) Directors' interests in assets of the Company

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 30 June 2005, the date to which the latest published audited financial statements of the Group were made up.

(3) Directors' service agreements

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

(4) Other Director's interests

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group since 30 June 2005, being the date to which the latest published audited financial statements of the Company were made up, and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had interest(s) (including any indirect interest) in any business which competes or may compete with the business of any member of the Group.

Save as disclosed in this prospectus, none of the Directors had a beneficial interest in any material contract to which the Company or any of its subsidiaries was a party for the two years period immediately preceding the Latest Practicable Date.

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the following persons, other than a Director or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company; or are required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Interests in Pre-consolidation Shares

Name of Shareholder	Capacity	Number of Pre-consolidation Shares	Approximate shareholding percentage
Sparkle China (<i>Note 1</i>)	Beneficial owner	170,400,000 (<i>Note 2</i>)	<i>Note 2</i>
Fu Hua Ching	Beneficial owner	20,012,000 (<i>Note 3</i>)	<i>Note 3</i>

Notes:

- The entire issued share capital of Sparkle China is owned as to 70% by Mr Lee and 30% by Ms Xiong Jingling.
- As confirmed by Mr Lee, these shares are Pre-consolidation Shares having a par value of HK\$0.01 each. These shares represent about 42.6% of the Company's total number of issued shares, on the basis of 400,000,000 Pre-consolidation Shares of HK\$0.01 each in issue.

3. To the best knowledge and belief of the Directors, these shares are Pre-consolidation Shares having a par value of HK\$0.01 each. These shares represent about 5% of the Company's total number of issued shares, on the basis of 400,000,000 Pre-consolidation Shares of HK\$0.01 each in issue.

Interests in Consolidated Shares

Name of Shareholder	Capacity	Number of Consolidated Shares	Approximate shareholding percentage
Sparkle China (<i>Note 1</i>)	Beneficial owner	34,080,000 (<i>Note 2</i>)	<i>Note 2</i>
Tai Fook Securities Group Limited	Interest of controlled corporation	45,920,000 (<i>Note 3</i>)	<i>Note 4</i>
Tai Fook (BVI) Limited	Interest of controlled corporation	45,920,000 (<i>Note 3</i>)	<i>Note 4</i>
Tai Fook Finance Company Limited	Interest of controlled corporation	45,920,000 (<i>Note 3</i>)	<i>Note 4</i>
Tai Fook Securities	Beneficial owner	45,920,000 (<i>Note 3</i>)	<i>Note 4</i>
See Corporation Limited	Interest of controlled corporation	18,000,000 (<i>Note 5</i>)	<i>Note 6</i>
Shineidea Limited (<i>Note 7</i>)	Beneficial owner	18,000,000 (<i>Note 5</i>)	<i>Note 6</i>

Notes:

- The entire issued share capital of Sparkle China is owned as to 70% by Mr Lee and 30% by Ms Xiong Jingling.
- As confirmed by Mr Lee, these shares are Consolidated Shares having a par value of HK\$0.20 each. These shares represent about 34.08% of the Company's total number of issued shares, on the basis of 100,000,000 Consolidated Shares of HK\$0.20 each in issue immediately after completion of the Share Consolidation and the Rights Issue.
- These shares were held by Tai Fook Securities, the entire issued share capital of which is held by Tai Fook Finance Company Limited, the entire issued share capital of which is held by Tai Fook (BVI) Limited, a wholly owned subsidiary of Tai Fook Securities Group Limited. As confirmed by Tai Fook Securities, these shares represent the Rights Shares underwritten by Tai Fook Securities under the Underwriting Agreement.
- To the best knowledge and belief of the Directors, these shares are Consolidated Shares having a par value of HK\$0.20 each. These shares represent 45.92% of the Company's total number of issued shares, on the basis of 100,000,000 Consolidated Shares of HK\$0.20 each in issue immediately after completion of the Share Consolidation and the Rights Issue.

5. These shares were held by Shineidea Limited, the entire issued share capital of which is held by See Corporation Limited.
6. To the best knowledge and belief of the Directors, these shares are Consolidated Shares having a par value of HK\$0.20 each. These shares represent 18% of the Company's total number of issued shares, on the basis of 100,000,000 Consolidated Shares of HK\$0.20 each in issue immediately after completion of the Share Consolidation and the Rights Issue.
7. As confirmed by Tai Fook Securities, Shineidea Limited is the sub-underwriter with whom Tai Fook Securities has entered into an agreement whereby that sub-underwriter has sub-underwritten a commitment of 18,000,000 Rights Shares under the Underwriting Agreement.

Short position in Consolidated Shares

Name of Shareholder	Capacity	Number of Consolidated Shares	Approximate shareholding percentage
Tai Fook Securities Group Limited	Interest of controlled corporation	18,000,000 (Note 1)	Note 2
Tai Fook (BVI) Limited	Interest of controlled corporation	18,000,000 (Note 1)	Note 2
Tai Fook Finance Company Limited	Interest of controlled corporation	18,000,000 (Note 1)	Note 2
Tai Fook Securities	Beneficial owner	18,000,000 (Note 1)	Note 2

Notes:

1. These shares were held by Tai Fook Securities, the entire issued share capital of which is held by Tai Fook Finance Company Limited, the entire issued share capital of which is held by Tai Fook (BVI) Limited, a wholly owned subsidiary of Tai Fook Securities Group Limited. As confirmed by Tai Fook Securities, these shares represent the Rights Shares which Tai Fook Securities has sub-underwritten to a sub-underwriter.
2. To the best knowledge and belief of the Directors, these shares are Consolidated Shares having a par value of HK\$0.20 each. These shares represent 18% of the Company's total number of issued shares, on the basis of 100,000,000 Consolidated Shares of HK\$0.20 each in issue immediately after completion of the Share Consolidation and the Rights Issue.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, there is no other person (other than the Director or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or, had a direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company and/or any subsidiaries of the Company; or are required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

5. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT

(a) Name and address of the Directors

Name	Address
<i>Executive Directors</i>	
Mr Lee Man Kwong	Flat 1, 23rd Floor, Block D, Beverly Hills, 6 Broadwood Road, Hong Kong
Ms Xiong Jingling	Room 1305-1306, Block 5, Champs Elysees, Shenzhen, People's Republic of China
Mr Chan Kwok Sun, Dennis	10 Castle Road, Merry Court, C1 Mid-Level, Hong Kong
Mr Law Kwok Keung	2/F., 52A, Nga Tsin Wai Road, Kowloon, Hong Kong
<i>Independent non-executive Directors</i>	
Mr Lam Kin Kau, Mark	26A, Wilton Place, 18 Park Road, Hong Kong
Mr Fung Wing Keung	Flat 8, Block B, 10/F., 328 Queen's Road Central, Hong Kong
Mr Law Kwok Leung	41A, Tower 3, Sham Wan Towers, Hong Kong

(b) Qualification of the Directors and senior management

Executive Directors

Mr Lee Man Kwong, aged 50, was appointed as an executive Director in November 2004. He is also the company secretary and compliance officer of the Company. Mr Lee 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. Mr Lee was an independent non-executive director of New Spring Holdings Limited for the period from 2001 to mid-October 2005 and Asia Standard Hotel Group Limited for the period from 2000 to 2003, both of which are listed companies in Hong Kong. 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, aged 41, was appointed as an executive Director in November 2004. Ms Xiong 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.

Mr Chan Kwok Sun, Dennis, aged 55, was appointed as an executive Director in November 2004. Mr Chan has substantial execution experience in sales, marketing and production in the entertainment business. He is currently the honorary committee of Hong Kong Performing Artists Guild and the executive committee member of the Hong Kong Film Directors Guild. Mr Chan has been a non-executive director of M21 Technology Limited, a GEM listed company engaging in the businesses of pre-mastering, media production, playout and audio-visual technology, since 2001. Mr Chan is a shareholder of Sina Regal Holding Limited, a founder and management shareholder of M21 Technology Limited.

Mr Law Kwok Keung, aged 57, was appointed as an executive Director in November 2004. Mr Law has been involved in film production for many years, and has substantial experience in this field. He had participated in the production of more than 50 films, including classic pieces Rouge (胭脂扣), Police Story II (警察故事II), Inspectors Wear Skirts I&II (霸王花 I · II) and God of Gamblers (賭俠 I , II). He was a production planning director of Win's Movie Production Limited for the period from 1984 to 1996. He had also worked for China Star Entertainment Limited, Panorama Distributions Company Limited and Emperor Multimedia Group as film producer.

Independent non-executive Directors

Mr Lam Kin Kau, Mark, aged 50, was appointed as an independent non-executive Director in April 2005. Mr Lam is a practicing certified public accountant in Hong Kong and a fellow member of the Association of Chartered Certified Accountants of United Kingdom. Mr Lam is also members of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Secretaries and Administrators respectively. He has over 19 years of experience in professional auditing, accounting and financial management. Mr Lam is currently the sole proprietor of Messrs. Mark K. Lam & Co., certified public accountants, which is specialized in providing professional auditing and corporate advisory services to various private and public entities. Mr Lam has held independent non-executive directorship in Haier-CCT Holdings Limited since 2000 and had been an independent non-executive director of New Spring Holdings Limited from 2004 to mid-October 2005.

Mr Fung Wing Keung, aged 50, was appointed as an independent non-executive Director in April 2005. Mr Fung has over 15 years of experience in entertainment and video industry. He is currently the General Manager of a video distribution company.

Mr Law Kwok Leung, aged 44, was appointed as an independent non-executive Director in April 2005. Mr Law has 20 years of experience in the advanced technology and is the Chief Executive Officer and an executive director of M21 Technology Limited, a company which shares are listed on GEM. Mr Law holds an honoured Bachelor of Science degree in Mathematics with Operational Research from the University of London and a Master's degree in Business Administration from the University of Greenwich. Mr Law is also a member of the Chartered Institute of Marketing, a fellow member of the Institute of Analysts and Programmers and full member of the Institute of Management.

Senior management

Mr Au Yeung Chung Bong, aged 29, is the qualified accountant of the Company. He is mainly responsible for the accounting and financial management of the Company. Mr Au Yeung is a Certified Practising Accountant of CPA Australia and has over 5 years of experience in accounting and auditing.

The business address of Mr Au Yeung is Room 1108, Asia Standard Tower, 59-65 Queen's Road Central, Hong Kong.

(c) Audit committee

The Company has established an audit committee with written terms of reference prepared and adopted with reference to the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group's audit. It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation. The audit committee comprises three members, namely Messrs Lam Kin Kau, Mark, Fung Wing Keung and Law Kwok Leung who are all independent non-executive Directors, further details of whom are set out in the paragraph headed "Qualification of the Directors and senior management" above.

6. CORPORATE INFORMATION

Registered Office	Century Yard, Cricket Square Hutchins Drive, P.O. Box 2681 GT George Town Grand Cayman British West Indies
Principal place of business in Hong Kong	Room 1108, Asia Standard Tower 59-65 Queen's Road Central Hong Kong

Authorised representative	Lee Man Kwong Flat 1, 23rd Floor, Block D, Beverly Hills 6 Broadwood Road, Hong Kong Chan Kwok Sun, Dennis 10 Castle Road, Merry Court C1 Mid-Level, Hong Kong
Principal share registrar in the Cayman Islands	Bank of Bermuda (Cayman) Limited 36C Bermuda House British American Centre Dr. Roy's Drive George Town Grand Cayman Cayman Islands British West Indies
Branch share registrar in Hong Kong	Tengis Limited Ground Floor Bank of East Asia Harbour View Centre 56 Gloucester Road, Wanchai, Hong Kong
Legal advisers to the Company	As to Hong Kong law Chiu & Partners 41st Floor Jardine House 1 Connaught Place Hong Kong
Auditors	Hopkins CPA Limited 25th Floor, Man Yee Building 68 Des Voeux Road Central Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited Pacific Place Branch Shop Nos. 401-2 Pacific Place 88 Queensway Hong Kong

10. GENERAL

- (a) The company secretary and compliance officer of the Company is Mr Lee Man Kwong. Mr Lee is an executive Director and a solicitor qualified in Hong Kong, England, Wales and Singapore.
- (b) The qualified accountant of the Company is Mr Au Yeung Chung Bong. Mr Au Yeung is certified practicing accountant of CPA Australia.
- (c) The expenses in connection with the Rights Issue, including financial, legal and other professional advisory fees, underwriting commission, printing and translation expenses are estimated to be approximately HK\$1.5 million and will be payable by the Company.
- (d) The English text of this document shall prevail over the Chinese text for the purpose of interpretation.

11. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of this prospectus together with copies of the Provisional Allotment Letter, the Excess Application Form and the consent letter referred to in the paragraph headed "Expert" in this appendix have been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance.

12. LEGAL EFFECT

This prospectus, the Provisional Allotment Letter and the Excess Application Form, and all acceptances of any offer or application contained in or made on such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of Section 44A and 44B of the Companies Ordinance, so far as applicable.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on Business Day at the principal place of business in Hong Kong of the Company at Room 1108, Asia Standard Tower, 59-65 Queen's Road Central, Hong Kong from the date of this prospectus up to and including the Latest Acceptance Date:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for each of the three financial years ended 30 June 2005;

- (c) the report from Hopkins CPA Limited on the statement of unaudited pro forma adjusted consolidated net tangible liabilities of the Group, the text of which is set out on pages 47 to 50 of this prospectus;
- (d) the written consent referred to under the paragraph headed “Expert” in this appendix;
- (e) the material contract referred to under the paragraph headed “Material Contract” in this appendix;
- (f) this prospectus; and
- (g) the circular of the Company dated 31 October 2005 in relation to, among other things, the Rights Issue.