



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



INTERIM REPORT
2003

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 (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 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 2003, together with the comparative unaudited consolidated results for the corresponding periods in 2002 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 30 June 2003

and the six months ended 30 June 2003

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000 (restated)	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000 (restated)
Turnover	2	25,470	26,664	50,212	50,311
Cost of sales		(20,532)	(18,528)	(38,273)	(37,140)
Gross profit		4,938	8,136	11,939	13,171
Other revenue		15	310	337	362
Portal promotion costs		-	(2)	-	(2)
Distribution costs		(161)	(309)	(316)	(481)
Administrative expenses		(7,522)	(7,777)	(14,570)	(15,341)
Other operating expenses		(1,301)	(78)	(1,301)	(78)
(Loss)/Profit from operations		(4,031)	280	(3,911)	(2,369)
Finance costs		(12)	(13)	(25)	(26)
(Loss)/Profit before taxation	3	(4,043)	267	(3,936)	(2,395)
Taxation	4	209	(108)	487	235
Net (loss)/profit attributable to shareholders		(3,834)	159	(3,449)	(2,160)
(Loss)/Earnings per share	5	(1.198)	0.050	(1.078)	(0.675)
- basic (cents)					

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2003

		30 June 2003 (unaudited) HK\$'000	31 December 2002 (audited) HK\$'000 (restated)
NON-CURRENT ASSETS			
Film rights		2,694	5,233
Fixed assets	6	1,610	2,358
Interests in associates		156	156
Club membership		650	650
Deferred tax assets		5,829	5,342
		10,939	13,739
CURRENT ASSETS			
Inventories		12,173	8,422
Current portion of film rights		18,989	10,072
Trade and other receivables	7	23,537	29,700
Prepayments and deposits		8,535	7,471
Tax recoverable		1,332	799
Bank and cash balances		14,047	26,394
		78,613	82,858
CURRENT LIABILITIES			
Trade and other payables	8	25,599	29,104
Provision for taxation		–	–
Current portion of obligations under finance leases		63	154
		25,662	29,258
NET CURRENT ASSETS		52,951	53,600
NET ASSETS		63,890	67,339
CAPITAL AND RESERVES			
Share capital	9	3,200	3,200
Reserves		60,690	64,139
SHAREHOLDERS' FUNDS		63,890	67,339

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2003

	Share capital	Share premium	Accumulated profits/ (losses)	Total
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance as at 1 January 2002				
As previously stated	3,200	65,991	(2,112)	67,079
Effect of adopting SSAP 12	–	–	4,217	4,217
	<hr/>	<hr/>	<hr/>	<hr/>
As restated	3,200	65,991	2,105	71,296
Net loss for the period				
As previously stated	–	–	(2,635)	(2,635)
Effect of adopting SSAP 12	–	–	475	475
	<hr/>	<hr/>	<hr/>	<hr/>
As restated	–	–	(2,160)	(2,160)
Balance as at 30 June 2002				
As previously stated	3,200	65,991	(4,747)	64,444
Effect of adopting SSAP 12	–	–	4,692	4,692
	<hr/>	<hr/>	<hr/>	<hr/>
As restated	3,200	65,991	(55)	69,136
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	Share capital	Share premium	Accumulated losses	Total
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance as at 1 January 2003				
As previously stated	3,200	65,991	(7,194)	61,997
Effect of adopting SSAP 12	–	–	5,342	5,342
	<hr/>	<hr/>	<hr/>	<hr/>
As restated	3,200	65,991	(1,852)	67,339
Net loss for the period	–	–	(3,449)	(3,449)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance as at 30 June 2003	3,200	65,991	(5,301)	63,890
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2003

	For the six months ended 30 June	
	2003 <i>(unaudited)</i> HK\$'000	2002 <i>(unaudited)</i> HK\$'000
NET CASH FROM OPERATING ACTIVITIES	16,569	28,294
NET CASH USED IN INVESTING ACTIVITIES	(28,825)	(28,032)
NET CASH USED IN FINANCING ACTIVITIES	<u>(91)</u>	<u>(93)</u>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(12,347)	169
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>26,394</u>	<u>26,562</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>14,047</u>	<u>26,731</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
BANK AND CASH BALANCES	<u>14,047</u>	<u>26,731</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and principal 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 all applicable disclosure requirements of the GEM Listing Rules and Statement of Standard Accounting Practice 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (the “HKSA”).

The condensed consolidated financial statements for the six months ended 30 June 2003 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 2002 except that the Group has adopted a revised Statement of Standard Accounting Practice 12 (“SSAP 12”) issued by the HKSA in the current period.

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.

2. Turnover and segment information

Turnover represents revenue arising from the distribution of home video products, theatrical and television rights, film rights sub-licensing, games distribution and online business. An analysis of the Group's revenue and results for the periods by business segments is as follows:

	Home video products distribution		Theatrical, television rights distribution and film rights sub-licensing		Games distribution and 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	
	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
REVENUE										
External revenue	36,843	47,408	9,339	2,871	4,360	236	-	-	50,542	50,515
Inter-segment revenue*	-	232	-	2	920	1,245	(920)	(1,479)	-	-
Total revenue	<u>36,843</u>	<u>47,640</u>	<u>9,339</u>	<u>2,873</u>	<u>5,280</u>	<u>1,481</u>	<u>(920)</u>	<u>(1,479)</u>	<u>50,542</u>	<u>50,515</u>
RESULT										
Segment result	<u>(2,267)</u>	<u>2,795</u>	<u>815</u>	<u>(1,554)</u>	<u>(226)</u>	<u>(628)</u>	<u>600</u>	<u>9</u>	<u>(1,078)</u>	622
Unallocated corporate revenue									-	93
Unallocated corporate expenses									<u>(2,840)</u>	<u>(3,149)</u>
Operating loss excluding interest income									<u>(3,918)</u>	<u>(2,434)</u>
Interest expenses									<u>(25)</u>	<u>(26)</u>
Interest income									<u>7</u>	<u>65</u>
Loss before taxation									<u>(3,936)</u>	<u>(2,395)</u>
Taxation									<u>487</u>	<u>235</u>
Net loss for the period									<u>(3,449)</u>	<u>(2,160)</u>

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

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

3. (Loss)/Profit before taxation

The Group's (loss)/profit before taxation is stated after charging:

	For the three months ended 30 June		For the six months ended 30 June	
	2003	2002	2003	2002
	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000
Amortisation of film rights	12,663	11,942	22,433	22,879
Bad debts written off	34	77	34	77
Cost of inventories sold	5,932	4,466	10,121	9,287
Depreciation				
Owned fixed assets	338	344	683	729
Leased fixed assets	43	43	86	86
Finance lease charges	12	13	25	26
Provision for doubtful debts	1,267	25	1,267	–

4. Taxation

The taxation credit/(charged) comprises:

	For the three months ended 30 June		For the six months ended 30 June	
	2003	2002	2003	2002
	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000
		(restated)		(restated)
Current taxation –				
Hong Kong profits tax	–	(69)	–	(240)
Deferred taxation	209	(39)	487	475
	209	(108)	487	235

Hong Kong profits tax was provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits for the three months and six months ended 30 June 2003.

Deferred taxation is calculated in full on temporary differences under the liability method using a principal tax rate of 17.5% (2002: 16%).

Deferred tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of approximately HK\$7,224,000 (31 December 2002: approximately HK\$3,579,000) to carry forward against future taxable income. These tax losses have no expiry date.

5. (Loss)/Earnings per share

The calculation of basic (loss)/earnings per share is based on the unaudited net loss attributable to shareholders for the three months ended 30 June 2003 of approximately HK\$3,834,000 and six months ended 30 June 2003 of approximately HK\$3,449,000 (three months and six months ended 30 June 2002: profit of approximately HK\$159,000 and loss of approximately HK\$2,160,000, respectively) and the weighted average number of 320,000,000 shares for the three months and six months ended 30 June 2003 and 2002.

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

6. Fixed assets

During the six months ended 30 June 2003, the Group acquired fixed assets of approximately HK\$21,000 comprising computers and equipment.

7. Trade and other receivables

Trade and other receivables include trade receivables of approximately HK\$22,077,000 (31 December 2002: approximately HK\$27,610,000). The aged analysis of trade receivables is as follows:

	30 June	31 December
	2003	2002
	<i>(unaudited)</i>	<i>(audited)</i>
	HK\$'000	HK\$'000
Current – 30 days	7,757	8,716
31 – 60 days	7,588	8,188
61 – 90 days	3,800	4,778
91 – 180 days	1,849	4,906
181 – 365 days	657	785
Over 1 year	426	237
	<u>22,077</u>	<u>27,610</u>

General credit terms of the Group range from 30 days to 90 days.

8. Trade and other payables

Trade and other payables include trade payables and film rights payables of approximately HK\$14,594,000 and HK\$5,057,000 respectively (31 December 2002: approximately HK\$15,049,000 and HK\$5,276,000 respectively). The aged analysis of trade payables is as follows:

	30 June 2003 (unaudited) HK\$'000	31 December 2002 (audited) HK\$'000
Current – 30 days	3,957	6,173
31 – 60 days	2,775	3,522
61 – 90 days	2,411	3,337
91 – 180 days	3,719	1,497
181 – 365 days	1,264	153
Over 1 year	468	367
	<u>14,594</u>	<u>15,049</u>

The aged analysis of film rights payables is as follows:

	30 June 2003 (unaudited) HK\$'000	31 December 2002 (audited) HK\$'000
Current – 30 days	736	1,585
31 – 60 days	69	116
61 – 90 days	65	241
91 – 180 days	442	179
181 – 365 days	579	36
Over 1 year	3,166	3,119
	<u>5,057</u>	<u>5,276</u>

9. Share capital

	Number of shares	Share capital <i>HK\$'000</i>
Shares of HK\$0.01 each		
<i>Authorised:</i>		
At 31 December 2002 and 30 June 2003	<u>10,000,000,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
At 31 December 2002 and 30 June 2003	<u>320,000,000</u>	<u>3,200</u>

10. Related party transactions

During the period the Group had the following transactions with its related parties:

	For the six months ended 30 June	
	2003 <i>(unaudited)</i> <i>HK\$'000</i>	2002 <i>(unaudited)</i> <i>HK\$'000</i>
Consultancy fee paid to a director, Mr. Chiu Fu Sheng (<i>note</i>)	240	40
Distribution income received from Era International (HK) Limited ("EIHK")	12	27
Purchases from Era Communications Co., Limited ("ERA Taiwan") (<i>note</i>)	1,919	–
Film production cost paid to ERA Taiwan	<u>50</u>	<u>1</u>

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

Note: Details regarding the consultancy agreement with Mr. Chiu Fu Sheng and the distribution agreement with ERA Taiwan are set out in the Group's annual report 2002.

11. Capital commitments

	30 June 2003 (unaudited) HK\$'000	31 December 2002 (audited) HK\$'000
Unpaid purchase costs due to suppliers	1,620	425
Unpaid capital contribution for the investment in an associate	116	116
Unpaid film rights due to licensors	<u>13,667</u>	<u>3,340</u>

12. Contingent liabilities

	30 June 2003 (unaudited) HK\$'000	31 December 2002 (audited) HK\$'000
Long service payments	1,978	1,905
Corporate guarantees of payment of advertising charges granted to subsidiaries	300	300
Corporate guarantees of banking facilities granted to subsidiaries	<u>-</u>	<u>2,000</u>
	<u>2,278</u>	<u>4,205</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2003 (2002: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2003, the Group recorded a turnover of approximately HK\$50.2 million (2002: approximately HK\$50.3 million) and a loss attributable to shareholders of approximately HK\$3.4 million (2002: a loss of approximately HK\$2.2 million (restated)).

The decrease in turnover and increase in loss during the second quarter, when compared with the previous corresponding period, was mainly due to the weak economic conditions and consumption atmosphere further aggravated in recent months by the outbreak of the Severe Acute Respiratory Syndrome (“SARS”) epidemic. The adverse impact of SARS hit hardest on the entire entertainment industry and the consumer markets. The Group was inevitably affected by the plunges in the box office of theatrical titles and sale of home video titles.

In view of the weak local market, the Group took prudent approach in the businesses of home video product distribution and theatrical release. New home products released in the second quarter included blockbuster titles, such as ‘Catch Me If You Can’, ‘Double Vision’, ‘Maid in Manhattan’ and ‘Tears of The Sun’. For the theatrical business, ‘The Four Feathers’ was released during the second quarter.

Despite the recent recovery in consumption after the SARS crisis, the Group will continue its cautious approach in the second half of the year. The home video titles to be released in the third quarter include ‘Johnny English’, ‘The Core’ and ‘Anger Management’. New movie, ‘2009 Lost Memories’, is planned for release in the third quarter of 2003.

The Group’s penetration into the game distribution market at the end of 2002 has generated new income stream for the Group. Game products distributed by the Group have been well received by the market during the period under review, with the second quarter recording improvement over the first quarter. Turnover of games distribution and online business for the second quarter recorded an increase of approximately 173% to approximately HK\$3.2 million. New games released during the second quarter included personal computer (“PC”) games ‘The Hulk’ and the Chinese version of ‘WarCraft III: Reign of Chaos’ and console game ‘The Hulk’. Games to be released in the third quarter included PC games ‘WarCraft III: The

Frozen Throne' and 'Counter Strike: Condition Zero'. In view of the favourable results, the Group is optimistic about the development of its game business and thus will seek more high potential games for consumers in the future. To broaden the range of game products, negotiations are currently underway with potential business partners.

Looking to the future, the Group will continue to study the feasibility to penetrate into the People's Republic of China (the "PRC") market. The recent signing of the closer economic partnership arrangement ("CEPA") between Hong Kong and the PRC encourages selected local industries, including the entertainment business, to develop their business in the PRC market. The Group believes CEPA has presented favourable conditions for it to develop its targeted business and thus will accelerate the pace of its PRC business plan. It will strive to capture every opportunity that will facilitate its expansion plan and at the same time closely monitor the development of piracy issues there.

Liquidity and financial resources

The Group generally financed its operations and investing activities with internally generated cashflows and the balance of the net proceeds from the listing of the Company's shares on GEM on 28 June 2001 (the "Listing").

As at 30 June 2003, the Group had net current assets of approximately HK\$53.0 million, of which approximately HK\$14.0 million (31 December 2002: approximately HK\$26.4 million) were bank and cash balances. The Directors are confident that the Group's existing financial resources will be sufficient to satisfy its commitments and working capital requirements.

Foreign exchange exposure

Most of the income and expenditure of the Group were denominated either in Hong Kong dollars or United States dollars. In view of the stability of the exchange rate between these two currencies, the Directors do not consider that the Group was significantly exposed to foreign exchange risk.

Capital structure

As at 30 June 2003, the Group's net assets were financed by internal resources through share capital and reserves. Total equity attributable to shareholders was approximately HK\$63.9 million as at 30 June 2003, representing a decrease of approximately 5% over that of 31 December 2002 .

Charges on the Group's assets

As at 30 June 2003, the Group's time deposits of approximately HK\$2.1 million were pledged to banks in respect of payment of advertising charges in favour of a newspaper publisher and standby documentary credits issued to a licensor.

Material acquisitions/disposal and significant investments

The Group did not have any material acquisitions, disposal and significant investments during the period under review.

Gearing ratio

As at 30 June 2003, the Group did not have any long-term obligations.

Capital commitments

As at 30 June 2003, the Group had a capital commitment to make capital contribution of approximately HK\$116,000 for investment in an associate, commitments of unpaid film rights of approximately HK\$13,667,000 due to licensors and a commitment of unpaid purchase costs of approximately HK\$1,620,000.

Contingent liabilities

As at 30 June 2003, the Company had undertaken to guarantee the payment of advertising charges to certain subsidiaries of the Company to the extent of HK\$300,000. The Group had contingent liabilities in respect of long service payments of approximately HK\$1,978,000.

Employee information

As at 30 June 2003, the Group had a total of 60 employees. The total staff costs, including Directors' emoluments, amounted to approximately HK\$7,528,000 for the period under review.

Staff remuneration is reviewed by the Group from time to time depending on length of service and performance where warranted. In addition to salaries, the Group provides staff benefits including medical insurance and contributions to staff's provident fund. Share options and bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group.

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 2003

Proposed objectives as stated in the Prospectus

Actual performance for the six months ended 30 June 2003

Home video products distribution

- | | |
|--|--|
| <ol style="list-style-type: none">1. Continue to develop network by distributing through more retail chain stores locally and in other Southeast Asian markets
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 had expanded its distribution to an online shopping website as well as a direct sales network operating by SUNeVision SuperHome (H.K.) Limited
2. The Group had expanded its product base to local production title, “Nine Girls And A Ghost” has been released in January of 2003 |
|--|--|

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 content | <ol style="list-style-type: none">1. Due to weak performance of the local films market, the Group has adopted a cautious approach in the negotiation of additional product representations |
|--|--|

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

- | | |
|--|--|
| <ol style="list-style-type: none">1. Commence pre-launching preparation for online delivery entertainment related service under favorable market environment
2. Continue to secure video and music programs for preparation of online delivery services | <ol style="list-style-type: none">1. To cope with the latest market development, launching of online delivery of entertainment contents has been delayed, while the Group is exploring the business feasibility
2. The Group continues to negotiate with certain music company, but no agreement has yet been reached |
|--|--|

Use of proceeds

The net proceeds from the Listing amounted to approximately HK\$44.6 million. During the period from 28 June 2001 (date of listing) to 30 June 2003, the Group has incurred the following amounts to achieve the business objectives as set out in the Prospectus.

		Amount to be applied up to 30 June 2003 as disclosed in the Prospectus	Actual amounts applied up to 30 June 2003
	<i>Note</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
Acquisition of entertainment related content including TV distribution rights and online distribution rights	1	10.8	6.9
Expansion of the home video and theatrical categories		14.1	17.3
Preparation for and development of the launching of online delivery services	2	<u>6.1</u>	<u>–</u>
TOTAL		<u>31.0</u>	<u>24.2</u>

Notes:

1. As the distribution market of online delivery of entertainment content has not picked up as fast as the Group has anticipated, spending in this category was delayed.
2. The Group is exploring business opportunity from the technology of online delivery developed by ERA Taiwan, thus limited cash resources were being utilised.
3. Out of the net proceeds from the Listing, approximately HK\$1.7 million, in addition to the proposed HK\$4.7 million, was applied as general working capital of the Group, such funding is expected to be generated from the continuing operation of the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2003, the interests of the Directors and the chief executives of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which would have to be notified to the Company and the Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under such provisions of the SFO) and/or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which had to be notified to the Company and the Exchange pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules relating to securities transactions by the Directors were as follows:

(a) The Company

Interests in shares of the Company

Name of Directors	Capacity	Number of shares	Approximate % of holding
Mr. Leung Chung Chu, Andrew	Beneficial owner	25,000,000	7.81%
Mr. Chiu Fu Sheng	Interest of controlled corporations	180,000,000 (Note)	56.25%

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 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.

Long positions in underlying shares of equity derivatives of the Company

Name of Directors	Capacity	Description of equity derivatives (number of underlying shares)
Mr. Leung Chung Chu, Andrew	Beneficial owner	share options to subscribe for shares (1,200,000 shares) <i>(Note)</i>
Madam Yau Sui Ha, Cecilia	Beneficial owner	share options to subscribe for shares (600,000 shares) <i>(Note)</i>
Mr. Yau Kar Man	Beneficial owner	share options to subscribe for shares (400,000 shares) <i>(Note)</i>
Mr. Chan Kin Wo	Beneficial owner	share options to subscribe for shares (400,000 shares) <i>(Note)</i>
Mr. Yow Cecil	Beneficial owner	share options to subscribe for shares (400,000 shares) <i>(Note)</i>

Note: For details of the share options granted, please refer to the section headed “Share Option Schemes” below.

(b) The associated corporations

Interests in associated corporations of the Company

Name of Directors	Name of associated corporations	Capacity
Mr. Chiu Fu Sheng	5D Technology	Interest of a controlled corporation (Note 1)
Mr. Chiu Fu Sheng	ERA Taiwan	Beneficial owner/ others (Note 1)
Mr. Leung Chung Chu, Andrew	Winning Scope Sdn. Bhd.	Beneficial owner (Note 2)

Notes:

1. 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 56.25% equity interest of the Company.
2. Mr. Leung Chung Chu, Andrew is personally interested in 400,000 shares of Malaysian Ringgit 1 each in Winning Scope Sdn. Bhd., 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 herewith, as at 30 June 2003, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors and/or the 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 nor chief executives of the Company or their spouses or children under the age of 18 had any rights to subscribe for the securities of the Company, or had exercised any such rights.

Save as disclosed above, as at 30 June 2003, none of the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2003, so far is known to the Directors, the following persons (not being a Director or a chief executive of the Company) had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

Name	Number of shares held	Approximate percentage of issued shares
ERA Taiwan	180,000,000 (<i>Note</i>)	56.25%
5D Technology	180,000,000 (<i>Note</i>)	56.25%

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 approximately 57.10% of the issued share capital of ERA Taiwan.

Save as disclosed above, as at 30 June 2003, there was no person who had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/

or was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group, or any options in respect of such capital.

SHARE OPTION SCHEMES

Pursuant to the pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) adopted by the Company on 5 June 2001, certain Directors and participants 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 grantee	Date of grant	Granted	Number of shares options		Outstanding as at 30 June 2003
			Outstanding as at 1 January 2003	Lapsed during the period under review	
<i>Executive directors</i>					
Mr. Leung Chung Chu, Andrew	5 June 2001	1,200,000	1,200,000	–	1,200,000
Madam Yau Sui Ha, Cecilia	5 June 2001	600,000	600,000	–	600,000
Mr. Yau Kar Man	5 June 2001	400,000	400,000	–	400,000
<i>Independent non-executive directors</i>					
Mr. Chan Kin Wo	5 June 2001	400,000	400,000	–	400,000
Mr. Yow Cecil	5 June 2001	400,000	400,000	–	400,000
<i>Other participants</i>					
Employees in aggregate (<i>Note</i>)	5 June 2001	4,560,000	3,640,000	–	3,640,000
Consultant	5 June 2001	700,000	700,000	400,000	300,000
Total			<u>7,340,000</u>	<u>400,000</u>	<u>6,940,000</u>

Note: Employees working under employment contracts that were regarded as “continuous contracts” for the purpose of the Employment Ordinance (Chapter 57 of the laws of Hong Kong).

No share options under the share option scheme (the “Share Option Scheme”) adopted by the Company on 5 June 2001 were granted during the six months ended 30 June 2003.

Details of the Pre-IPO Share Option Scheme and the Share Option Scheme are set out in the Prospectus.

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

For the six months ended 30 June 2003, neither the Company nor any of its subsidiaries had 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.

As at 30 June 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 18.63 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 30 June 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 six months ended 30 June 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.

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 2003 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, 6 August 2003