



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



# Quarterly Report 2005

For the three months ended 31 March 2005



## **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 2005, together with the unaudited comparative figures for the corresponding period in 2004 as follows:

		<b>For the three months ended 31 March</b>	
		<b>2005</b>	2004
		<b>(unaudited)</b>	(unaudited)
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	2	<b>28,089</b>	21,433
Cost of sales		<b>(19,058)</b>	(15,182)
Gross profit		<b>9,031</b>	6,251
Other revenue		<b>5</b>	342
Selling and distribution costs		<b>(2,144)</b>	(2,057)
Administrative expenses		<b>(4,538)</b>	(5,399)
Other operating expenses		<b>(528)</b>	–
Profit/(Loss) from operations		<b>1,826</b>	(863)
Finance costs		<b>(11)</b>	–
Profit/(Loss) before taxation		<b>1,815</b>	(863)
Taxation	3	<b>(676)</b>	(184)
Profit/(Loss) after taxation		<b>1,139</b>	(1,047)
Minority interest		<b>–</b>	199
Profit/(Loss) attributable to shareholders		<b>1,139</b>	(848)
Earnings/(Loss) per share – basic (cents)	4	<b>0.356</b>	(0.265)



Notes:

**1. Basis of preparation**

The unaudited consolidated results have been prepared in accordance with all applicable accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong.

In 2004, the HKICPA issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRSs had no material impact on the Group’s results of operations and financial position.

The accounting policies adopted in preparing the unaudited consolidated results for the period under review are consistent with those followed in the Company’s 2004 annual report.

**2. Turnover**

	<b>For the three months ended 31 March</b>	
	<b>2005</b>	<b>2004</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$’000</b>	<b>HK\$’000</b>
Sales of home video products	<b>25,388</b>	16,789
Theatrical and television release	<b>544</b>	196
Games distribution and online business	<b>2,157</b>	4,448
	<b><u>28,089</u></b>	<b><u>21,433</u></b>


**3. Taxation**

The taxation charge comprises:

	<b>For the three months ended 31 March</b>	
	<b>2005</b>	<b>2004</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$’000</b>	<b>HK\$’000</b>
Hong Kong profits tax – deferred taxation	<b><u>676</u></b>	<b><u>184</u></b>

Hong Kong profits tax was provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the three months ended 31 March 2005.

Deferred taxation is calculated in full on temporary differences under the liability method at the rate of 17.5% (2004: 17.5%) for the three months ended 31 March 2005.



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 31 March 2005 of approximately HK\$1,139,000 (three months ended 31 March 2004: loss of approximately HK\$848,000) and the weighted average number of 320,000,000 shares for the three months ended 31 March 2005 and 2004.

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>	Exchange reserve (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	–	–	(848)	(848)
Balance as at 31 March 2004	<u>65,991</u>	<u>–</u>	<u>(14,646)</u>	<u>51,345</u>

	Share premium (unaudited) <i>HK\$'000</i>	Exchange reserve (unaudited) <i>HK\$'000</i>	Accumulated losses (unaudited) <i>HK\$'000</i>	Total (unaudited) <i>HK\$'000</i>
Balance as at 1 January 2005	65,991	5	(22,435)	43,561
Profit for the period	–	–	1,139	1,139
Balance as at 31 March 2005	<u>65,991</u>	<u>5</u>	<u>(21,296)</u>	<u>44,700</u>



## **DIVIDEND**

The Directors do not recommend the payment of a dividend for the three months ended 31 March 2005 (three months ended 31 March 2004: Nil).


## **MANAGEMENT DISCUSSION AND ANALYSIS**

For the three months ended 31 March 2005, the Group recorded a turnover of approximately HK\$28.1 million (2004: approximately HK\$21.4 million) and a profit attributable to shareholders of approximately HK\$1.1 million (2004: a loss of approximately HK\$0.8 million).

During the period under review, turnover for the sales of home video products amounted to approximately HK\$25.4 million (2004: approximately HK\$16.8 million), representing an increase of approximately 51%. During the first quarter of 2005, the Group has released a blockbuster video title, namely “Kung Fu Hustle”, and the result of it is encouraging. Other major video titles released during the quarter ended 31 March 2005, included “Bridget Jones: The Edge Of Reason” and “Shark Tale”. On the other hand, the Group has recently released blockbuster video titles in the second quarter of 2005, such as “Meet The Fockers” and “Closer”. Other major video titles to be released by the Group in the second quarter of 2005 includes “Hitch”.

No new online game has been released by the Group during the period ended 31 March 2005, this contributes as one of the main reasons for a decrease in the turnover of the games distribution business. Nonetheless, among the five new online games, for which the Hong Kong exclusive distribution rights have been obtained by the Group in 2005, two of which have recently been released by the Group by the end of April 2005. The Group expects to release more online games during the year 2005 to generate more stable income for the games distribution business.






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>	<b>Approximate percentage of issued share capital</b>
Mr. Leung Chung Chu, Andrew	Beneficial owner	share options to subscribe for shares (1,200,000 ordinary shares) ( <i>Note</i> )	0.38%
Mr. Yau Kar Man	Beneficial owner	share options to subscribe for shares (400,000 ordinary shares) ( <i>Note</i> )	0.13%
Mr. Ng Wai Lun	Beneficial owner	share options to subscribe for shares (300,000 ordinary shares) ( <i>Note</i> )	0.09%
Mr. Keung Chi Wai	Beneficial owner	share options to subscribe for shares (400,000 ordinary shares) ( <i>Note</i> )	0.13%
Mr. Chan Kin Wo	Beneficial owner	share options to subscribe for shares (400,000 ordinary shares) ( <i>Note</i> )	0.13%
Mr. Yow Cecil	Beneficial owner	share options to subscribe for shares (400,000 ordinary shares) ( <i>Note</i> )	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 31 March 2005, the aforesaid shares options have not been exercised and none of them have lapsed during the period under review.

**(b) The associated corporation**

*Interest in associated corporation of the Company*

Name of Director	Name of associated corporation	Capacity	Number and class of shares held	Approximate percentage of issued share capital
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 31 March 2005, 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 taken 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' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

As at 31 March 2005, 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</b>	<b>Approximate percentage of issued share capital</b>
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 31 March 2005, 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 period under review.

## **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 2005, 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 Committee comprises three independent non-executive Directors, Mr. Chan Kin Wo, Mr. Yow Cecil and Mr. Yim Chun Leung. The Group's unaudited results for the three months ended 31 March 2005 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, 6 May 2005