



First Quarterly Report
2008

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)

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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 Group for the three months ended 30 June 2008 was approximately HK\$403,000, representing a decrease of approximately 95.8% as compared to the corresponding period in 2007.
2. Loss attributable to the equity holders of the Company for the three months ended 30 June 2008 was approximately HK\$5.1 million (2007: profit of HK\$22.7 million).
3. Loss per share for the three months ended 30 June 2008 was approximately HK4.05 cents (2007: earnings per share of HK\$1.58).
4. The Board does not recommend the payment of any dividend for the three months ended 30 June 2008 (2007: HK\$Nil).

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 (the “Group”) for the three months ended 30 June 2008, together with the comparative unaudited figures for 2007 as follows:

		Three months ended 30 June	
		2008	2007
<i>Notes</i>		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	2	403	9,547
Cost of sales		–	(7,673)
Gross profit		403	1,874
Other revenue and other income	2	425	28,613
Other operating expenses		(5,876)	(6,943)
(Loss)/profit from operations		(5,048)	23,544
Finance costs	3	(40)	(825)
(Loss)/profit before taxation		(5,088)	22,719
Taxation	4	–	–
(Loss)/profit for the period		(5,088)	22,719
Dividend		–	–
(Loss)/earnings per share	5	HK cents	HK\$
– Basic		(4.05)	1.58
– Diluted		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 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 three months ended 30 June 2008 and 2007 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2008. The consolidated results are unaudited but have been reviewed by the audit committee.

In the three months ended 30 June 2008, 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 2008. The adoption of the new HKFRSs has had no material effect 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, Other Revenue and Other Income

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 and properties investment.

An analysis of the turnover, other revenue and other income of the Group during the reporting period is as follows:

	Three months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Turnover:		
Film production	–	7,500
Film distribution	–	2,047
Gross rentals from investment properties	403	–
	403	9,547
Other revenue:		
Interest income	425	277
Sundry income	–	13
	425	290
Other income:		
Excess of interest in fair value of acquiree's identifiable assets and liabilities over the cost of a business combination	–	28,323
Other revenue and other income	425	28,613
Total	828	38,160

Notes to the Unaudited Quarterly Results

The following table is an analysis of the turnover of the Group by geographical region for the three months ended 30 June 2008 and 2007:

	Three months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	–	9,300
Overseas	403	247
	403	9,547

3. Finance Costs

	Three months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interests on:		
Bank loan not wholly repayable within five years	37	–
Amounts due to related companies	–	472
Effective interest expenses on convertible bonds wholly repayable within five years	3	345
Finance charges on obligations under finance leases	–	8
Total interest expenses on financial liabilities not at fair value through profit or loss	40	825

Notes to the Unaudited Quarterly Results

4. Taxation

- (i) No provision for Hong Kong profits tax has been made in the unaudited consolidated financial statements as the Group has no assessable profits in Hong Kong for the three months ended 30 June 2008 (2007: HK\$Nil).
- (ii) No provision for income tax was made as the Company's overseas subsidiaries did not have taxable income for the three months ended 30 June 2008 (2007: HK\$Nil).
- (iii) The Group had no significant unprovided taxation arising during the three months ended 30 June 2008 (2007: HK\$Nil).

5. (Loss)/Earnings Per Share

The calculation of the basic loss per share is based on the loss attributable to the equity holders of the Company for the three months ended 30 June 2008 of approximately HK\$5.1 million (2007: profit attributable to the equity holders of the Company of approximately HK\$22.7 million) and on the weighted average of 125,689,709 shares in issue during the three months ended 30 June 2008 (2007: 14,420,040 shares, as adjusted). The comparative figure of basic earnings per share for the three months ended 30 June 2007 had been re-calculated to reflect the share consolidation taken place on 20 June 2008.

The conversion of all potential ordinary shares arising from share options granted by the Company and convertible bonds would have an anti-dilutive effect on the loss per share for the three months ended 30 June 2008.

No diluted earnings per share has been presented for the three months ended 30 June 2007 as the conversion of all potential ordinary shares arising from convertible bonds would have an anti-dilutive effect on the earnings per share for the three months ended 30 June 2007. The Company has no outstanding share options as at 30 June 2007.

Notes to the Unaudited Quarterly Results

6. Changes in Equity

	Share capital	Share premium	Contributed surplus	Share- based compen- sation reserve	Convertible bonds reserve	Trans- lation reserve	Distri- butable capital reduction reserve	Retained profits/ (Accumu- lated losses)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2007	10,620	18,074	10	1,030	2,369	-	-	(50,247)	(18,144)
Profit for the period	-	-	-	-	-	-	-	22,719	22,719
Issues of convertible bonds	-	-	-	-	6,262	-	-	-	6,262
Conversion into shares from convertible bonds	14,313	23,838	-	-	(8,381)	-	-	-	29,770
Cancellation of share options	-	-	-	(1,030)	-	-	-	1,030	-
At 30 June 2007	24,933	41,912	10	-	250	-	-	(26,498)	40,607
At 1 April 2008	125,690	65,568	10	2,671	250	(292)	-	(29,928)	163,969
Loss for the period	-	-	-	-	-	-	-	(5,088)	(5,088)
Capital reduction	(124,433)	-	-	-	-	-	87,244	37,189	-
Recognition of equity-settled share-based payments	-	-	-	4,908	-	-	-	-	4,908
Exchange differences arising on translation of financial statements of foreign operation	-	-	-	-	-	120	-	-	120
At 30 June 2008	1,257	65,568	10	7,579	250	(172)	87,244	2,173	163,909

Management Discussion and Analysis

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the three months ended 30 June 2008 (2007: HK\$Nil).

BUSINESS REVIEW

For the three months ended 30 June 2008, the Group recorded a turnover of approximately HK\$403,000 (2007: HK\$9.5 million). The Group did not have revenue generated from the business segment of film production and distribution for the period under review. All the revenue was generated from the leasing of the investment property located at Canada.

FINANCIAL REVIEW

Loss attributable to the equity holders for the three months ended 30 June 2008 amounted to approximately HK\$5.1 million (2007: profit attributable to the equity holders of approximately HK\$22.7 million). Excluding the share-based payment expenses of approximately HK\$4.9 million, loss after taxation for the period was approximately HK\$0.2 million.

Other revenue and other income amounted to approximately HK\$0.4 million, representing a decrease of 98.5% over the same period of last year. Such decrease was caused by the one-off gain on disposal of two wholly-owned subsidiaries of approximately HK\$28.3 million recorded in the same period of last year.

Other operating expenses decreased by 15.4% to approximately HK\$5.9 million from HK\$6.9 million in prior year. Excluding the share-based payment expenses of approximately HK\$4.9 million, other operating expenses was approximately HK\$1.0 million, representing a decrease of approximately 85.5% as compared to the corresponding period in 2007. Such decrease was mainly attributed to the combined effect of the disposals of several wholly-owned subsidiaries in last year and the stringent cost control policy adopted by the management.

Management Discussion and Analysis

Finance costs decreased by 96.6% to approximately HK\$40,000 from HK\$825,000 in prior year. The decrease of approximately HK\$0.8 million was mainly attributed to the decreases in interest on amounts due to related companies and effective interest expenses on convertible bonds.

PROSPECT

The management expects that the local film market will continue to be difficult in the near future and will continue to adopt a prudence approach in such business segment. On the other hand, the Group will aim to explore new investment opportunities in the area of property investment for business diversification. Meanwhile, it will continue to implement stringent cost control measures.

CAPITAL REORGANISATION AND CHANGE OF BOARD LOT SIZE

Pursuant to the ordinary resolutions passed on 19 March 2008, capital reorganisation took effect by the way of comprising (i) capital reduction ("Capital Reduction") that the nominal value of all issued and unissued share be reduced from HK\$0.10 each to HK\$0.001 each; (ii) share consolidation that every ten issued shares be consolidated into one consolidated share of the Company ("Consolidated Shares"); and (iii) the increase in authorised share capital from HK\$3,000,000 to HK\$30,000,000 by the creation of 2,700,000,000 new ordinary shares of the Company of HK\$0.01 each. Part of the credit arising from the Capital Reduction applied towards canceling the accumulated losses of the Company, whilst the balance will be transferred to the distributable capital reduction reserve account of the Company. Upon the capital reorganisation became effective, the board lot size for trading of shares of the Company was changed from 10,000 shares to 4,000 Consolidated Shares. The above capital reorganisation was subsequently approved by the Grand Court of the Cayman Islands on 20 June 2008.

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURE AND ITS ASSOCIATED CORPORATIONS

At 30 June 2008, the interests and short position of the Directors and chief executives 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\$0.01 each of the Company

Name of director	Interest in shares (Note 1)	Interest in underlying shares (Note 1)	Total interest in shares (Note 1)	Percentage of the Company's issued share capital
Mr. Lei Hong Wai	3,271,853 (Note 2)	1,256,897 (Note 3)	4,528,750	3.6%
Mr. Yip Tai Him	–	1,256,897 (Note 4)	1,256,897	1.0%

Other Information

Notes:

1. The numbers of shares and underlying shares have been adjusted due to the completion of the Share Consolidation on 20 June 2008.
2. 2,218,000 shares are held by Mander International Limited, which is wholly and beneficially owned by Business Power Holdings Limited. Mr. Lei Hong Wai, an executive Director, who owns 50% interest in Business Power Holdings Limited. Mr. Lei also owns 1,053,853 shares in his personal capacity.
3. Mr. Lei Hong Wai, an executive Director, was deemed to be interested in 1,256,897 shares which would fall to be issued upon exercise of the 1,256,897 share options of the Company.
4. Mr. Yip Tai Him, an executive Director, was deemed to be interested in 1,256,897 shares which would fall to be issued upon exercise of the 1,256,897 share options of the Company.

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 schemes have been set out in the note 39 to the financial statements in the annual report of the Company for the year ended 31 March 2008.

Other Information

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

Type of participant	Date of grant	Exercise price (Note 1)	Exercise period	Outstanding at 31/3/2008 (Note 1)	Granted during the period (Note 1)	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding at 30/6/2008 (Note 1)
Directors	30/10/2007	HK\$1.488	30/10/2007 to 29/10/2017	249,327	-	-	-	-	249,327
Employees and consultants	30/10/2007	HK\$1.488	30/10/2007 to 29/10/2008	1,745,089	-	-	-	-	1,745,089
Directors	29/11/2007	HK\$1.180	29/11/2007 to 28/11/2017	174,526	-	-	-	-	174,526
Employees and consultants	29/11/2007	HK\$1.180	29/11/2007 to 28/11/2008	3,714,949	-	-	-	-	3,714,949
Directors, employees and consultants	25/2/2008	HK\$1.140	25/2/2008 to 24/2/2011	1,924,685	-	-	-	-	1,924,685
Directors, employees and consultants	28/4/2008	HK\$1.018	28/4/2008 to 27/4/2011	-	12,358,198	-	-	-	12,358,198
				7,808,576	12,358,198	-	-	-	20,166,774

Note:

- The exercise prices and numbers of options have been adjusted due to the completion of the Share Consolidation on 20 June 2008.

Other Information

DIRECTORS AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at 30 June 2008, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the directors and chief executives 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.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2008, 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 5% or more in the issued share capital of the Company:

Other Information

Long positions in the ordinary shares of HK\$0.01 each of the Company

Name of shareholder	Capacity	Interest in shares (Note 1)	Interest in underlying shares (Note 1)	Total interest in shares (Note 1)	Percentage of the Company's issued share capital
Mr. Cheung Kwok Wai, Elton	Personal and interest of controlled corporation (Note 2)	19,053,853	1,256,897	20,310,750	16.16%
Eagle Mate Limited	Beneficial owner (Note 2)	18,000,000	–	18,000,000	14.32%
Mr. Leong Chi Meng	Interest of controlled corporation (Note 3)	17,142,857	–	17,142,857	13.64%
Billion Era Group Limited	Beneficial owner (Note 3)	17,142,857	–	17,142,857	13.64%
China Star Entertainment Limited	Interest of controlled corporation (Note 4)	10,909,090	518,134	11,427,224	9.09%
China Star Entertainment (BVI) Limited	Interest of controlled corporation (Note 4)	10,909,090	518,134	11,427,224	9.09%
Classical Statue Limited	Beneficial owner (Note 4)	10,909,090	518,134	11,427,224	9.09%

Other Information

Notes:

- (1) The numbers of shares and underlying shares have been adjusted due to the completion of the Share Consolidation on 20 June 2008.
- (2) 18,000,000 shares are beneficially owned by Eagle Mate Limited, which is wholly and beneficially owned by Mr. Cheung Kwok Wai, Elton. Mr. Cheung also owns 1,053,853 shares in his personal capacity and was deemed to be interested in 1,256,897 shares which would fall to be issued upon exercise of the 1,256,897 share options of the Company.
- (3) These shares are beneficially owned by Billion Era Group Limited, which is wholly and beneficially owned by Mr. Leong Chi Meng.
- (4) Classical Statue Limited is a company owned by China Star Entertainment (BVI) Limited, which in turn is a wholly-owned subsidiary of China Star Entertainment Limited. Classical Statue Limited was interested in 10,909,090 shares and 518,134 underlying shares.

Save as disclosed above, at 30 June 2008, 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 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

COMPETING INTERESTS

At 30 June 2008, 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 pursuant to Rule 11.04 of the GEM Listing Rules.

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 three months ended 30 June 2008.

Other Information

CORPORATE GOVERNANCE

For the three months ended 30 June 2008, the Company complied with provisions set out in Appendix 15 of the Code of Corporate Governance Practices of the GEM Listing Rules.

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 three months ended 30 June 2008.

Board of Directors

As at the date of this report, the executive directors of the Company are Mr. Lei Hong Wai (Chairman), Mr. Yip Tai Him and the independent non-executive directors 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 August 2008