



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

**INTERIM REPORT**  
**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 and six months ended 30 June 2004, together with the unaudited comparative figures for the corresponding periods in 2003 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

*For the three months ended 30 June 2004  
and the six months ended 30 June 2004*

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
Turnover	2	16,715	25,470	38,148	50,212
Cost of sales		(12,489)	(20,532)	(27,671)	(38,273)
Gross profit		4,226	4,938	10,477	11,939
Other revenue		21	15	363	337
Distribution costs		(134)	(161)	(285)	(316)
Administrative expenses		(7,524)	(7,522)	(14,829)	(14,570)
Other operating income/(expenses)		43	(1,301)	43	(1,301)
Loss from operations		(3,368)	(4,031)	(4,231)	(3,911)
Finance costs		(33)	(12)	(33)	(25)
Loss before taxation	3	(3,401)	(4,043)	(4,264)	(3,936)
Taxation	4	16	209	(168)	487
Loss after taxation		(3,385)	(3,834)	(4,432)	(3,449)
Minority interest		297	-	496	-
Loss attributable to shareholders		(3,088)	(3,834)	(3,936)	(3,449)
Loss per share – basic (cents)	5	(0.965)	(1.198)	(1.230)	(1.078)

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2004

		30 June 2004 <i>(unaudited)</i> HK\$'000	31 December 2003 <i>(audited)</i> HK\$'000
<b>NON-CURRENT ASSETS</b>			
Film rights		488	652
Fixed assets	6	684	888
Interests in associates		156	156
Club membership		650	650
Deferred tax assets		2,332	2,500
		4,310	4,846
<b>CURRENT ASSETS</b>			
Inventories		7,696	8,515
Current portion of film rights		19,579	10,268
Trade and other receivables	7	21,258	29,830
Prepayments and deposits		9,687	10,383
Tax recoverable		879	880
Pledged bank deposits		5,950	5,950
Bank and cash balances		9,519	15,337
		74,568	81,163
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	27,757	30,579
Bank overdraft – secured		114	37
		27,871	30,616
<b>NET CURRENT ASSETS</b>		46,697	50,547
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		51,007	55,393
<b>MINORITY INTEREST</b>		456	–
<b>NET ASSETS</b>		51,463	55,393
<b>CAPITAL AND RESERVES</b>			
Share capital	9	3,200	3,200
Reserves		48,263	52,193
<b>SHAREHOLDERS' FUNDS</b>		51,463	55,393

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2004*

	<b>Share capital</b> <i>(unaudited)</i> <i>HK\$'000</i>	<b>Share premium</b> <i>(unaudited)</i> <i>HK\$'000</i>	<b>Exchange reserve</b> <i>(unaudited)</i> <i>HK\$'000</i>	<b>Accumulated losses</b> <i>(unaudited)</i> <i>HK\$'000</i>	<b>Total</b> <i>(unaudited)</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
As restated	3,200	65,991	–	(1,852)	67,339
Loss for the period	–	–	–	(3,449)	(3,449)
Balance as at 30 June 2003	<u>3,200</u>	<u>65,991</u>	<u>–</u>	<u>(5,301)</u>	<u>63,890</u>
	<b>Share capital</b> <i>(unaudited)</i> <i>HK\$'000</i>	<b>Share premium</b> <i>(unaudited)</i> <i>HK\$'000</i>	<b>Exchange reserve</b> <i>(unaudited)</i> <i>HK\$'000</i>	<b>Accumulated losses</b> <i>(unaudited)</i> <i>HK\$'000</i>	<b>Total</b> <i>(unaudited)</i> <i>HK\$'000</i>
Balance as at 1 January 2004	3,200	65,991	–	(13,798)	55,393
Loss for the period	–	–	–	(3,936)	(3,936)
Exchange difference	–	–	6	–	6
Balance as at 30 June 2004	<u>3,200</u>	<u>65,991</u>	<u>6</u>	<u>(17,734)</u>	<u>51,463</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

*For the six months ended 30 June 2004*

	For the six months ended 30 June	
	2004 <i>(unaudited)</i> HK\$'000	2003 <i>(unaudited)</i> HK\$'000
NET CASH FROM OPERATING ACTIVITIES	16,465	16,569
NET CASH USED IN INVESTING ACTIVITIES	(22,406)	(28,825)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	<u>40</u>	<u>(91)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(5,901)	(12,347)
EXCHANGE DIFFERENCE ARISING ON CONSOLIDATION	6	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>15,300</u>	<u>26,394</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>9,405</u>	<u>14,047</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
BANK AND CASH BALANCES	<u>9,405</u>	<u>14,047</u>

## NOTES TO THE INTERIM FINANCIAL REPORT

### 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 Statement of Standard Accounting Practice 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and with all applicable disclosure requirements of the GEM Listing Rules in force prior to 30 June 2004 which remains applicable to interim financial reports in respect of accounting periods ending before 1 July 2004 under the transitional arrangements.

The condensed consolidated financial statements for the six months ended 30 June 2004 are unaudited and have been reviewed by the audit committee of the Company.

The accounting policies adopted are consistent with those followed in the Company’s 2003 annual report.

## 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		Theatrical, television rights distribution and film rights sub-licensing		Games distribution and online business		Eliminations		Consolidated	
	distribution		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	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>REVENUE</b>										
External revenue	29,353	36,843	2,409	9,339	7,736	4,360	(1,019)	-	38,479	50,542
Inter-segment revenue*	-	-	-	-	740	920	(740)	(920)	-	-
Total revenue	<u>29,353</u>	<u>36,843</u>	<u>2,409</u>	<u>9,339</u>	<u>8,476</u>	<u>5,280</u>	<u>(1,759)</u>	<u>(920)</u>	<u>38,479</u>	<u>50,542</u>
<b>RESULT</b>										
Segment result	<u>(778)</u>	<u>(2,267)</u>	<u>(607)</u>	<u>815</u>	<u>(904)</u>	<u>(226)</u>	<u>600</u>	<u>600</u>	<u>(1,689)</u>	<u>(1,078)</u>
Unallocated corporate expenses									<u>(2,574)</u>	<u>(2,840)</u>
Operating loss excluding interest income									<u>(4,263)</u>	<u>(3,918)</u>
Interest expenses									<u>(33)</u>	<u>(25)</u>
Interest income									<u>32</u>	<u>7</u>
Loss before taxation									<u>(4,264)</u>	<u>(3,936)</u>
Taxation									<u>(168)</u>	<u>487</u>
Minority interest									<u>496</u>	<u>-</u>
Loss attributable to shareholders									<u>(3,936)</u>	<u>(3,449)</u>

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

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



### 3. Loss before taxation

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

	For the three months ended 30 June		For the six months ended 30 June	
	2004 ( <i>unaudited</i> ) HK\$'000	2003 ( <i>unaudited</i> ) HK\$'000	2004 ( <i>unaudited</i> ) HK\$'000	2003 ( <i>unaudited</i> ) HK\$'000
Amortisation of film rights	5,960	12,663	12,626	22,433
Bad debts written off	16	34	16	34
Cost of inventories sold	4,831	5,932	12,889	10,121
Depreciation				
Owned fixed assets	279	338	622	683
Leased fixed assets	-	43	-	86
Finance lease charges	-	12	-	25
(Reduction in provision for)/ provision for doubtful debts	(59)	1,267	(59)	1,267

### 4. Taxation

The taxation credit/(charged) represents:

	For the three months ended 30 June		For the six months ended 30 June	
	2004 ( <i>unaudited</i> ) HK\$'000	2003 ( <i>unaudited</i> ) HK\$'000	2004 ( <i>unaudited</i> ) HK\$'000	2003 ( <i>unaudited</i> ) HK\$'000
Deferred taxation	16	209	(168)	487

No provision for Hong Kong and overseas profits tax has been made as the Group has no assessable profits for the three months and six months ended 30 June 2004 (2003: Nil).

Deferred taxation is calculated in full on temporary differences under the liability method using a principal tax rate of 17.5% (2003: 17.5%).

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\$34.1 million as at 30 June 2004 (31 December 2003: approximately HK\$31.1 million) available for offset against future taxable income. The unrecognised tax losses may be carried forward indefinitely.

**5. Loss per share**

The calculation of basic loss per share is based on the unaudited loss attributable to shareholders for the three months ended 30 June 2004 of approximately HK\$3,088,000 and six months ended 30 June 2004 of approximately HK\$3,936,000 (three months and six months ended 30 June 2003: approximately HK\$3,834,000 and HK\$3,449,000 respectively) and the weighted average number of 320,000,000 shares for the three months and six months ended 30 June 2004 and 2003.

No diluted loss 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 2004, the Group acquired fixed assets of approximately HK\$419,000 mainly comprising computers and equipment.

**7. Trade and other receivables**

Trade and other receivables include trade receivables of approximately HK\$18,331,000 (31 December 2003: approximately HK\$27,422,000). The aged analysis of trade receivables is as follows:

	<b>30 June 2004 (unaudited) HK\$'000</b>	31 December 2003 (audited) HK\$'000
Current – 30 days	<b>6,389</b>	10,294
31 – 60 days	<b>4,362</b>	6,619
61 – 90 days	<b>2,549</b>	7,769
91 – 180 days	<b>3,686</b>	2,065
181 – 365 days	<b>872</b>	342
Over 1 year	<b>473</b>	333
	<hr/> <b>18,331</b> <hr/>	<hr/> 27,422 <hr/>

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\$10,451,000 and HK\$8,280,000 respectively (31 December 2003: approximately HK\$13,521,000 and HK\$10,519,000 respectively). The aged analysis of trade payables is as follows:

	<b>30 June 2004 (unaudited) HK\$'000</b>	31 December 2003 (audited) HK\$'000
Current – 30 days	1,714	3,289
31 – 60 days	1,412	3,467
61 – 90 days	660	3,067
91 – 180 days	1,906	1,313
181 – 365 days	2,606	812
Over 1 year	2,153	1,573
	<u>10,451</u>	<u>13,521</u>

The aged analysis of film rights payables is as follows:

	<b>30 June 2004 (unaudited) HK\$'000</b>	31 December 2003 (audited) HK\$'000
Current – 30 days	458	1,159
31 – 60 days	2	1,370
61 – 90 days	12	1,072
91 – 180 days	58	1,255
181 – 365 days	1,768	1,952
Over 1 year	5,982	3,711
	<u>8,280</u>	<u>10,519</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 2003 and 30 June 2004	<u>10,000,000,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
At 31 December 2003 and 30 June 2004	<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	
	2004 <i>(unaudited)</i> <i>HK\$'000</i>	2003 <i>(unaudited)</i> <i>HK\$'000</i>
Consultancy fee paid to Mr. Chiu Fu Sheng ( <i>note</i> )	240	240
Distribution income received from Era International (HK) Limited ("EIHK")	10	12
Purchases from Era Communications Co., Limited ("ERA Taiwan") ( <i>note</i> )	600	1,919
Purchases from IBIZ Entertainment Tech. Corp. ("IBIZ")	30	–
Production cost paid to DigiCell Entertainment Co., Ltd. ("DigiCell") ( <i>note</i> )	835	–
Film production cost paid to ERA Taiwan	<u>–</u>	<u>50</u>

Mr. Chiu Fu Sheng, a substantial shareholder of the Company, is a beneficial shareholder of EIHK, IBIZ and ERA Taiwan.

*Note:* Details regarding the consultancy agreement with Mr. Chiu Fu Sheng and the distribution agreement with ERA Taiwan and DigiCell are set out in the Company's 2003 annual report.

**10. Related party transactions** *(continued)*

Pursuant to an intellectual property rights agreement entered into between ERA Taiwan and the Group, ERA Taiwan granted to the Group an exclusive license to use “Era” trademark in Hong Kong and the PRC commencing on 15 May 1998 for a period of 10 years and is subject to a renewal for a further 10 years. The Group is required to pay to ERA Taiwan an annual license fee of HK\$1.

**11. Capital commitments**

	<b>30 June</b>	31 December
	<b>2004</b>	2003
	<i>(unaudited)</i>	<i>(audited)</i>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Unpaid purchase costs due to suppliers	<b>1,764</b>	6,766
Unpaid film rights due to licensors	<b>11,398</b>	2,083
Unpaid capital contribution for the investment in a subsidiary	<b>–</b>	<b>269</b>

**12. Contingent liabilities**

	<b>30 June</b>	31 December
	<b>2004</b>	2003
	<i>(unaudited)</i>	<i>(audited)</i>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Long service payments	<b>1,989</b>	1,943

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2004 (six months ended 30 June 2003: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review and Prospects**

For the six months ended 30 June 2004, the Group recorded a turnover of approximately HK\$38.1 million (2003: approximately HK\$50.2 million). Loss attributable to shareholders amounted to approximately HK\$3.9 million (2003: a loss of approximately HK\$3.4 million).

The Group has not released any major video titles in the second quarter of the year. This resulted in a drop of approximately 20% in turnover of this business for the six months ended 30 June 2004 when compared with the same period of last year. For the second half of the year, the Group expects the home video products distribution business to generate steady income with the release of blockbuster titles, such as “Van Helsing”, “Shrek 2”, “Spider-Man 2” and “Hellboy”.

During the six months’ period under review, the Group’s game distribution business performance continued to be satisfactory as a result of the growing demand for PC and online games, together with the launch of more new games and promotional programmes. For the six months ended 30 June 2004, the Group recorded a turnover of approximately HK\$7.7 million from the business, representing a substantial growth of approximately 79% when compared with the same period of last year. To sustain this positive result, the Group will continue to identify and launch more games with market potential.

The Group’s subsidiary, 北京年恩長影文化傳播有限公司(“年恩”), has commenced to establish its business network in the second quarter of 2004. More revenue is expected to be contributed by年恩 in the second half of the year.

### **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.

As at 30 June 2004, the Group had net current assets of approximately HK\$46.7 million, of which approximately HK\$6.0 million and HK\$9.5 million (31 December 2003: approximately HK\$6.0 million and HK\$15.3 million) were pledged bank deposits, bank and cash balances respectively. 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, Renminbi or United States dollars. In view of the stability of the exchange rate between these currencies, the Directors do not consider that the Group was significantly exposed to foreign exchange risk.

#### **Capital structure**

As at 30 June 2004, the Group's net assets were financed by internal resources through share capital and reserves. Total equity attributable to shareholders was approximately HK\$51.5 million as at 30 June 2004, representing a decrease of approximately 7% over that of 31 December 2003.

#### **Charges on the Group's assets**

As at 30 June 2004, the Group's time deposits of approximately HK\$6 million (31 December 2003: approximately HK\$6 million) were pledged to banks in respect of standby documentary credits issued to a licensor and banking facilities granted to the Group.

#### **Material acquisitions/disposal and significant investments**

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

#### **Gearing ratio**

As at 30 June 2004, the Group did not have any long-term obligations.

#### **Capital commitments**

As at 30 June 2004, the Group had commitments of unpaid film rights of approximately HK\$11,398,000 due to licensors and commitments of unpaid purchase costs of approximately HK\$1,764,000 due to suppliers (31 December 2003: approximately HK\$2,083,000 and HK\$6,766,000 respectively).

**Contingent liabilities**

As at 30 June 2004, unlimited corporate guarantees was given by the Company to a bank in respect of banking facilities granted to certain subsidiaries of the Company. The Group had contingent liabilities in respect of long service payments of approximately HK\$2 million as at 30 June 2004 (31 December 2003: approximately HK\$1.9 million).

**Employee information**

As at 30 June 2004, the Group had a total of 51 employees. The total staff costs, including directors' emoluments, amounted to approximately HK\$7.2 million 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.

Save as disclosed herewith, no information in relation to the Group's performance has changed materially from the information disclosed in the Company's 2003 annual report.



## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 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 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 5.68 of the GEM Listing Rules relating to securities transactions by the Directors were as follows:

### (a) The Company

*Interests in shares of the Company*

<b>Name of Directors</b>	<b>Capacity</b>	<b>Number and class of shares</b>	<b>Approximate percentage of holding</b>
Mr. Leung Chung Chu, Andrew	Beneficial owner	25,000,000 ordinary shares (long position)	7.81%

*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) <i>(Note)</i>
Madam Yau Sui Ha, Cecilia	Beneficial owner	share options to subscribe for shares (600,000 ordinary shares) <i>(Note)</i>
Mr. Yau Kar Man	Beneficial owner	share options to subscribe for shares (400,000 ordinary shares) <i>(Note)</i>
Mr. Chan Kin Wo	Beneficial owner	share options to subscribe for shares (400,000 ordinary shares) <i>(Note)</i>
Mr. Yow Cecil	Beneficial owner	share options to subscribe for shares (400,000 ordinary shares) <i>(Note)</i>

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

**(b) The associated corporations**

*Interests in associated corporations of the Company*

Name of Directors	Name of associated corporations	Capacity	Number and class of shares held	Approximate percentage of holding
Mr. Leung Chung Chu, Andrew	Winning Scope Sdn. Bhd.	Beneficial owner	400,000 ordinary shares (long position)	8.26%

*(Note)*

*Note:* 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 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 30 June 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 5.68 of the GEM Listing Rules, to be notified to the Company and the Exchange.

## 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 2004
			Outstanding as at 1 January 2004	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	3,330,000	–	3,330,000
Consultant	5 June 2001	700,000	<u>300,000</u>	<u>–</u>	<u>300,000</u>
Total			<u>6,630,000</u>	<u>–</u>	<u>6,630,000</u>

*Note:* Employees are those working under employment contracts regarded as “continuous contracts” under 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 2004.

Details of the Pre-IPO Share Option Scheme and the Share Option Scheme are set out in the prospectus of the Company dated 12 June 2001.

## **SUBSTANTIAL SHAREHOLDERS**

As at 30 June 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.

<b>Name</b>	<b>Capacity</b>	<b>Number and class of shares held</b>	<b>Approximate percentage of holding</b>
Mr. Chiu Fu Sheng	Interest of controlled corporation	180,000,000 ordinary shares (long position) <i>(Note)</i>	56.25%
ERA Taiwan	Interest of controlled corporation	180,000,000 ordinary shares (long position) <i>(Note)</i>	56.25%
5D Technology Holdings Ltd. (“5D Technology”)	Beneficial owner	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 51.19% of the issued share capital of ERA Taiwan.

Save as disclosed above, as at 30 June 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 six months ended 30 June 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 30 June 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 six months ended 30 June 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 the GEM Listing Rules and legal requirements and that adequate disclosures have been made.

## **COMPLIANCE WITH RULES 5.34 TO 5.45 (SAVE AS RULE 5.36) OF THE GEM LISTING RULES**

The Company has complied throughout the period of the six months ended 30 June 2004 the minimum standards of good practice concerning the general management responsibilities of the Board of Directors as set out in Rules 5.34 to 5.45 (save as Rule 5.36 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, 5 August 2004