



Era Information & Entertainment Limited
年代資訊影視有限公司
(incorporated in the Cayman Islands with limited liability)



QUARTERLY REPORT

For the three months ended 31 March 2003



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

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

This report, for which the directors (the “Directors”) of 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, 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 ended 31 March 2003, together with the unaudited comparative figures for the corresponding period in 2002 as follows:

		For the three months ended 31 March	
		2003	2002
	<i>Note</i>	HK\$'000	HK\$'000 (Restated)
Turnover	2	24,742	23,647
Cost of sales		(17,741)	(18,612)
Gross profit		7,001	5,035
Other revenue		322	52
Distribution costs		(155)	(172)
Administrative expenses		(7,048)	(7,564)
Profit/(Loss) from operations		120	(2,649)
Finance costs		(13)	(13)
Profit/(Loss) before taxation		107	(2,662)
Taxation	3	278	343
Net profit/(loss) attributable to shareholders		385	(2,319)
Earnings/(Loss) per share – basic (cents)	4	0.12	(0.725)



Note:

1. Basis of preparation

In the current period, the Group adopted a revised Statement of Standard Accounting Practice 12 (“SSAP 12”) issued by the Hong Kong Society of Accountants.

SSAP 12 (revised) prescribes the basis for accounting and disclosure requirements for both current and deferred tax. The revised SSAP requires deferred tax to be provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In prior period, SSAP 12 required deferred tax to be provided on all material timing differences arising between accounting profit and taxable profit. The adoption of SSAP 12 (revised) represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2. Turnover

	For the three months ended 31 March	
	2003	2002
	HK\$'000	HK\$'000
Sales of home video products	18,046	22,707
Theatrical, television release and film rights sub-licensing	5,528	838
Games distribution and online business	1,168	102
	<u>24,742</u>	<u>23,647</u>



3. Taxation

The taxation credit comprises:

	For the three months ended 31 March	
	2003	2002
	HK\$'000	HK\$'000
		(Restated)
Hong Kong profits tax		
Current tax expenses	-	171
Deferred tax income	<u>(278)</u>	<u>(514)</u>
	<u>(278)</u>	<u>(343)</u>

Hong Kong profits tax was provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits for the three months ended 31 March 2003.

Deferred taxation is calculated in full on temporary differences under the liability method at the rate of 17.5% (2002: 16%) for the three months ended 31 March 2003.

4. 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 31 March 2003 of approximately HK\$385,000 (three months ended 31 March 2002: loss of approximately HK\$2,319,000) and the weighted average number of 320,000,000 shares for the three months ended 31 March 2003 and 2002.

No diluted earnings/(loss) per share is presented as there was no dilutive potential ordinary shares during the periods.





5. Movements in reserves

Movement in reserves during the periods are as follows:

	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance as at 1 January 2002			
As previously stated	65,991	(2,112)	63,879
Effect of adopting SSAP 12	<u>–</u>	<u>4,217</u>	<u>4,217</u>
As restated	<u>65,991</u>	<u>2,105</u>	<u>68,096</u>
Net loss for the period			
As previously stated	–	(2,833)	(2,833)
Effect of adopting SSAP 12	<u>–</u>	<u>514</u>	<u>514</u>
As restated	<u>–</u>	<u>(2,319)</u>	<u>(2,319)</u>
Balance as at 31 March 2002			
As previously stated	65,991	(4,945)	61,046
Effect of adopting SSAP 12	<u>–</u>	<u>4,731</u>	<u>4,731</u>
As restated	<u>65,991</u>	<u>(214)</u>	<u>65,777</u>
	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance as at 1 January 2003			
As previously stated	65,991	(7,194)	58,797
Effect of adopting SSAP 12	<u>–</u>	<u>5,342</u>	<u>5,342</u>
As restated	<u>65,991</u>	<u>(1,852)</u>	<u>64,139</u>
Net profit for the period	<u>–</u>	<u>385</u>	<u>385</u>
Balance as at 31 March 2003	<u>65,991</u>	<u>(1,467)</u>	<u>64,524</u>



DIVIDEND

The Directors do not recommend the payment of a dividend for the three months ended 31 March 2003 (three months ended 31 March 2002: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

For the three months ended 31 March 2003, the Group recorded a turnover of approximately HK\$24.7 million (2002: approximately HK\$23.6 million), representing an increase of approximately 5% against the previous corresponding period. Profit attributable to shareholders amounted to approximately HK\$0.4 million (2002: a loss of approximately HK\$2.3 million).

For the three-month period, home video product distribution continued to be the major source of revenue for the Group. Due to weak economic condition and consumption atmosphere, as well as delay in delivery of home video materials and products by licensors in the first quarter of 2003, turnover for this segment decreased by approximately 21%. New titles of home video products released by the Group during the period included “So Close”, “8 Mile” and “The Tuxedo”. Home video titles such as blockbuster title of “Catch Me If You Can”, “Double Vision” and “Maid in Manhattan” are to be released in the second quarter of 2003.

As for the performance of theatrical releases, it continued to be affected by the persistently weak local market during the period under review. During the reporting period, the Group distributed three highly acclaimed Golden Globe and Oscar winning productions, namely “Chicago”, “The Hours” and “Frida”. In view of the poor market which is expected to be further augmented by the outbreak of the Severe Acute Respiratory Syndrome (“SARS”) in the recent months, the Group will continue its cautious approach in scheduling the release of quality films in the rest of the year. The movies planned to be released in the second quarter include “2009 Lost Memories” and “The Four Feathers”.

The successful initial penetration of the games distribution market by the end of 2002 has generated a new revenue stream. The Group will strive to enhance this segment of business, which is expected to grow and contribute more returns for the Group. New games launched during the period under review included Vivendi Universal’s personal computer (“PC”) games such as “Jurassic Park: Operation Genesis”, console games such as “The Lord of the Rings: The Fellowship of the Ring”, and a new version of the online game “Asgard”. Encouraged by this positive result, the Group will continue to launch more games with market potential. Games to be released in the second quarter of 2003 include PC games “The Hulk” and Chinese version of “WarCraft III: Reign of Chaos”, and console game “The Hulk”, as well as online game “Tactical Commander”. Negotiations with potential partners are also underway to widen the range of the Group’s game products.





Despite the adverse local economy, the Group remains committed to broadening its range of products and providing quality movies and game products to its customers. The Group is also looking into extending the geographic presence of its film and video distribution business in the market of the People's Republic of China.

DIRECTORS' INTERESTS IN SHARES

At 31 March 2003, 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 Holdings Ltd. ("5D Technology") which is a company incorporated in the British Virgin Islands with all its shares held by Era Communications Co., Ltd. ("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 approximately 57.10% 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 approximately 57.10% equity interest in ERA Taiwan which beneficially owns all the shareholding interest of 5D Technology. 5D Technology owns approximately 56.25% equity interest of the Company.

Mr. Leung Chung Chu, Andrew is personally interested in 400,000 shares of Malaysian Ringgit 1 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 approximately 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 (“Pre-IPO Share Option Scheme”) adopted by the Company on 5 June 2001, 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 31 March 2003	Approximate percentage of shareholding
<i>Executive directors</i>		
Mr. Leung Chung Chu, Andrew	1,200,000	0.375%
Madam Yau Sui Ha, Cecilia	600,000	0.1875%
Mr. Yau Kar Man	400,000	0.125%
<i>Independent non-executive directors</i>		
Mr. Chan Kin Wo	400,000	0.125%
Mr. Yow Cecil	400,000	0.125%
	3,000,000	

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 each case, not later than 10 years from the date of the grant of the options.

As at 31 March 2003, there are 7,340,000 outstanding shares options granted under the Pre-IPO Share Option Scheme. No share options under the Pre-IPO Share Option Scheme were exercised by the Directors for the three months ended 31 March 2003.

Under the terms of the share option scheme (the “Share Option Scheme”) adopted by the Company on 5 June 2001, the Directors may at their discretion grant options to Directors and employees of the Group to subscribe for shares of the Company.



No share options under the Share Option Scheme were granted to the Directors up to 31 March 2003.

Save as disclosed above, at no time during the period under review was the Company, any of its holding companies or any of its subsidiaries a party to any arrangements to enable the Directors, chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to acquire benefits by means of acquisition of shares, or debt securities, including debentures, in the Company or any other body corporate, and none of the Directors, chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) had any right to subscribe for the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2003, 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
Mr. Chiu Fu Sheng	180,000,000 (<i>Note</i>)	56.25%
ERA Taiwan	180,000,000 (<i>Note</i>)	56.25%
5D Technology	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” above, 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 31 March 2003.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the three months ended 31 March 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.



SPONSOR'S INTEREST

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

At 31 March 2003, neither Rexcapital nor 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 share capital of the Company or its subsidiaries, including options or rights to subscribe for such shares, pursuant to Rules 6.36 and 18.75 of the GEM Listing Rules.

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, television release and film rights sub-licensing, and games distribution 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.

Save as disclosed above, as at 31 March 2003, the Directors are not aware of any business or interest of each Director, initial management shareholder and their respective associates (as defined in the GEM Listing Rules) that competes or may compete with the business of the Group or any other conflicts of interest which any such person has or may have with the Group.

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. Its principal duties are to review and supervise the Group's financial reporting process and internal control systems. The Group's unaudited results for the three months ended 31 March 2003 have been reviewed by the audit committee of the Company, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

By Order of the Board
Leung Chung Chu, Andrew
Chairman

Hong Kong, 6 May 2003

