



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



QUARTERLY REPORT

For the nine months ended 30 September 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.

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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 (together the "Group") for the three months and nine months ended 30 September 2005, together with the unaudited comparative figures for the corresponding periods in 2004 as follows:

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2005	2004	2005	2004
		(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000
Turnover	2	16,533	20,695	60,992	58,843
Cost of sales		(13,786)	(14,471)	(45,213)	(42,142)
Gross profit		2,747	6,224	15,779	16,701
Other revenue		34	20	67	383
Selling and distribution costs		(1,747)	(1,484)	(5,613)	(5,684)
Administrative expenses		(4,114)	(4,834)	(12,993)	(15,748)
Other operating (expenses)/income		131	(17)	(397)	26
Operating loss		(2,949)	(91)	(3,157)	(4,322)
Finance costs		(11)	(17)	(33)	(50)
Share of loss of an associate		-	(152)	-	(152)
Loss before taxation		(2,960)	(260)	(3,190)	(4,524)
Taxation	3	290	(37)	(267)	(205)
Loss for the period		<u>(2,670)</u>	<u>(297)</u>	<u>(3,457)</u>	<u>(4,729)</u>
Attributable to:					
Equity holders of the Company		(2,670)	118	(3,457)	(3,818)
Minority interest		-	(415)	-	(911)
		<u>(2,670)</u>	<u>(297)</u>	<u>(3,457)</u>	<u>(4,729)</u>
(Loss)/Earnings per share for (loss)/profit attributable to the equity holders of the Company during the period - basic (HK cents)	4	<u>(0.834)</u>	<u>0.037</u>	<u>(1.080)</u>	<u>(1.193)</u>

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 except certain presentation and disclosure of financial statements have been changed.

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2005 (unaudited) HK\$’000	2004 (unaudited) HK\$’000	2005 (unaudited) HK\$’000	2004 (unaudited) HK\$’000
Sales of home video products	11,521	17,531	50,117	46,873
Theatrical release arrangement and film rights sub-licensing	3,012	398	4,190	1,468
Games distribution	2,000	2,766	6,685	10,502
	<u>16,533</u>	<u>20,695</u>	<u>60,992</u>	<u>58,843</u>

3. Taxation

The taxation credit/(charged) represents:

	For the three months ended 30 September		For the nine months ended 30 September	
	2005 (unaudited) HK\$’000	2004 (unaudited) HK\$’000	2005 (unaudited) HK\$’000	2004 (unaudited) HK\$’000
Deferred taxation	<u>290</u>	<u>(37)</u>	<u>(267)</u>	<u>(205)</u>

No provision for Hong Kong and overseas profits tax has been made as the Group has no assessable profits for the three months and nine months ended 30 September 2005 (2004: Nil).

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

4. (Loss)/Earnings per share

The calculation of basic (loss)/earnings per share is based on unaudited loss attributable to equity holders of the Company for the three months ended 30 September 2005 of approximately HK\$2,670,000 and nine months ended 30 September 2005 of approximately HK\$3,457,000 (three months and nine months ended 30 September 2004: profit of approximately HK\$118,000 and loss of approximately HK\$3,818,000 respectively) and the weighted average number of 320,000,000 shares for the three months and nine months ended 30 September 2005 and 2004.

No diluted (loss)/earnings per share is presented as the Company did not have any dilutive potential shares during the periods.

5. Movements in reserve

Movements in reserves during the periods are as follows:

	Share premium (unaudited) HK\$'000	Exchange reserve (unaudited) HK\$'000	Accumulated losses (unaudited) HK\$'000	Total (unaudited) HK\$'000
Balance as at 1 January 2004	65,991	–	(13,798)	52,193
Loss for the period	–	–	(3,818)	(3,818)
Balance as at 30 September 2004	<u>65,991</u>	<u>–</u>	<u>(17,616)</u>	<u>48,375</u>

	Share premium (unaudited) HK\$'000	Exchange reserve (unaudited) HK\$'000	Accumulated losses (unaudited) HK\$'000	Total (unaudited) HK\$'000
Balance as at 1 January 2005	65,991	5	(22,435)	43,561
Exchange difference	–	(11)	–	(11)
Loss for the period	–	–	(3,457)	(3,457)
Balance as at 30 September 2005	<u>65,991</u>	<u>(6)</u>	<u>(25,892)</u>	<u>40,093</u>

DIVIDEND

The Directors do not recommend the payment of a dividend for the nine months ended 30 September 2005 (nine months ended 30 September 2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

For the nine months ended 30 September 2005, the Group recorded a turnover of approximately HK\$61 million (2004: approximately HK\$59 million) and a loss attributable to shareholders amounted to approximately HK\$3.5 million (2004: approximately HK\$3.8 million).

Due to the lack of blockbuster video titles to be released in the three months ended 30 September 2005, turnover for the sales of home video products dropped by approximately 34% to approximately HK\$11.5 million when compared with the corresponding period in 2004 of approximately HK\$17.5 million. The Group believed that the lack of blockbuster video titles during the quarter under review is a seasonal factor, and expects the turnover for the sales of home video products will improve in the last quarter of 2005 with some famous video titles expected to be released, including “Madagascar”, “Stealth”, “Bewitched” and “The Skeleton Key”.

Licensors and game developers have still rescheduled new online games expected to be released during the three months ended 30 September 2005. Turnover for the games distribution business thus recorded a decrease of approximately 28% to approximately HK\$2.0 million. The Group continues to negotiate with various game developers and licensors in respect of new online games, such as to broaden the range of online games products on offer.

Theatrical release arrangement has been made by the Group in the People’s Republic of China during the three months ended 30 September 2005, and the box office result is satisfactory, this also led to an increase in the theatrical release arrangement and film rights sub-licensing income of more than 6 times when compared with that of the corresponding three months’ period ended 30 September 2004. The Group expects to make theatrical release arrangement for another film title during the last quarter of 2005, and expects the theatrical release arrangement and film rights sub-licensing income will improve.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2005, 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 corporation (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 5.68 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 issued share capital
Mr. Leung Chung Chu, Andrew	Beneficial owner	25,000,000 ordinary shares (long position)	7.81%
Mr. Ng Wai Lun	Beneficial owner	480,000 ordinary shares (long position)	0.15%
Mr. Keung Chi Wai	Beneficial owner	108,000 ordinary shares (long position)	0.03%

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 issued share capital
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 30 September 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 30 September 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 30 September 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.

Name	Capacity	Number and class of shares	Approximate percentage of issued share capital
Mr. Lien Tai 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. Lien Tai Sheng and his associates (as defined in the GEM Listing Rules), beneficially own approximately 81.05% of the issued share capital of ERA Taiwan.

Save as disclosed above, as at 30 September 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 release arrangement 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 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 nine months ended 30 September 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.

COMPLIANCE WITH RULES 5.54 TO 5.68 OF THE GEM LISTING RULES

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.54 to 5.68 of the GEM Listing Rules throughout the period under review. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with such code of conduct and required standard of dealings throughout the period under review.

By Order of the Board
Leung Chung Chu, Andrew
Chairman

Hong Kong, 31 October 2005