



Era Information & Entertainment Limited

年代資訊影視有限公司

(incorporated in the Cayman Islands with limited liability)



For the nine months ended 30 September 2004

Quarterly Report



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 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 nine months ended 30 September 2004, together with the unaudited comparative figures for the corresponding periods in 2003 as follows:

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
Turnover	2	20,695	22,900	58,843	73,112
Cost of sales		(14,471)	(19,322)	(42,142)	(57,595)
Gross profit		6,224	3,578	16,701	15,517
Other revenue		20	166	383	503
Distribution costs		(141)	(170)	(426)	(486)
Administrative expenses		(6,177)	(6,848)	(21,006)	(21,418)
Other operating (expenses)/income		(17)	-	26	(1,301)
Loss from operations		(91)	(3,274)	(4,322)	(7,185)
Finance costs		(17)	(12)	(50)	(37)
Share of loss of an associate		(152)	-	(152)	-
Loss before taxation		(260)	(3,286)	(4,524)	(7,222)
Taxation	3	(37)	311	(205)	798
Loss after taxation		(297)	(2,975)	(4,729)	(6,424)
Minority interest		415	-	911	-
Profit/(Loss) attributable to shareholders		118	(2,975)	(3,818)	(6,424)
Earnings/(Loss) per share - basic (cents)	4	0.037	(0.930)	(1.193)	(2.008)

Notes:

1. Basis of preparation

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

2. Turnover

	For the three months ended 30 September		For the nine months ended 30 September	
	2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
Sales of home video products	17,531	18,904	46,873	55,738
Theatrical, television release and film rights sub-licensing	398	1,526	1,468	10,544
Games distribution and online business	2,766	2,470	10,502	6,830
	<u>20,695</u>	<u>22,900</u>	<u>58,843</u>	<u>73,112</u>

3. Taxation

The taxation credit/(charged) comprises:

	For the three months ended 30 September		For the nine months ended 30 September	
	2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
Deferred taxation	<u>(37)</u>	<u>311</u>	<u>(205)</u>	<u>798</u>

Hong Kong profits tax was provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits for the three months and nine months ended 30 September 2004.

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

4. Earnings/(Loss) per share

The calculation of basic earnings/(loss) per share is based on the unaudited profit attributable to shareholders for the three months ended 30 September 2004 of approximately HK\$118,000 and loss attributable to shareholders for the nine months ended 30 September 2004 of approximately HK\$3,818,000 (three months and nine months ended 30 September 2003: loss of approximately HK\$2,975,000 and HK\$6,424,000 respectively) and the weighted average number of 320,000,000 shares for the three months and nine months ended 30 September 2004 and 2003.

No diluted earnings/(loss) 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:

	Share premium (unaudited) <i>HK\$'000</i>	Accumulated losses (unaudited) <i>HK\$'000</i>	Total (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
	<u>65,991</u>	<u>(1,852)</u>	<u>64,139</u>
As restated	65,991	(1,852)	64,139
Loss for the period	—	(6,424)	(6,424)
	<u>—</u>	<u>(6,424)</u>	<u>(6,424)</u>
Balance as at 30 September 2003	<u>65,991</u>	<u>(8,276)</u>	<u>57,715</u>
	Share premium (unaudited) <i>HK\$'000</i>	Accumulated losses (unaudited) <i>HK\$'000</i>	Total (unaudited) <i>HK\$'000</i>
Balance as at 1 January 2004	65,991	(13,798)	52,193
Loss for the period	—	(3,818)	(3,818)
	<u>—</u>	<u>(3,818)</u>	<u>(3,818)</u>
Balance as at 30 September 2004	<u>65,991</u>	<u>(17,616)</u>	<u>48,375</u>



DIVIDEND

The Directors do not recommend the payment of a dividend for the nine months ended 30 September 2004 (2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

For the nine months ended 30 September 2004, the Group recorded a turnover of approximately HK\$59 million (2003: approximately HK\$73 million) and a loss attributable to shareholders amounted to approximately HK\$3.8 million (2003: approximately HK\$6.4 million).

For the three months ended 30 September 2004, turnover for the sales of home video products amounted to approximately HK\$18 million (2003: approximately HK\$19 million), representing a decrease of approximately 7%. It is mainly due to the fact that the Group was in lack of blockbuster video titles during the three months ended 30 September 2004.

Despite the decrease in turnover but thanks to the efficient sales and marketing strategies as well as costs control programs, the Group recorded a slight profit attributable to shareholders for the three months ended 30 September 2004 of approximately HK\$0.1 million when compared with a loss attributable to shareholders of approximately HK\$3 million for the same three months' period of 2003. Home video titles released by the Group during the three months ended 30 September 2004 included 'Dawn of the Dead' and 'Van Helsing'. The Group planned to release various blockbuster video titles in the last quarter of 2004, which included 'Anacondas: The Hunt for the Blood Orchid', 'The Bourne Supremacy', 'Shrek 2', 'Spider-Man 2', and 'The Terminal'.

The games distribution and online business continues to grow during the period under review. For the nine months ended 30 September 2004, the Group recorded a turnover for the games distribution and online business of approximately HK\$11 million (2003: approximately HK\$7 million), which represents a growth of approximately 54%. In view of the positive online games market, the Group will continue to identify and to launch more online games with market potential.

The Group's non-wholly owned subsidiary in Beijing, PRC continues to expand its business network all over the Mainland China. More business opportunities are then expected to exist by the end of 2004 to next year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 September 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

Name of Directors	Capacity	Number and class of shares	Approximate percentage of holding
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

Name of Directors	Capacity	Description of equity derivatives (number and class of underlying shares)	Approximate percentage of holding
Mr. Leung Chung Chu, Andrew	Beneficial owner	share options to subscribe for shares (1,200,000 ordinary shares) (Note)	0.38%
Madam Yau Sui Ha, Cecilia	Beneficial owner	share options to subscribe for shares (600,000 ordinary shares) (Note)	0.19%
Mr. Yau Kar Man	Beneficial owner	share options to subscribe for shares (400,000 ordinary shares) (Note)	0.13%
Mr. Chan Kin Wo	Beneficial owner	share options to subscribe for shares (400,000 ordinary shares) (Note)	0.13%
Mr. Yow Cecil	Beneficial owner	share options to subscribe for shares (400,000 ordinary shares) (Note)	0.13%

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

On 5 June 2001, the Directors have been granted the aforesaid share options to subscribe for shares at a subscription price of HK\$1 per share, details of which are set out in the prospectus of the Company dated 12 June 2001. The aforesaid shares options may be exercised not later than 10 years from the date of grant. As at 30 September 2004, the aforesaid shares options have not been exercised and none of them have lapsed during the period under review.

(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 above, as at 30 September 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.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2004, so far as 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	Capacity	Number and class of shares held	Approximate percentage of holding
Mr. Chiu Fu Sheng	Interest of controlled corporation	180,000,000 ordinary shares (long position) <i>(Note)</i>	56.25%
ERA Communications Co., Ltd. (“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 September 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 nine months ended 30 September 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 September 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 nine months ended 30 September 2004 have been reviewed by the Committee in accordance with Rule 5.30 of the GEM Listing Rules, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures have been made.

By Order of the Board
Leung Chung Chu, Andrew
Chairman

Hong Kong, 5 November 2004