



Era Information & Entertainment Limited

年代資訊影視有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8043



INTERIM REPORT 2006

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)

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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 condensed consolidated results of the Company and its subsidiaries (together the “Group”) for the three months and six months ended 30 June 2006, together with the unaudited comparative figures for the corresponding periods in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 30 June 2006 and the six months ended 30 June 2006

	<i>Note</i>	For the three months ended 30 June		For the six months ended 30 June	
		2006 (unaudited) <i>HK\$'000</i>	2005 (unaudited) <i>HK\$'000</i>	2006 (unaudited) <i>HK\$'000</i>	2005 (unaudited) <i>HK\$'000</i>
Turnover	2	18,689	16,370	38,554	44,459
Cost of sales		(12,985)	(12,369)	(28,307)	(31,427)
Gross profit		5,704	4,001	10,247	13,032
Other revenue		930	28	993	33
Selling and distribution costs		(1,735)	(1,722)	(3,876)	(3,866)
Administrative expenses		(4,438)	(4,341)	(8,376)	(8,879)
Other operating expenses		70	–	(5,083)	(528)
Operating profit/(loss)	3	531	(2,034)	(6,095)	(208)
Finance costs		(4)	(11)	(16)	(22)
Profit/(Loss) before taxation		527	(2,045)	(6,111)	(230)
Taxation	4	(311)	119	(255)	(557)
Profit/(Loss) for the period attributable to equity holders of the Company		216	(1,926)	(6,366)	(787)
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings/(Loss) per share for profit/(loss) attributable to the equity holders of the Company during the period – basic and diluted	5	0.068	(0.602)	(1.989)	(0.246)

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2006

		30 June 2006 (unaudited) HK\$'000	31 December 2005 (audited) HK\$'000
ASSETS			
Non-current assets			
Fixed assets	6	606	689
Club membership		650	650
Deferred tax assets		372	627
		<u>1,628</u>	<u>1,966</u>
Current assets			
Inventories		3,064	4,724
Film rights		6,674	8,056
Trade and other receivables	7	18,643	18,000
Prepayments and deposits		3,176	8,786
Pledged bank deposits		5,146	2,059
Bank and cash balances		14,470	17,310
		<u>51,173</u>	<u>58,935</u>
Total assets		<u>52,801</u>	<u>60,901</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	8	3,200	3,200
Share premium		65,991	65,991
Exchange reserve		16	16
Accumulated losses		(35,675)	(29,309)
Total equity		<u>33,532</u>	<u>39,898</u>
Current liabilities			
Trade and other payables	9	19,269	21,003
Total equity and liabilities		<u>52,801</u>	<u>60,901</u>
Net current assets		<u>31,904</u>	<u>37,932</u>
Total assets less current liabilities		<u>33,532</u>	<u>39,898</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

	Attributable to equity holders of the Company				
	Share capital	Share premium	Exchange reserve	Accumulated losses	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2006	3,200	65,991	16	(29,309)	39,898
Loss for the period (unaudited)	—	—	—	(6,366)	(6,366)
At 30 June 2006 (unaudited)	<u>3,200</u>	<u>65,991</u>	<u>16</u>	<u>(35,675)</u>	<u>33,532</u>

For the six months ended 30 June 2005

	Attributable to equity holders of the Company				
	Share capital	Share premium	Exchange reserve	Accumulated losses	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2005	3,200	65,991	5	(22,435)	46,761
Loss for the period (unaudited)	—	—	—	(787)	(787)
At 30 June 2005 (unaudited)	<u>3,200</u>	<u>65,991</u>	<u>5</u>	<u>(23,222)</u>	<u>45,974</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2006

	For the six months ended 30 June	
	2006 (unaudited) <i>HK\$'000</i>	2005 (unaudited) <i>HK\$'000</i>
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	14,343	(1,833)
NET CASH USED IN INVESTING ACTIVITIES	<u>(17,183)</u>	<u>(876)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,840)	(2,709)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>17,310</u>	<u>19,086</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>14,470</u></u>	<u><u>16,377</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
BANK AND CASH BALANCES	<u><u>14,470</u></u>	<u><u>16,377</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed consolidated financial statements 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 condensed consolidated financial statements for the period under review are consistent with those followed in the Company's 2005 annual report.

The condensed consolidated financial statements for the six months ended 30 June 2006 are unaudited and have been reviewed by the audit committee of the Company.

2. Turnover and segment information

Turnover represents revenue arising from the home video products distribution, theatrical rights distribution, film rights sub-licensing and games distribution. The Group's primary format for reporting segment information is business segments.

	Home video products		Theatrical rights distribution and film		Games		Eliminations		Consolidated	
	distribution		rights		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		For the six months ended 30 June	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
(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	
REVENUE										
External revenue	33,080	38,605	4,135	1,100	1,407	4,772	-	-	38,622	44,477
Inter-segment revenue*	-	-	-	-	630	620	(630)	(620)	-	-
Total revenue	<u>33,080</u>	<u>38,605</u>	<u>4,135</u>	<u>1,100</u>	<u>2,037</u>	<u>5,392</u>	<u>(630)</u>	<u>(620)</u>	<u>38,622</u>	<u>44,477</u>
RESULT										
Segment result	<u>2,903</u>	<u>1,025</u>	<u>(487)</u>	<u>285</u>	<u>(6,535)</u>	<u>813</u>	<u>-</u>	<u>387</u>	<u>(4,119)</u>	<u>2,510</u>
Unallocated corporate expenses									(2,901)	(2,733)
Unallocated corporate income									799	-
Operating loss excluding interest income									(6,221)	(223)
Interest expenses									(16)	(22)
Interest income									126	15
Loss before taxation									(6,111)	(230)
Taxation									(255)	(557)
Loss for the period									<u>(6,366)</u>	<u>(787)</u>

* Inter-segment revenue is charged on basis mutually agreed between the segments.

3. Operating profit/(loss)

The Group's operating profit/(loss) is stated after charging/(crediting):

	For the three months ended 30 June		For the six months ended 30 June	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Amortisation of film rights	7,963	9,545	15,608	20,327
Bad debts written off	69	–	69	–
Cost of inventories sold (note i)	2,586	4,072	7,495	10,122
Depreciation	56	71	118	148
Impairment losses				
– Other receivables (note ii)	–	–	5,154	–
– Inventories (note ii)	(193)	–	888	–
Reversal of allowance for doubtful debts	(70)	–	(70)	(21)
Reversal of impairment losses on film rights	(90)	(2,286)	(90)	(1,972)
Waiver of loan	(799)	–	(799)	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes:

- i. Cost of inventories sold includes impairment loss on inventories which are disclosed separately above for the periods.
- ii. The Group made impairment losses on receivable from licensor and inventories of online games as a result of the close down of operation of the online games licensor.

4. Taxation

The taxation (charged)/credit represents:

	For the three months ended 30 June		For the six months ended 30 June	
	2006 (unaudited) <i>HK\$'000</i>	2005 (unaudited) <i>HK\$'000</i>	2006 (unaudited) <i>HK\$'000</i>	2005 (unaudited) <i>HK\$'000</i>
Deferred taxation	<u>(311)</u>	<u>119</u>	<u>(255)</u>	<u>(557)</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 six months ended 30 June 2006 (2005: Nil).

Deferred taxation is calculated in full on temporary differences under the liability method using a principal tax rate of 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\$62.4 million (31 December 2005: HK\$54.8 million) as at 30 June 2006 available for offset against future taxable income. Included in unrecognised tax losses are losses of approximately HK\$1.6 million and HK\$4.5 million that will expire in 2010 and 2009 respectively. The remaining unrecognised tax losses may be carried forward indefinitely.

5. Earnings/(Loss) per share

Basic and diluted earnings/(loss) per share is calculated based on the Group's unaudited profit attributable to equity holders of the Company for the three months ended 30 June 2006 of approximately HK\$216,000 and loss for the six months ended 30 June 2006 of approximately HK\$6,366,000 (three months and six months ended 30 June 2005: losses of HK\$1,926,000 and HK\$787,000 respectively) and the weighted average number of 320,000,000 shares for the three months and six months ended 30 June 2006 and 2005.

6. Fixed assets

During the six months ended 30 June 2006, the Group acquired fixed assets of approximately HK\$34,000 mainly comprising computers and equipment.

7. Trade and other receivables

Trade and other receivables include trade receivables of approximately HK\$17,962,000 (31 December 2005: HK\$17,186,000). The aged analysis of trade receivables is as follows:

	30 June 2006 (unaudited) HK\$'000	31 December 2005 (audited) HK\$'000
Current – 30 days	4,463	7,040
31 – 60 days	4,907	5,589
61 – 90 days	5,192	2,027
91 – 180 days	2,705	2,081
181 – 365 days	618	365
Over 1 year	77	84
	<u>17,962</u>	<u>17,186</u>

General credit terms of the Group range from 30 days to 90 days.

8. Share capital

	Number of shares	Share capital HK\$'000
Shares of HK\$0.01 each		
Authorised:		
At 31 December 2005 and 30 June 2006	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 31 December 2005 and 30 June 2006	<u>320,000,000</u>	<u>3,200</u>

9. Trade and other payables

Trade and other payables include trade payables and film rights payables of approximately HK\$6,402,000 and HK\$6,093,000 respectively (31 December 2005: HK\$8,754,000 and HK\$4,374,000 respectively). The aged analysis of trade payables is as follows:

	30 June 2006 (unaudited) HK\$'000	31 December 2005 (audited) HK\$'000
Current – 30 days	1,091	2,028
31 – 60 days	1,155	1,595
61 – 90 days	1,585	1,764
91 – 180 days	1,100	1,847
181 – 365 days	185	316
Over 1 year	1,286	1,204
	<hr/> 6,402 <hr/>	<hr/> 8,754 <hr/>

The aged analysis of film rights payables is as follows:

	30 June 2006 (unaudited) HK\$'000	31 December 2005 (audited) HK\$'000
Current – 30 days	1,640	256
31 – 60 days	855	–
61 – 90 days	–	–
91 – 180 days	–	68
181 – 365 days	62	183
Over 1 year	3,536	3,867
	<hr/> 6,093 <hr/>	<hr/> 4,374 <hr/>

10. Related party transactions

During the period, the Group had the following material related party transactions:

	For the six months ended 30 June	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Consultancy fee paid to a former substantial shareholder, Mr. Chiu Fu Sheng (<i>note</i>)	–	240
Purchases from Era Communications Co., Limited (“ERA Taiwan”)	<u>–</u>	<u>267</u>

Note: ERA Taiwan is the Company’s ultimate holding company, Mr. Chiu Fu Sheng, a substantial shareholder of the Company up to 5 July 2005, is a major shareholder of ERA Taiwan. On 5 July 2005, Mr. Chiu Fu Sheng disposed of his entire equity interests in ERA Taiwan and ceased to be a related party of the Company.

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 People’s Republic of China (“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. Commitments

	30 June 2006 (unaudited) HK\$'000	31 December 2005 (audited) HK\$'000
Unpaid purchase costs due to suppliers	1,764	3,589
Unpaid film rights due to licensors	<u>14,894</u>	<u>3,670</u>

12. Contingent liabilities

	30 June 2006 (unaudited) HK\$'000	31 December 2005 (audited) HK\$'000
Long service payments	<u>1,957</u>	<u>1,895</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of any dividend for the six months ended 30 June 2006 (six months ended 30 June 2005: Nil)

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2006, the Group recorded a turnover of approximately HK\$38.6 million (2005: approximately HK\$44.5 million), whereas the turnover for the three months period ended 30 June 2006 amounted to approximately HK\$18.7 million, representing an increase of approximately 14.2% when compared with that of the three months period ended 30 June 2005. The profit for the three months period ended 30 June 2006 amounted to approximately HK\$0.2 million (2005: a loss of approximately HK\$1.9 million).

Turnover for the sales of video products in the second quarter of 2006 amounted to approximately HK\$17.1 million, which represents an increase of approximately 29.2% when compared with that of the second quarter of last year, this indicates that the Group's distribution network started to recover after a recession last year caused by high rental cost. Major video titles released during the three months ended 30 June 2006 included "Memoirs of a Geisha", "Fun With Dick and Jane", "Pride and Prejudice", and "Underworld: Evolution", while the Group has recently released some major video titles, including "Inside Man" and "Capote". Some other major video titles expected to be released in the second half of the year include "United 93", "Miami Vice", "The Fast and the Furious: Tokyo Drift" and "The Da Vinci Code".

For the three months ended 30 June 2006, turnover for the theatrical rights distribution and film rights sub-licensing business amounted to approximately HK\$1.3 million. The substantial increase of approximately 1.4 times when compared with that of the second quarter of 2005 is mainly contributed by the growth of the Group's theatrical release arrangement business in the People's Republic of China.

Due to the business close down of the Group's online games licensor in April of 2006, the Group's online games distribution business has been seriously and adversely affected. As the Group is still in the course of sourcing new potential online games, it is presently in lack of online games products for distribution. This is also the main reason for a substantial drop in turnover for the games distribution business. In view of the subsequent arrangements and the receivables from the online games licensor which the Group has made an impairment in value in the first quarter of 2006, a legal consultant has been engaged to suggest the most suitable legal procedures, with further developments to be expected in the second half of the year.

Liquidity and financial resources

The Group generally financed its operations and investing activities with internally generated cashflows.

As at 30 June 2006, the Group had net current assets of approximately HK\$31.9 million, of which approximately HK\$5.1 million and HK\$14.5 million were pledged bank deposits and 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

Transactions of the Group were mainly denominated either in Hong Kong dollars, United States dollars and Renminbi. 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 2006, the Group's net assets were financed by internal resources through share capital and reserves. Total equity attributable to shareholders was approximately HK\$33.5 million as at 30 June 2006, representing a decrease of approximately 16% over that of 31 December 2005.

Charges on the Group's assets

As at 30 June 2006, the Group's time deposits of approximately HK\$5.1 million were pledged to banks in respect of banking facilities granted to the Group.

Capital commitments

As at 30 June 2006, the Group had commitments of unpaid film rights of approximately HK\$14.9 million due to licensors and commitments of unpaid purchase costs of approximately HK\$1.8 million due to suppliers.

Contingent liabilities

As at 30 June 2006, the Group had contingent liabilities in respect of long service payments of approximately HK\$2.0 million.

Employee information

As at 30 June 2006, the Group had a total of 73 employees. The total staff costs, including directors' emoluments, amounted to approximately HK\$7.1 million for the period under review.

Save as disclosed hereof, no information in relation to the Group's performance has changed materially from the information disclosed in the Company's 2005 annual report.

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

As at 30 June 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 30 June 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 30 June 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.

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 1 January 2006	Lapsed during the period under review	Outstanding as at 30 June 2006
<i>Executive directors</i>					
Mr. Leung Chung Chu, Andrew	5 June 2001	1,200,000	1,200,000	–	1,200,000
Mr. Yau Kar Man	5 June 2001	400,000	400,000	–	400,000
Mr. Ng Wai Lun	5 June 2001	300,000	300,000	–	300,000
Mr. Keung Chi Wai	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 (Note)	5 June 2001	3,860,000	<u>2,170,000</u>	<u>–</u>	<u>2,170,000</u>
Total			<u>5,270,000</u>	<u>–</u>	<u>5,270,000</u>

Note: Employees are those working under employment contracts regarded as “continuous contracts” under the 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 2006.

Details of the Pre-IPO Share Option Scheme and the Share Option Scheme are set out in the Company’s 2005 annual report.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 30 June 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 held	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 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 June 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 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 complete with the Group.

Save as disclosed above, as at 30 June 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 six months ended 30 June 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.

COMPLIANCE WITH RULES 5.48 TO 5.67 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 5.48 to 5.67 of the GEM Listing Rules throughout the period under review. Having made specific equity 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.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the period under review, except that:

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The chairman and chief executive officer of the Company are performed by the same individual, Mr. Leung Chung Chu, Andrew. The Directors will meet regularly to consider major matters affecting the operations of the Company. The Directors consider that this structure will not impair the balance of power and authority between the Directors and the management of the Company and believe that this structure will enable the Group to make and implement decisions promptly and efficiently. Therefore, the Directors are of the view that the roles of chairman and chief executive officer of the Company can be performed by the same individual.

Under the code provision A.4.2, every director should be subject to retirement by rotation at least once every three years. The articles of association of the Company before amendments resolved at the annual general meeting held on 27 April 2006 provided that no Director holding office as chairman and/or managing director should be subject to retirement by rotation. Accordingly, as at the date of this report, Mr. Leung Chung Chu, Andrew, being the chairman of the Company, is not subject to retirement by rotation. In order to comply with the code provision A.4.2, amendments have been resolved at the annual general meeting held on 27 April 2006 to specify that every Director shall be subject to retirement by rotation at least once every three years. The Directors further confirm that Mr. Leung Chung Chu, Andrew will retire at the annual general meeting of the Company for the year ended 31 December 2006.

Further details of the deviations are set out in the Company's 2005 annual report.

By Order of the Board
Era Information & Entertainment Limited
Leung Chung Chu, Andrew
Chairman

Hong Kong, 8 August 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.