



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



# Quarterly Report 2004

For the three months ended 31 March 2004

## **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.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**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 ended 31 March 2004, together with the unaudited comparative figures for the corresponding period in 2003 as follows:

		<b>For the three months ended 31 March</b>	
		<b>2004</b>	<b>2003</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	<b>21,433</b>	24,742
Cost of sales		<b>(15,182)</b>	(17,741)
Gross profit		<b>6,251</b>	7,001
Other revenue		<b>342</b>	322
Distribution costs		<b>(151)</b>	(155)
Administrative expenses		<b>(7,305)</b>	(7,048)
(Loss)/Profit from operations		<b>(863)</b>	120
Finance costs		<b>–</b>	(13)
(Loss)/Profit before taxation		<b>(863)</b>	107
Taxation	3	<b>(184)</b>	278
(Loss)/Profit after taxation		<b>(1,047)</b>	385
Minority interest		<b>199</b>	–
(Loss)/Profit attributable to shareholders		<b>(848)</b>	385
(Loss)/Earnings per share			
– basic (cents)	4	<b>(0.265)</b>	0.12

*Notes:*

## 1. Basis of preparation

The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31 December 2003.

## 2. Turnover

	<b>For the three months ended 31 March</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Sales of home video products	<b>16,789</b>	18,046
Theatrical, television release and film rights sub-licensing	<b>196</b>	5,528
Games distribution and online business	<b>4,448</b>	1,168
	<b>21,433</b>	24,742

## 3. Taxation

The taxation charge/(credit) comprises:

	<b>For the three months ended 31 March</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Hong Kong profits tax – deferred taxation	<b>184</b>	(278)

Hong Kong profits tax was provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits for the three months ended 31 March 2004.

Deferred taxation is calculated in full on temporary differences under the liability method at the rate of 17.5% (2003: 17.5%) for the three months ended 31 March 2004.

#### 4. (Loss)/Earnings per share

The calculation of basic (loss)/earnings per share is based on the unaudited loss attributable to shareholders for the three months ended 31 March 2004 of approximately HK\$848,000 (three months ended 31 March 2003: profit of approximately HK\$385,000) and the weighted average number of 320,000,000 shares for the three months ended 31 March 2004 and 2003.

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

#### 5. Movements in reserves

Movements in reserves during the periods are as follows:

	<b>Share premium</b> (unaudited) <i>HK\$'000</i>	<b>Accumulated losses</b> (unaudited) <i>HK\$'000</i>	<b>Total</b> (unaudited) <i>HK\$'000</i>
Balance as at 1 January 2003			
As previously stated	65,991	(7,194)	58,797
Effect of adopting SSAP 12	—	5,342	5,342
As restated	65,991	(1,852)	64,139
Profit for the period	—	385	385
Balance as at 31 March 2003	<u>65,991</u>	<u>(1,467)</u>	<u>64,524</u>

	<b>Share premium</b> (unaudited) <i>HK\$'000</i>	<b>Accumulated losses</b> (unaudited) <i>HK\$'000</i>	<b>Total</b> (unaudited) <i>HK\$'000</i>
Balance as at 1 January 2004	65,991	(13,798)	52,193
Loss for the period	—	(848)	(848)
Balance as at 31 March 2004	<u>65,991</u>	<u>(14,646)</u>	<u>51,345</u>

## **DIVIDEND**

The Directors do not recommend the payment of a dividend for the three months ended 31 March 2004 (three months ended 31 March 2003: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

For the three months ended 31 March 2004, the Group recorded a turnover of approximately HK\$21.4 million (2003: approximately HK\$24.7 million) and a loss attributable to shareholders amounted to approximately HK\$0.8 million (2003: a profit of approximately HK\$0.4 million).

During the three-month period under review, home video product distribution continued to be the major contributor for the Group. New titles of home video products released by the Group during the period included “Love Actually”, “The Rundown” and “Intolerable Cruelty”, while “Peter Pan”, “Paycheck”, “Big Fish” and “20/30/40” will be released in the second quarter of 2004. Meanwhile, the Group will maintain its cautious approach in scheduling the release of films for its theatrical, television release and film sub-licensing business.

In view of the growing demand for PC and online games, together with the launching of promotional programmes and increased number of new games, the Group’s game distribution business continued to perform satisfactorily. For the three months ended 31 March 2004, the Group recorded a turnover of approximately HK\$4.4 million for the games distribution and online business. New games launched during the period under review included “Counter Strike: Condition Zero”. The Group is also distributing three online games in Hong Kong, namely “Asgard”, “Talesweaver” and “Tactical Commanders”. Encouraged by this positive result, the Group will continue to launch more games with market potential.

The recently formed joint venture (the “JV”), 北京年恩長影文化傳播有限公司 is finalising business deals with its various business counter-parties. The JV is expected to contribute revenue for the Group in the second quarter of 2004.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 March 2004, 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 taken 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 5.46 to 5.66 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 and class of shares held	Approximate percentage of holding
Mr. Leung Chung Chu, Andrew	Beneficial owner	25,000,000 ordinary shares (long position)	7.81%
Mr. Chiu Fu Sheng	Interest of controlled corporations	180,000,000 ordinary shares (long position) (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 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.

*Long positions in underlying shares of equity derivatives of the Company*

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

*Note:* The aforesaid share options are classified as “long position” under the SFO.



**(b) The associated corporations**

*Interests in associated corporations of the Company*

<b>Name of Directors</b>	<b>Name of associated corporations</b>	<b>Capacity</b>
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 31 March 2004, 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 31 March 2004, 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 5.46 to 5.66 of the GEM Listing Rules, to be notified to the Company and the Exchange.

## SUBSTANTIAL SHAREHOLDERS

As at 31 March 2004, 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 and class of shares held	Approximate percentage of holding
ERA Taiwan	180,000,000 ordinary shares (long position) <i>(Note)</i>	56.25%
5D Technology	180,000,000 ordinary shares (long position) <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 31 March 2004, 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.

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

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the three months ended 31 March 2004.

## **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 2004, 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 5.28 to 5.33 of the GEM Listing Rules, the Company has established an audit committee (the "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 2004 have been reviewed by the Committee, 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 2004