

采藝 多媒體控股有限公司

Brilliant Arts Multi-Media Holding Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8130)



THIRD QUARTERLY REPORT 2007

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This report, for which the directors (the “Directors”) of Brilliant Arts Multi-Media Holding Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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Highlights

1. Turnover of the Group for the nine months ended 31 December 2007 was approximately HK\$10.3 million representing a decrease of approximately 79.4% as compared to the corresponding period in 2006.
2. Profit attributable to the equity holders of the Company for the nine months ended 31 December 2007 was approximately HK\$16.0 million.
3. Earnings per share of the Group was approximately HK6.12 cents for the nine months ended 31 December 2007 (2006: loss per share of HK8.95 cents).
4. The Board does not recommend the payment of any interim dividend for the nine months ended 31 December 2007.

Condensed Consolidated Income Statement (Unaudited)

UNAUDITED QUARTERLY RESULTS

The board of directors (the “Board”) of Brilliant Arts Multi-Media Holding Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (together, the “Group”) for the nine months ended 31 December 2007, together with the comparative unaudited figures for 2006 as follows:

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Turnover	2	260	7,188	10,255	49,729
Cost of sales		(279)	(6,398)	(9,261)	(38,027)
Gross profit/(loss)		(19)	790	994	11,702
Other revenue	2	319	100	29,254	403
Selling expenses		(27)	(1,210)	(801)	(3,832)
Administrative expenses		(4,049)	(5,132)	(12,096)	(14,433)
Profit/(loss) from operations		(3,776)	(5,452)	17,351	(6,160)
Finance costs	3	(356)	(426)	(1,379)	(1,143)
Profit/(loss) before taxation		(4,132)	(5,878)	15,972	(7,303)
Taxation	4	-	-	-	-
Profit/(loss) attributable to the equity holders of the Company		(4,132)	(5,878)	15,972	(7,303)
Dividend	5	-	-	-	-
Earnings/(loss) per share (HK cents)					
- Basic	6	(1.06)	(7.03)	6.12	(8.95)
- Diluted		N/A	N/A	N/A	N/A

Notes to the Unaudited Quarterly Results

1. Basis of Preparation

The Group's unaudited consolidated results have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The unaudited consolidated results comply with the applicable disclosure requirements of the Hong Kong Company Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). The accounting policies adopted in preparing the unaudited consolidated results for the nine months ended 31 December 2007 are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 March 2007.

In the nine months ended 31 December 2007, the Group had applied for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by HKICPA that are effective for accounting periods beginning on or after 1 April 2007. The adoption of the new HKFRSs has had no material effects on how the results and financial position for the current or prior accounting period as prepared and presented.

Notes to the Unaudited Quarterly Results

2. Turnover and Other Revenue

The principal activities of the Group are the provision of film production services, production of television movies, investment in film productions and worldwide film distribution.

An analysis of the turnover and other revenue of the Group during the reporting periods is as follows:

	For the three months ended 31 December		For the nine months ended 31 December	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Turnover				
Film production	–	–	7,500	13,014
Film distribution	260	7,188	2,755	36,715
	260	7,188	10,255	49,729
Other revenue				
Gain on disposal of subsidiaries	–	–	28,323	–
Interest income	319	50	917	96
Sundry income	–	50	14	307
	319	100	29,254	403
Total income	579	7,288	39,509	50,132

Notes to the Unaudited Quarterly Results

3. Finance Costs

	For the three months ended 31 December		For the nine months ended 31 December	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Interests on:				
Bank loans wholly repayable within five years	–	–	–	10
Amount due to related companies	–	411	667	1,101
Interest on convertible bonds wholly repayable within five years	356	–	704	–
Finance leases	–	15	8	32
	356	426	1,379	1,143

4. Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit for the nine months ended 31 December 2007 (2006: Nil).

A deferred tax asset has not been recognized in the financial statements in respect of the estimated tax losses due to the unpredictability of the future profit streams.

5. Dividend

The Board does not recommend the payment of any interim dividend for the nine months ended 31 December 2007 (2006: Nil).

Notes to the Unaudited Quarterly Results

6. Earnings/(Loss) Per Share

The calculation of the basic and diluted earnings/(loss) per share is based on the following data:

	For the three months ended 31 December		For the nine months ended 31 December	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Profit/(loss) for the periods				
Profit/(loss) attributable to the equity holders of the Company	(4,132)	(5,878)	15,972	(7,303)
Number of shares				
Weighted average number of ordinary shares used in the calculation of basic earnings/(loss) per share	388,623,951	83,650,000	261,140,905	81,553,818
Effect of dilutive potential ordinary shares:				
Share options	-	-	-	-
Convertible bonds	-	-	-	-
Weighted average number of ordinary shares used in the calculation of diluted earnings/(loss) per share	388,623,951	83,650,000	261,140,905	81,553,818

Notes to the Unaudited Quarterly Results

Notes:

No diluted earnings/(loss) per share has been presented for the three months and nine months ended 31 December 2007 and the corresponding period in 2006 as the exercise prices of the Company's share options and the conversion prices of the convertible bonds were higher than the average market price for shares during that periods.

The comparative figures of basic and diluted loss per share for the three months and nine months ended 31 December 2006 had been re-calculated to reflect the share consolidation took effect on 11 January 2007.

7. Changes in Equity

	Share capital	Share premium	Share-based Contributed surplus	Convertible compensation reserve	Convertible bonds reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2006	8,050	15,050	10	1,030	-	(34,093)	(9,953)
Loss for the period	-	-	-	-	-	(7,303)	(7,303)
Issues of new shares	1,610	1,932	-	-	-	-	3,542
Share issue expenses	-	(159)	-	-	-	-	(159)
At 31 December 2006	9,660	16,823	10	1,030	-	(41,396)	(13,873)
At 1 April 2007	10,620	18,074	10	1,030	2,369	(50,247)	(18,144)
Profit for the period	-	-	-	-	-	15,972	15,972
Issue of convertible bonds	-	-	-	-	10,536	-	10,536
Conversion into shares							
from convertible bonds	14,313	23,838	-	-	(8,381)	-	29,770
Issue of new shares	17,452	7,230	-	-	-	-	24,682
Share issue expenses	-	(772)	-	-	-	-	(772)
Issue of share options	-	-	-	3,612	-	-	3,612
Exercise of share options	1	1	-	-	-	-	2
Cancellation of share options	-	-	-	(1,030)	-	1,030	-
At 31 December 2007	42,386	48,371	10	3,612	4,524	(33,245)	65,658

Management Discussion and Analysis

FINANCIAL AND BUSINESS REVIEW

For the nine months ended 31 December 2007, the Group recorded a turnover of approximately HK\$10.3 million (2006: HK\$49.7 million) and a profit attributable to the equity holders of the Company of approximately HK\$16.0 million (2006: a loss attributable to the equity holders of the Company of approximately HK\$7.3 million).

During the period under review, out of the total turnover of approximately HK\$10.3 million, turnover of approximately HK\$7.5 million and HK\$2.8 million was derived from a film production (“Hooked on You” [每當變幻時]) and a film distribution (“Gong Tau” [降頭]) respectively. Overall gross profit margin decreased from approximately 23.5% in 2006 to approximately 9.7% in current period. Such decrease was caused by the increase in income from film production which had a relatively lower gross profit margin.

The improved results was mainly contributed by the disposal of two wholly-owned subsidiaries, namely, Milkyway Image (Hong Kong) Limited and Luminous Star Limited. Such disposal was resulted in a gain of approximately HK\$28.3 million.

Selling expenses decreased by 79.1% to approximately HK\$0.8 million from HK\$3.8 million in last corresponding period. The decrease in selling expenses was in line with the decrease in turnover. Administrative expenses also decreased by 16.2% to approximately HK\$12.1 million from HK\$14.4 million in last corresponding period. The decrease in administrative expenses was mainly contributed by the disposal of two wholly-owned subsidiaries. The management believes that the situation of high level of overhead will continue to improve following the disposal of these subsidiaries. Finance costs increased by 20.6% to approximately HK\$1.4 million from HK\$1.1 million in last corresponding period. Such increase was mainly contributed by the interest accrued for the convertible bond issued to Billion ERA Group Limited in November 2007.

Management Discussion and Analysis

PROSPECT

In order to further lower the overhead of the Group and facilitate the Company to streamline its business and operations, on 9 January 2008, the Group entered into an agreement with Mr. Law Sau Yiu, Dennis, a former director and substantial shareholder in relation to the disposal of its three wholly-owned subsidiaries, namely, Brilliant Picture Movie Production Company Limited, Inspire Film Distribution Limited and Point of View Movie Production Company Limited for an aggregate consideration of HK\$2 million. The disposal was completed on 15 January 2008. The Group will continue its film production business through its wholly-owned subsidiary, Creative Formula Limited ("Creative Formula"), which is currently in production of a film, titled "Missing". As disclosed in the announcement of the Company dated 28 December 2008, Creative Formula had entered into a service agreement dated 21 December 2007 with China Star HK Entertainment Limited ("China Star HK") in relation to the provision of the lead actor by China Star HK and the procurement to provide professional services in relation to post-production of the film. The film is expected to be released in the second quarter of 2008.

Following the conversions of nearly all the Classical Statue Limited's convertible bond in May 2007 during the period under review, the completion of the open offer on 9 October 2007 and the completion of the Tranche I placing on 15 November 2007, the capital base of the Group has been strengthened and the gearing ratio further improved. Together with proceeds derived from the disposal of two wholly-owned subsidiaries, the Group will further develop the existing business and consider to explore valuable investment opportunities so as to diversify and broaden the revenue sources.

Management Discussion and Analysis

PLACING OF NEW SHARES, MAJOR TRANSACTION AND MEMORANDUM OF UNDERSTANDING (THE “MOU”)

On 23 October 2007, the Company entered into an agreement with a placing agent, whereby the Company had conditionally agreed to place, through the placing agent (i) under the Tranche I placing on a fully underwritten basis of 49,860,000 placing shares to independent investors at a price of HK\$0.12 per placing share and (ii) under the Tranche II placing on a best effort basis a maximum of 900,000,000 placing shares and on a fully underwritten basis of 450,000,000 placing shares to independent investors at a price of HK\$0.12 per placing share. Tranche I placing was completed on 15 November 2007. Up to the date of this report, Tranche II placing has not been completed.

On 23 October 2007, the Company also entered into a sale and purchase agreement with an independent third party (the “Vendor”) pursuant to which the Company has agreed to purchase the entire issued capital and the outstanding shareholders’ loan of Grandeur Concord Limited (“Grandeur Concord”) for a total consideration of HK\$18,000,000. The consideration shall be satisfied by the Company allotting and issuing a maximum of 180,000,000 consideration shares to the Vendor on completion. Vincent Investment Limited (“Vincent Investment”), a company incorporated in Canada, is a wholly-owned subsidiary of Grandeur Concord. The sole asset of Vincent Investment is a property which is utilized as warehouse in Canada for rental income. The transaction was completed on 24 January 2008.

On 23 October 2007, the Company also entered into the MOU, which was non-legally binding, with an independent third party in relation to the possible acquisition by the Company of the entire issued share capital of a company which is procuring the entering into of agreements with certain licensed gaming promoters including food and beverages, transportation, bookings, coordination, logistics, secretarial and entertainment, catered for VIP customers. Such licensed gaming promoters are responsible for soliciting VIP customers to play at VIP rooms in casinos and their works involve organizing trips to Macau and providing related customer services for their VIP customers. Up to the date of this report, no formal agreement had been entered into in relation to the possible acquisition.

Other Information

1. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURE

At 31 December 2007, the interests and short position of the directors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Hong Kong Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO); or which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the ordinary shares of HK\$0.1 each of the Company

Name	Capacity	Number of underlying shares held	Percentage of the Company's issued share capital
Mr. Lei Hong Wai	Beneficial owner (Note 1)	4,238,539	1.00%
Mr. Yip Tai Him	Beneficial owner (Note 1)	4,238,539	1.00%

Notes:

1. Mr. Lei Hong Wai, an executive director, was deemed to be interested in 4,238,539 shares which would fall to be issued upon exercise of the 4,238,539 share options of the Company.
2. Mr. Yip Tai Him, an executive director, was deemed to be interested in 4,238,539 shares which would fall to be issued upon exercise of the 4,238,539 share options of the Company.

Other Information

2. SHARE OPTION SCHEME

The Company adopted two share option schemes on 2 August 2002, namely, the pre-IPO share option scheme (“Pre-IPO Share Option Scheme”) and the share option scheme (“Share Option Scheme”). The principal terms of the two share option scheme have been set out in the note 32 to the financial statements as included in the annual report of the Company for the year ended 31 March 2007.

Details of the Company’s share options granted under the Share Option Scheme are as follows:

Type of participant	Date of grant	Exercise price	Exercise period	Outstanding at 31/3/2007	Granted during the period	Lapsed during the period	Exercised during the period	Cancelled during the period	Outstanding at 31/12/2007
Former chief executive	16/9/2005	HK\$0.4000 (Note 1)	20/9/2005 to 19/9/2015 (Note 1)	6,440,000 (Note 1)	-	-	-	(6,440,000)	-
Directors	30/10/2007	HK\$0.1488	30/10/2007 to 29/10/2017	-	4,986,544	-	-	-	4,986,544
Employees and consultants	30/10/2007	HK\$0.1488	30/10/2007 to 29/10/2008	-	19,946,176	-	(3,000)	-	19,943,176
Directors	29/11/2007	HK\$0.1180	29/11/2007 to 28/11/2017	-	3,490,552	-	-	-	3,490,552
Employees and consultants	29/11/2007	HK\$0.1180	29/11/2007 to 28/11/2008	-	38,894,838	-	-	-	38,894,838

Note:

1. The exercise prices and numbers of share options have been adjusted due to completion of share consolidation took effect on 11 January 2007.

Other Information

3. DIRECTORS AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at 31 December 2007, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate, and none of the directors and chief executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights.

4. SUBSTANTIAL SHAREHOLDERS

At 31 December 2007, the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain directors, the following shareholders had an interest of 10% or more in the issued share capital of the Company:

Name of shareholder	Capacity	Interest in shares	Interest in underlying shares	Total interest in shares	Percentage of the Company's issued share capital
China Star Entertainment Limited	Interest of controlled corporation (Note 1)	109,090,908	3,472,222	112,563,130	26.55%
China Star Entertainment (BVI) Limited	Interest of controlled corporation (Note 1)	109,090,908	3,472,222	112,563,130	26.55%
Classical Statue Limited	Beneficial owner (Note 1)	109,090,908	3,472,222	112,563,130	26.55%
Ms. Chu Yuet Wah	Interest of controlled corporation (Note 2)	450,000,000	–	450,000,000	106.16%
Ms. Ma Siu Fong	Interest of controlled corporation (Note 2)	450,000,000	–	450,000,000	106.16%
Kingston Securities Limited	Beneficial owner (Note 2)	450,000,000	–	450,000,000	106.16%
Mr. Leong Chi Meng	Interest of controlled corporation (Note 3)	–	114,285,714	114,285,714	26.96%
Ms. Ung Siu Han	Interest of spouse (Note 3)	–	114,285,714	114,285,714	26.96%
Billion ERA Group Limited	Beneficial owner (Note 3)	–	114,285,714	114,285,714	26.96%
Mr. Cheung Kwok Wai, Elton	Interest of controlled corporation (Note 4)	180,000,000	–	180,000,000	42.46%
Eagle Mate Limited	Beneficial owner (Note 4)	180,000,000	–	180,000,000	42.46%

Other Information

Notes:

1. Classical Statue Limited is interested in 109,090,908 shares and 3,472,222 underlying shares in relation to the outstanding convertible bond issued in May 2007. Classical Statue Limited is wholly owned by China Star Entertainment (BVI) Limited which in turn is a wholly-owned subsidiary of China Star Entertainment Limited. Thus, China Star Entertainment (BVI) Limited and China Star Entertainment Limited are deemed to be interested in the shares and the underlying shares held by Classical Statue Limited.
2. Kingston Securities Limited is deemed to be interested in 450,000,000 shares pursuant to the Tranche II placing agreement entered into with the Company on 23 October 2007. Ms. Chu Yuet Wah and Ms. Ma Siu Fong own 51% and 49% interest in Kingston Securities Limited respectively.
3. Billion ERA Group Limited is interested in 114,285,714 underlying shares in relation to the outstanding convertible bond issued in November 2007. Billion ERA Group Limited is wholly and beneficially owned by Mr. Leong Chi Meng. Ms. Ung Siu Han is the spouse of Mr. Leong Chi Meng, and is thus deemed to be interested in the underlying shares held by Billion ERA Group Limited.
4. Eagle Mate Limited is interested in 180,000,000 consideration shares pursuant to the sale and purchase agreement dated 23 October 2007. Eagle Mate Limited is wholly and beneficially owned by Mr. Cheung Kwok Wai, Elton.

Save as disclosed above, at 31 December 2007, the Company has not been notified of any persons (other than the directors or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which were to be recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

Other Information

5. COMPETING INTERESTS

China Star Entertainment Limited, the ultimate holding company of Classical Statue Limited, and its subsidiaries are engaged in film production and distribution of films and television drama series. The directors believe that the business of China Star Entertainment Limited and its subsidiaries may compete with the business of the Group.

Save as disclosed above, none of the directors, management shareholders and substantial shareholders, or their respective associates had any interests in any business which competes or may compete with the business of the Group at 31 December 2007 pursuant to Rule 11.04 of the GEM Listing Rules.

6. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its listed securities during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the nine months ended 31 December 2007.

7. CORPORATE GOVERNANCE

For the nine months ended 31 December 2007, the Company complied with provisions set out in Appendix 15 of the Code of Corporate Governance Practices of the GEM Listing Rules.

Other Information

8. AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group. The audit committee comprised the three independent non-executive directors namely, Mr. Lai Hok Lim, Mr. Leung Wai Man and Mr. Man Kong Yui. The audit committee has reviewed the Group's unaudited consolidated financial statements for the nine months ended 31 December 2007.

9. BOARD OF DIRECTORS

As at the date of this report, the executive directors of the Company are Mr. Lei Hong Wai (Chairman) and Mr. Yip Tai Him and the independent non-executive directors of the Company are Mr. Lai Hok Lim, Mr. Leung Wai Man and Mr. Man Kong Yui.

By Order of the Board
Brilliant Arts Multi-Media Holding Limited
Lei Hong Wai
Chairman

Hong Kong, 11 February 2008