



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 three months ended 31 March 2006

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 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 2006, together with the unaudited comparative figures for the corresponding period in 2005 as follows:

		For the three months ended 31 March	
		2006	2005
		(unaudited)	(unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Turnover	2	19,865	28,089
Cost of sales		(15,322)	(19,058)
		<hr/>	<hr/>
Gross profit		4,543	9,031
Other revenue		63	5
Selling and distribution costs		(2,141)	(2,144)
Administrative expenses		(3,938)	(4,538)
Other operating expenses		(5,153)	(528)
		<hr/>	<hr/>
(Loss)/Profit from operations	3	(6,626)	1,826
Finance costs		(12)	(11)
		<hr/>	<hr/>
(Loss)/Profit before taxation		(6,638)	1,815
Taxation	4	56	(676)
		<hr/>	<hr/>
(Loss)/Profit for the period		(6,582)	1,139
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Equity holders of the Company		(6,582)	1,139
		<hr/> <hr/>	<hr/> <hr/>
		<i>HK cents</i>	<i>HK cents</i>
(Loss)/Earnings per share	5		
– basic		(2.057)	0.356
		<hr/> <hr/>	<hr/> <hr/>
– diluted		(2.057)	0.356
		<hr/> <hr/>	<hr/> <hr/>



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 and accounting principles generally accepted in Hong Kong.

The accounting policies adopted in preparing the unaudited consolidated results for the period under review are consistent with those followed in the Company's 2005 annual report.

2. Turnover

	For the three months ended 31 March	
	2006	2005
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Home video products distribution	15,945	25,388
Theatrical rights distribution and film rights sub-licensing	2,835	544
Games distribution	1,085	2,157
	19,865	28,089

3. (Loss)/Profit from operations

For the three months ended 31 March 2006, included in cost of sales is an amount of approximately HK\$1.1 million in respect of an impairment on inventories as a result of close down of the operation of an online games licensor.

For the three months ended 31 March 2006, included in other operating expenses is an amount of approximately HK\$5.1 million in respect of an impairment on receivable from an online games licensor.



4. Taxation

The taxation charge represents:

	For the three months ended 31 March	
	2006	2005
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Deferred taxation	<u>(56)</u>	<u>676</u>

No provision for Hong Kong and overseas profits tax has been made as the Group has no assessable profits for the three months ended 31 March 2006 (2005: Nil).

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

5. (Loss)/Earnings per share

Basic and diluted (loss)/earnings per share is calculated based on the unaudited loss attributable to equity holders of the Company for the three months ended 31 March 2006 of approximately HK\$6,582,000 (three months ended 31 March 2005: profit of approximately HK\$1,139,000) and the weighted average number of 320,000,000 shares for the three months ended 31 March 2006 and 2005.



6. 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>
At 1 January 2005	65,991	5	(22,435)	43,561
Profit for the period	—	—	1,139	1,139
At 31 March 2005	<u>65,991</u>	<u>5</u>	<u>(21,296)</u>	<u>44,700</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>
At 1 January 2006	65,991	16	(29,309)	36,698
Loss for the period	—	—	(6,582)	(6,582)
At 31 March 2006	<u>65,991</u>	<u>16</u>	<u>(35,891)</u>	<u>30,116</u>

DIVIDEND

The Directors do not recommend the payment of any dividend for the three months ended 31 March 2006 (three months ended 31 March 2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

For the three months ended 31 March 2006, the Group recorded a turnover of approximately HK\$19.9 million (2005: approximately HK\$28.1 million) and a loss of HK\$6.6 million (2005: a profit of approximately HK\$1.1 million).

During the period under review, turnover for the sales of home video products amounted to approximately HK\$15.9 million, which represents a drop in turnover when compared with that of approximately HK\$25.4 million for the three months ended 31 March 2005. It is mainly due to the fact that the Group has released a super blockbuster title, namely “Kung Fu Hustle”, during the first quarter of 2005. During the three months ended 31 March 2006, the Group has released some blockbuster home video titles, such as “Doom”, “The Legend of Zorro” and “King Kong”. Some other blockbuster titles recently released by the Group included “Memoirs of a Geisha”, “Fun With Dick and Jane” and “Pride and Prejudice”, whereas some other major titles expected to be released by the Group in the year of 2006 include “The Da Vinci Code”, “Underworld : Evolution” and “Inside Man”.

For the three months ended 31 March 2006, turnover for the theatrical rights distribution and film rights sub-licensing business amounted to approximately HK\$2.8 million (2005: approximately HK\$0.5 million). This satisfactory result was mainly contributed by the Group’s successful theatrical release arrangement business in the People’s Republic of China (“PRC”). As the PRC business of the Group is at early developing stage, the Group has made theatrical release arrangement for only one film title during the first quarter of 2006.

Loss for the period under review amounted to approximately HK\$6.6 million was mainly due to impairment in value of receivable and inventories of approximately HK\$5.1 million and approximately HK\$1.1 million, respectively. The licensor of the Group’s online games has recently closed down its operation in the mid of April 2006, thus the Group, for prudence sake, has made impairment in value on the receivable from the licensor as well as the inventories of the online games in the financial statements for the period ended 31 March 2006. The close down of operation of the online games licensor may seriously and adversely affect the Group’s performance in the games distribution business, in addition to follow up the subsequent arrangements of this case, the Group is also sourcing for other potential and good quality online games from various sources.



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

As at 31 March 2006, 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 5.68 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 held	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 1,200,000 ordinary shares (<i>Note</i>)	0.38%
Mr. Yau Kar Man	Beneficial owner	share options to subscribe for 400,000 ordinary shares (<i>Note</i>)	0.13%
Mr. Ng Wai Lun	Beneficial owner	share options to subscribe for 300,000 ordinary shares (<i>Note</i>)	0.09%
Mr. Keung Chi Wai	Beneficial owner	share options to subscribe for 400,000 ordinary shares (<i>Note</i>)	0.13%
Mr. Chan Kin Wo	Beneficial owner	share options to subscribe for 400,000 ordinary shares (<i>Note</i>)	0.13%
Mr. Yow Cecil	Beneficial owner	share options to subscribe for 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 2006, 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 2006, 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 AND DEBENTURES

As at 31 March 2006, 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 31 March 2006, 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 has 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 home video products distribution, theatrical and television rights distribution, 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 2006, 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 and any other conflicts of interest which any such person has or may have with the Group.



AUDIT COMMITTEE

As required by 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 2006 have been reviewed by the Committee, 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
Era Information & Entertainment Limited
Leung Chung Chu, Andrew
Chairman

Hong Kong, 9 May 2006

As at the date of this report, the executive directors of the Company are Mr. Leung Chung Chu, Andrew, Mr. Yau Kar Man, Mr. Ng Wai Lun and Mr. Keung Chi Wai; the independent non-executive directors of the Company are Mr. Chan Kin Wo, Mr. Yow Cecil and Mr. Yim Chun Leung.

