



年代
ERA

Era Information & Entertainment Limited

年代資訊影視有限公司

(incorporated in the Cayman Islands with limited liability)

**INTERIM REPORT
2002**

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of Era Information & Entertainment Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company 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.

RESULTS

The directors (“Directors”) of Era Information & Entertainment Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 June 2002, together with the comparative unaudited consolidated results for the corresponding periods in 2001 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 30 June 2002

and the six months ended 30 June 2002

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2002 <i>(unaudited)</i> HK\$'000	2001 <i>(unaudited)</i> HK\$'000	2002 <i>(unaudited)</i> HK\$'000	2001 <i>(unaudited)</i> HK\$'000
Turnover	5	26,664	29,436	50,311	64,962
Cost of sales		(18,528)	(19,421)	(37,140)	(44,629)
Gross profit		8,136	10,015	13,171	20,333
Other revenue	5	310	227	362	385
Portal promotion costs		(2)	(5)	(2)	(21)
Portal development costs		—	(568)	—	(1,509)
Distribution costs		(309)	(181)	(481)	(350)
Administrative expenses		(7,777)	(7,707)	(15,341)	(15,291)
Other operating expenses		(78)	(4)	(78)	(5)
Profit/(Loss) from operations	6	280	1,777	(2,369)	3,542
Finance costs	7	(13)	(129)	(26)	(236)
Share of loss of associates		—	(237)	—	(343)
Profit/(Loss) before taxation		267	1,411	(2,395)	2,963
Taxation	8	(69)	(691)	(240)	(1,562)
Net profit/(loss) attributable to shareholders		198	720	(2,635)	1,401
Earnings/(Loss) per share	9				
— basic (cents)		0.062	0.268	(0.823)	0.528
— diluted (cents)		N/A	0.268	N/A	0.528

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2002

		30 June 2002 <i>(unaudited)</i> HK\$'000	31 December 2001 <i>(audited)</i> HK\$'000
	<i>Note</i>		
NON-CURRENT ASSETS			
Film rights	10	2,763	3,544
Fixed assets	11	3,026	3,694
Interests in associates		156	156
Club membership		650	650
		6,595	8,044
CURRENT ASSETS			
Inventories	12	8,066	7,921
Current portion of film rights	10	17,660	11,807
Films production in progress		258	258
Trade receivables	13	23,752	18,485
Other receivables, prepayments and deposits		5,855	18,029
Bank and cash balances		26,731	26,562
		82,322	83,062
CURRENT LIABILITIES			
Trade payables	14	8,330	10,603
Film rights payables	15	5,915	7,249
Amounts due to related parties	16	100	108
Receipts in advance and other payables		8,664	4,459
Provision for taxation		1,216	1,267
Current portion of obligations under finance leases		185	187
		24,410	23,873
NET CURRENT ASSETS		57,912	59,189
TOTAL ASSETS LESS CURRENT LIABILITIES		64,507	67,233
NON-CURRENT LIABILITIES			
Obligations under finance leases		63	154
NET ASSETS		64,444	67,079
CAPITAL AND RESERVES			
Share capital	17	3,200	3,200
Reserves		61,244	63,879
SHAREHOLDERS' FUNDS		64,444	67,079

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2002

	Share capital <i>(audited)</i> <i>HK\$'000</i>	Share premium <i>(audited)</i> <i>HK\$'000</i>	Accumulated losses <i>(audited)</i> <i>HK\$'000</i>	Total <i>(audited)</i> <i>HK\$'000</i>
At 1 January 2001	3	20,002	(435)	19,570
Increase in share capital of a subsidiary prior to group reorganisation	—	4,000	—	4,000
Issue of shares	580	57,420	—	58,000
Capitalisation issue of shares	2,617	(2,617)	—	—
Share issue expenses	—	(12,814)	—	(12,814)
Net loss for the year	—	—	(1,677)	(1,677)
	3,200	65,991	(2,112)	67,079
At 31 December 2001	3,200	65,991	(2,112)	67,079

	Share capital <i>(unaudited)</i> <i>HK\$'000</i>	Share premium <i>(unaudited)</i> <i>HK\$'000</i>	Accumulated losses <i>(unaudited)</i> <i>HK\$'000</i>	Total <i>(unaudited)</i> <i>HK\$'000</i>
At 1 January 2002	3,200	65,991	(2,112)	67,079
Net loss for the period	—	—	(2,635)	(2,635)
	3,200	65,991	(4,747)	64,444
At 30 June 2002	3,200	65,991	(4,747)	64,444

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2002

	<i>(unaudited)</i> HK\$'000
NET CASH FROM OPERATING ACTIVITIES	28,294
NET CASH USED IN INVESTING ACTIVITIES	(28,032)
NET CASH FROM FINANCING ACTIVITIES	(93)
INCREASE IN CASH AND CASH EQUIVALENTS	<u>169</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>26,562</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>26,731</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS	
BANK AND CASH BALANCES	<u><u>26,731</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General

The Company was incorporated in the Cayman Islands on 26 May 2000 as an exempted company under the Companies Law (2000 Revision) of the Cayman Islands. The Company's shares have been listed on GEM on 28 June 2001.

The Company is an investment holding company. The principal activities of the Group are distribution of home video products, theatrical, television release and film rights sub-licensing, investment holding, operation of entertainment related portals and acting as an advertising agent.

2. Basis of preparation

Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares (the "Shares") of HK\$0.01 each on GEM, the Company became the holding company of the Group on 5 June 2001. The Reorganisation involved companies under common control, and the Company and its subsidiaries resulting from the Reorganisation were regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated results have been prepared as if the Group had been in existence throughout the six months and three months ended 30 June 2002 and 2001.

3. Significant accounting policies

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention as modified by revaluation of certain investments.

The unaudited condensed consolidated financial statements have been prepared in accordance with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" as issued by the Hong Kong Society of Accountants except that, in this first year of implementation of the standard, as permitted by the GEM Listing Rules, no comparative figures have been presented for the unaudited condensed consolidated cash flow statement.

The condensed consolidated financial statements for the six months ended 30 June 2002 are unaudited and have been reviewed by the audit committee of the Company.

The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31 December 2001.

4. Segmental information

(a) Primary reporting format - business segments

	Home video products distribution		Theatrical, television release and film rights sub-licensing		Online business		Eliminations		Consolidated	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
REVENUE										
External revenue	47,408	61,536	2,871	3,293	236	158	—	—	50,515	64,987
Inter-segment revenue*	232	600	2	—	1,245	775	(1,479)	(1,375)	—	—
Total revenue	<u>47,640</u>	<u>62,136</u>	<u>2,873</u>	<u>3,293</u>	<u>1,481</u>	<u>933</u>	<u>(1,479)</u>	<u>(1,375)</u>	<u>50,515</u>	<u>64,987</u>
RESULT										
Segment result	<u>2,795</u>	<u>10,432</u>	<u>(1,554)</u>	<u>(1,466)</u>	<u>(628)</u>	<u>(3,445)</u>	<u>9</u>	<u>(152)</u>	622	5,369
Unallocated corporate revenue									93	345
Unallocated corporate expenses									(3,149)	(2,187)
Operating profit excluding interest income									(2,434)	3,527
Interest expenses									(26)	(236)
Interest income									65	15
Share of losses of associates									—	(343)
Profit before taxation									(2,395)	2,963
Taxation									(240)	(1,562)
Net (loss)/profit for the period									<u>(2,635)</u>	<u>1,401</u>

* Inter-segment revenue are charged with reference to prevailing market prices.

(b) No geographical analysis is presented as less than 10% of the Group's revenue and results is attributable to markets outside Hong Kong.

5. Turnover and revenue

An analysis of turnover and revenue is as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2002	2001	2002	2001
	<i>(unaudited)</i> HK\$'000	<i>(unaudited)</i> HK\$'000	<i>(unaudited)</i> HK\$'000	<i>(unaudited)</i> HK\$'000
Turnover				
Home video products distribution	24,659	28,768	47,366	61,511
Theatrical, television release and film rights sub-licensing	1,871	545	2,709	3,293
Online business	134	123	236	158
	<u>26,664</u>	<u>29,436</u>	<u>50,311</u>	<u>64,962</u>
Other revenue				
Bank interest income	31	6	65	15
Distribution income	24	15	42	25
Dubbing income, net	93	—	93	6
Marketing fee income	162	—	162	—
Sponsorship income	—	206	—	339
	<u>310</u>	<u>227</u>	<u>362</u>	<u>385</u>
	<u>26,974</u>	<u>29,663</u>	<u>50,673</u>	<u>65,347</u>

6. Profit/(Loss) from operations

The Group's profit/(loss) from operations is stated after charging:

	For the three months ended 30 June		For the six months ended 30 June	
	2002	2001	2002	2001
	<i>(unaudited)</i> HK\$'000	<i>(unaudited)</i> HK\$'000	<i>(unaudited)</i> HK\$'000	<i>(unaudited)</i> HK\$'000
Amortisation of film rights	11,942	13,119	22,879	28,674
Bad debts written off	77	4	77	5
Cost of inventories sold	4,466	4,825	9,287	9,843
Depreciation				
Owned fixed assets	344	566	729	860
Leased fixed assets	43	47	86	95
Provision for doubtful debts	25	—	—	—
Provision for inventories	—	450	—	750
Staff costs including directors' remuneration				
Salaries and allowances	4,328	4,472	8,566	9,200
Retirement benefits scheme contributions	125	145	267	297
	<u>125</u>	<u>145</u>	<u>267</u>	<u>297</u>

7. Finance costs

	For the three months ended 30 June		For the six months ended 30 June	
	2002 <i>(unaudited)</i> HK\$'000	2001 <i>(unaudited)</i> HK\$'000	2002 <i>(unaudited)</i> HK\$'000	2001 <i>(unaudited)</i> HK\$'000
Interest on loan from a shareholder	—	115	—	208
Finance lease charges	13	14	26	28
	<u>13</u>	<u>129</u>	<u>26</u>	<u>236</u>

8. Taxation

Hong Kong profits tax was provided at the rate of 16% for the three months and six months ended 30 June 2002 (2001: 16%) on the estimated assessable profits arising in or derived from Hong Kong.

No deferred taxation was provided as certain subsidiaries of the Group had substantial tax loss in excess of the tax allowances over depreciation while the effect of timing differences of other subsidiaries of the Group was not material.

9. Earnings/(Loss) per share

The calculation of basic earnings/(loss) per share is based on the unaudited net profit attributable to shareholders for the three months ended 30 June 2002 of approximately HK\$198,000 and net loss attributable to shareholders for the six months ended 30 June 2002 of approximately HK\$2,635,000 (three months and six months ended 30 June 2001: profit of approximately HK\$720,000 and HK\$1,401,000, respectively) and the weighted average number of 320,000,000 shares for the three months and six months ended 30 June 2002 (three months and six months ended 30 June 2001: 268,373,626 shares and 265,204,420 shares, respectively deemed to be in issue during the periods assuming the 262,000,000 shares issued pursuant to the Reorganisation described in Note 2 above had been outstanding throughout the period).

No diluted earnings/(loss) per share is presented for the three months and six months ended 30 June 2002 as there was no dilutive potential ordinary shares during the periods.

The calculation of diluted earnings per share for the three months and six months ended 30 June 2001 was based on the unaudited net profit attributable to shareholders of approximately HK\$720,000 and HK\$1,401,000, respectively and the diluted weighted average number of approximately 268,428,088 shares and 265,231,801 shares, respectively in issue during the periods. They have been calculated after taking into account all dilutive instruments outstanding as at 30 June 2001. The effect of the dilutive potential ordinary shares resulting from the exercise of the outstanding share options on the weighted average number of shares in issue during the three months and six months ended 30 June 2001 were approximately 54,462 shares and 27,381 shares, respectively which were deemed to have been issued at no consideration as if all outstanding share options had been exercised on the date the options were granted.

10. Film rights

	30 June 2002 (unaudited) HK\$'000	31 December 2001 (audited) HK\$'000
At beginning of period/year	15,351	6,706
Acquired during the period/year, at cost	27,951	59,932
Amortisation for the period/year	<u>(22,879)</u>	<u>(51,287)</u>
At end of period/year	20,423	15,351
Current portion	<u>(17,660)</u>	<u>(11,807)</u>
Non-current portion	<u>2,763</u>	<u>3,544</u>

11. Fixed assets

	Leasehold improvements (unaudited) HK\$'000	Computers (unaudited) HK\$'000	Furniture and fixtures (unaudited) HK\$'000	Motor vehicles (unaudited) HK\$'000	Total (unaudited) HK\$'000
Cost					
At 1 January 2002	3,719	3,128	2,276	644	9,767
Additions	<u>14</u>	<u>45</u>	<u>88</u>	<u>—</u>	<u>147</u>
At 30 June 2002	<u>3,733</u>	<u>3,173</u>	<u>2,364</u>	<u>644</u>	<u>9,914</u>
Accumulated depreciation					
At 1 January 2002	2,401	1,491	1,682	299	5,873
Charge for the period	<u>288</u>	<u>309</u>	<u>138</u>	<u>80</u>	<u>815</u>
At 30 June 2002	<u>2,689</u>	<u>1,800</u>	<u>1,820</u>	<u>379</u>	<u>6,688</u>
Impairment losses					
At 1 January 2002 and 30 June 2002	<u>—</u>	<u>200</u>	<u>—</u>	<u>—</u>	<u>200</u>
Net book value					
At 30 June 2002	<u>1,044</u>	<u>1,173</u>	<u>544</u>	<u>265</u>	<u>3,026</u>
At 31 December 2001	<u>1,318</u>	<u>1,437</u>	<u>594</u>	<u>345</u>	<u>3,694</u>

12. Inventories

The Group's inventories represent finished goods of home video products.

As at 30 June 2002, no inventories were stated at net realisable value (31 December 2001: approximately HK\$569,000).

13. Trade receivables

General credit terms of the Group range from 30 days to 90 days. The aged analysis of trade receivables is as follows:

	30 June 2002 (unaudited) HK\$'000	31 December 2001 (audited) HK\$'000
Aged:		
Current - 30 days	10,058	9,659
31 - 60 days	9,539	5,390
61 - 90 days	2,145	1,576
91 - 180 days	1,236	1,675
181 - 365 days	717	168
Over 1 year	57	17
	<u>23,752</u>	<u>18,485</u>

14. Trade payables

The aged analysis of trade payables is as follows:

	30 June 2002 (unaudited) HK\$'000	31 December 2001 (audited) HK\$'000
Aged:		
Current - 30 days	1,546	5,579
31 - 60 days	3,574	2,365
61 - 90 days	1,397	1,165
91 - 180 days	861	716
181 - 365 days	640	665
Over 1 year	312	113
	<u>8,330</u>	<u>10,603</u>

15. Film rights payables

The aged analysis of film rights payables is as follows:

	30 June 2002 (unaudited) HK\$'000	31 December 2001 (audited) HK\$'000
Aged:		
Current - 30 days	1,548	3,330
31 - 60 days	166	562
61 - 90 days	46	582
91 - 180 days	140	198
181 - 365 days	1,438	493
Over 1 year	2,577	2,084
	<u>5,915</u>	<u>7,249</u>

16. Amounts due to related parties

The amounts are unsecured, interest free and have no fixed terms of repayment.

17. Share capital

	Number of shares	Share capital HK\$'000
Shares of HK\$0.01 each		
<i>Authorised:</i>		
At 31 December 2001 and 30 June 2002	10,000,000,000	100,000
<i>Issued and fully paid:</i>		
At 31 December 2001 and 30 June 2002	320,000,000	3,200

18. Related party transactions

Other than the amounts due to the related parties as disclosed in note 16, during the period the Group entered into the following transactions with its related parties:

	For the six months ended 30 June	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Distribution income received from		
— Era Communications Co., Limited ("ERA Taiwan")	—	2
— Era International (HK) Limited ("EIHK")	27	23
Loan interest paid to 5D Technology Holding Ltd. ("5D Technology") (<i>note</i>)	—	207
Film production cost paid to ERA Taiwan	1	3

Mr. Chiu Fu Sheng, a director of the Company, is a major shareholder of ERA Taiwan, EIHK and 5D Technology.

Note: Pursuant to a loan agreement entered into between 5D Technology and the Group, 5D Technology advanced approximately HK\$5 million for the period from 17 January 2001 to 9 July 2001 at 9.15% per annum to the Group. The loan interest paid to 5D Technology amounted to approximately HK\$207,000 for the six months ended 30 June 2001.

Personal guarantees have been provided by Mr. Leung Chung Chu, Andrew, a director of the Company, in respect of the continuing guarantee of HK\$750,000 in respect of payment of advertising charges in favour of certain publishers of newspapers and magazines. Unlimited personal guarantees have been provided by Mr. Leung Chung Chu, Andrew and Mr. Yau Kar Man, directors of the Company, to a bank in respect of the provision of e-commerce service to the Group. The above personal guarantees were released and replaced by corporate guarantees of the Company upon listing of the shares of the Company on GEM.

19. Capital commitments

Capital commitments at the balance sheet date were as follows:

	30 June 2002 (unaudited) HK\$'000	31 December 2001 (audited) HK\$'000
Unpaid capital contribution for the investment in an associate	116	116
Unpaid film rights due to licensors	<u>18,002</u>	<u>8,812</u>

20. Contingent liabilities

Contingent liabilities at the balance sheet date were as follows:

	30 June 2002 (unaudited) HK\$'000	31 December 2001 (audited) HK\$'000
Long service payments	1,813	1,781
Corporate guarantees of banking facilities granted to subsidiaries	2,000	2,000
Corporate guarantees of payment of advertising charges granted to subsidiaries	300	300
Claim in respect of disputes from a previous licensor	<u>308</u>	<u>1,200</u>
	<u>4,421</u>	<u>5,281</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2002 (2001: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

For the six months ended 30 June 2002, the Group recorded a turnover of approximately HK\$50.3 million (2001: approximately HK\$65 million) and a loss attributable to shareholders of approximately HK\$2.6 million (2001: a profit of approximately HK\$1.4 million).

The decrease in turnover was mainly due to seasonal factor for the sales of home video products. Video products of those blockbuster and highly successful titles, such as “Spider-Man”, “Men in Black 2” and “Stuart Little 2”, will be released in the second half of the year.

Turnover and results of the Group’s home video products distribution as well as theatrical, television release and film rights sub-licensing are adversely affected by the 2002 FIFA World Cup matches. However, the Group was making a slight profit in the second quarter of 2002, and the Directors believe that results of the Group will be benefited by the release of more blockbuster titles in the second half of the year.

During the period under review, the Group has been striving to enhance the distribution of home video products which continued to generate stable and major source of revenue. With the newly concluded distribution agreement entered into with another major Hollywood Studio, namely Paramount Home Entertainment International, in January 2002, the Group has been authorised to exclusively distribute its DVDs and VCDs in Hong Kong and Macau, which helps to extend its range of product and the choice of customers even further. New home video titles released in the second quarter of 2002 included “Black Hawk Down”, “Vanilla Sky” and the Oscar-winning title “A Beautiful Mind”.

In addition, the Group has also obtained the exclusive distribution rights in Hong Kong to distribute VCD and DVD programs of Discovery Channel and National Geographic, and distribution of home video products of these two labels has started in the second quarter of 2002.

The Group is also committed to the distribution of quality and highly marketable theatrical titles. Titles with prominent casts, such as “Birthday Girl” with Nicole Kidman and “John Q” with Denzel Washington, were released in the second quarter of 2002.

While the market of online sales of products is not expected to be matured in a short period of time, the Group is continuing its cost saving process for the online business, as well as formulating plans to minimise its online business expenses.

Prospects

Looking ahead, the distribution of home video products will continue to be the Group's major source of income in the second half of the year with the release of home video products for highly successful box-office attractions, such as "Spider-Man", "Men in Black 2", "Stuart Little 2", "Scorpion King" and "The Sum of All Fears". Additionally, several theatrical titles which were delayed have been scheduled for release in the second half of 2002.

China's recent entry to the World Trade Organisation will bring a new era of economic development to the country. The film industry is expected to benefit from this new business environment. With the improving living standards and the gradual liberation of the film industry in the PRC, the demand for quality films and home entertainment will escalate. As such, the Group is strategically planning to expand its horizons both on a geographical and business basis to video distribution as well as film exhibition in the PRC, while the Group is also closely watching the anti-piracy policies in the country with a view to enter the market at a suitable time. With this strategy in mind, the Group is actively negotiating with several PRC business partners, seeking to grow this business and create synergies with both business partners and its existing businesses.

Under various distribution agreements with Hollywood's major studios, the Group has secured the rights to distribute top quality and marketable films, demonstrating the confidence of these major studios in the Group's performance. Looking to the future, the Group will continue to enrich its content library and look for strategic partners to bring further benefits to the Group.

The Group is exploring the opportunity to distribute some entertainment related products, other than VCD and DVD of film titles, such as PC games so as to expand the revenue base. Additionally, the Group is studying the feasibility of online entertainment related services. With the launch of the new media platform for online delivery by ERA Taiwan in Taiwan, namely Intelligent Digital TV ("IDTV"), the Group believes that the development of its online delivery services will benefit from this evolving technology.

Comparison between proposed business objectives as published in the prospectus of the Company dated 12 June 2001 ("Prospectus") and actual performance for the six months ended 30 June 2002

Proposed objectives as stated in the Prospectus

Actual performance for the six months ended 30 June 2002

Home video products distribution

- | | |
|---|---|
| <ol style="list-style-type: none">1. Enter into other markets in the Southeast Asian region
2. Continue to expand product base and consider to acquire distribution rights from other Asian film studios such as Japanese film studios | <ol style="list-style-type: none">1. The Group is discussing with several distributors in Southeast Asian region to explore co-operation opportunity, but no agreement has yet been reached
2. The Group continues to obtain additional distribution rights of major Hollywood studios, such as Paramount. The Group also acquired distribution rights of programs of two major labels, namely National Geographic and Discovery Channel |
|---|---|

Theatrical, television release and film rights sub-licensing (previously described as theatrical, pay/free TV rights distribution in the Prospectus)

- | | |
|--|---|
| <ol style="list-style-type: none">1. Continue to take on additional product representations and acquire more contents
2. To commence negotiation for possible strategic alliance with television operators including satellite television operators for the supply of contents for possible expansion in Southeast Asia and Greater China | <ol style="list-style-type: none">1. To cope with the recent market trend, the Group has acquired certain Korean film title
2. The Group continues to negotiate with various TV operators, but not including satellite television operators during the reviewing period, for supply of contents, but no agreement has yet been reached |
|--|---|

Online business (previously described as internet business in the Prospectus)

- | | |
|--|--|
| <ol style="list-style-type: none">1. Commence and secure technology and network partner for the preparation of online delivery entertainment related services
2. Continue negotiations of and secure licences from music companies for online music delivery services | <ol style="list-style-type: none">1. Following the launch, in the second quarter of 2002, of a new media platform for online delivery, namely IDTV, by ERA Taiwan in Taiwan, the Group is exploring business opportunity from this technology
2. The Group continues to negotiate with certain music companies, but no agreement has yet been reached |
|--|--|

Use of proceeds

The net proceeds from the listing of the Company's shares on GEM amounted to approximately HK\$44.6 million. During the period from 28 June 2001 (date of listing) to 30 June 2002, the Group has incurred the following amounts to achieve the business objectives as set out in the Prospectus.

		Amount intended to be applied up to 30 June 2002 as disclosed in the Prospectus (HK\$'million)	Actual amounts applied up to 30 June 2002 (HK\$'million)
	<i>Note</i>		
Acquisition of entertainment related content including TV distribution rights and online distribution rights	1	4.4	0.2
Expansion of the home video and theatrical categories	2	10.6	13.3
Preparation for and development of the launching of online delivery services	3	1.7	—
TOTAL		16.7	13.5

Notes:

- Delay in spending was mainly due to the following reasons:
 - The commencement of operations by certain potential TV operators was much later than expected. At the same time, the distribution market of the online delivery of entertainment content has not picked up as fast as the Group has anticipated.
 - There were certain delays in film production schedules by the Group's licensors. The release of such delayed films are expected to be by the end of 2002 or in 2003.
- The Group caught the chance to acquire several labels during the period under review, namely Paramount, National Geographic and Discovery Channel. Therefore proceeds were utilised more than expected.
- The Group is exploring business opportunity from the technology of online delivery developed by ERA Taiwan, thus limited cash resources were being utilised. The Group is planning the timing of the launch of the online delivery services, based on the exploring of the technology from ERA Taiwan.

DIRECTORS' INTERESTS IN SHARES

At 30 June 2002, the interests of the Directors in the share capital of the Company or its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance", Chapter 396 of the Laws of Hong Kong)), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance, were as follows:

(a) The Company

Name of directors	Type of interest	Number of shares held
Mr. Leung Chung Chu, Andrew	Personal	30,000,000
Mr. Chiu Fu Sheng	Corporate (<i>Note</i>)	180,000,000

Note: The 180,000,000 shares are owned by 5D Technology which is a company incorporated in the British Virgin Islands with all its shares held by ERA Taiwan. ERA Taiwan is a company incorporated in Taiwan and Mr. Chiu Fu Sheng and his associates (as defined in the GEM Listing Rules) beneficially own 56.93% of the issued share capital of ERA Taiwan.

(b) The associated corporations

As mentioned above, Mr. Chiu Fu Sheng and his associates (as defined in the GEM Listing Rules) beneficially own 56.93% equity interest in ERA Taiwan which beneficially owns all the shareholding interest of 5D Technology, 5D Technology owns 56.25% equity interest of the Company.

Mr. Leung Chung Chu, Andrew is personally interested in 400,000 shares of RM1 each in, representing approximately 8.26% of the issued share capital of Winning Scope Sdn. Bhd., a company of which the Company is indirectly interested in 22.73% of its issued share capital.

Save as disclosed above, none of the Directors, chief executives or their associates had any interest in the issued share capital of the Company or any of its associated corporations, as defined in the SDI Ordinance.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHT TO ACQUIRE SECURITIES

Pursuant to the pre-IPO share option scheme adopted by the Company on 5 June 2001 ("Pre-IPO Share Option Scheme"), certain Directors have been granted options to subscribe for Shares at a subscription price of HK\$1 per share, details of which are set out as follows:

Name of Directors	Total number of Shares subject to the options as at 30 June 2002	Approximate percentage of shareholding
<i>Executive Directors</i>		
Leung Chung Chu, Andrew	1,200,000	0.375%
Yau Sui Ha, Cecilia	600,000	0.1875%
Yau Kar Man	400,000	0.125%
<i>Independent non-executive Directors</i>		
Chan Kin Wo	400,000	0.125%
Yow Cecil	400,000	0.125%
	<u>3,000,000</u>	

The options were granted on 5 June 2001. Each of the grantees to whom options have been granted under the Pre-IPO Share Option Scheme will be entitled to exercise (i) 50% of the options so granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 12 months from the date of the grant of the options, and (ii) the remaining 50% of the options granted to him/her (rounded down to the nearest whole number) at any time after 24 months from the date of the grant of the options, and in any event, not later than 10 years from the date of the grant of the options.

Save for the Pre-IPO Share Option Scheme and the share option scheme ("Share Option Scheme"), both adopted by the Company on 5 June 2001, and the principal terms of which have been disclosed in the Prospectus, as at 30 June 2002, 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 debt securities, including debentures, of the Company or any other body corporate, and none of the Directors, chief executives or their respective spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right. During the period under review, no option was granted under the Share Option Scheme.

OUTSTANDING SHARE OPTIONS

As at 30 June 2002, options to subscribe for an aggregate of 7,500,000 Shares had been granted to certain Directors and employees of the Group under the Pre-IPO Share Option Scheme. Particulars of the outstanding options granted to the Directors are set out in the section headed "Directors' and chief executives' right to acquire securities". No share options under the Pre-IPO Share Option Scheme were exercised as at 30 June 2002.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, according to the register required to be kept by the Company under Section 16(1) of the SDI Ordinance, the following parties were interested in 10% or more of the issued share capital of the Company (taking no account of the Shares which may be taken up under the options granted or to be granted under the Pre-IPO Share Option Scheme or Share Option Scheme).

Name	Number of Shares held	Approximate percentage of issued Shares
Chiu Fu Sheng and his associates (as defined in the GEM Listing Rules)	180,000,000 (<i>Note</i>)	56.25%
ERA Taiwan	180,000,000 (<i>Note</i>)	56.25%
5D Technology Holdings Ltd.	180,000,000 (<i>Note</i>)	56.25%

Note: These interests have also been disclosed as corporate interests of Mr. Chiu Fu Sheng in the section headed "Directors' interests in shares", where further details of ERA Taiwan and 5D Technology are set out.

Save as disclosed above, the Company had not been notified of any other party whose interests represents 10% or more of the Company's issued share capital as at 30 June 2002.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the six months ended 30 June 2002, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SPONSOR'S INTEREST

As updated and notified by REXCAPITAL (Hong Kong) Limited ("Rexcapital"), the sponsor of the Company, neither Rexcapital nor any of its directors, employees or their respective associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interest in the securities of the Company, including options or rights to subscribe for such securities, as at 30 June 2002 pursuant to Rules 6.36 and 18.63 of the GEM Listing Rules.

Pursuant to a sponsor agreement dated 11 June 2001 entered into between the Company and Rexcapital, Rexcapital has received and will receive fees for acting as the Company's retained sponsor for the period up to 31 December 2003.

COMPETING INTEREST

The Directors are of the view that ERA Taiwan, being the single largest shareholder of the Company, has not and will not directly compete with the Group in respect of the businesses of distribution of home video products, theatrical, pay and fee TV rights because of geographical differences. However, the Directors are of the view that the internet projects or businesses of ERA Taiwan may continue to expand and there is a risk that the future Internet projects or businesses of ERA Taiwan may compete with the Group, especially in the area of e-commerce.

AUDIT COMMITTEE

As required by Rules 5.23 to 5.25 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference which deal clearly with its authority and duties. The audit committee's principal duties are to review and supervise the Group's financial reporting process and internal control systems.

COMPLIANCE WITH RULES 5.28 TO 5.39 (SAVE AS RULE 5.30) OF THE GEM LISTING RULES

The Company has complied throughout the period of six months ended 30 June 2002 the minimum standards of good practice concerning the general management responsibilities of the Board of Directors as set out in Rules 5.28 to 5.39 (save as Rule 5.30 which is not applicable for the period under review) of the GEM Listing Rules.

By Order of the Board
Leung Chung Chu, Andrew
Chairman

Hong Kong, 8 August 2002