



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



QUARTERLY REPORT

For the nine months ended 30 September 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 means 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.

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

| | Note | For the three months ended 30 September 2006 | | For the nine months ended 30 September 2006 | |
|--|------|--|-----------------|---|-----------------|
| | | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Turnover | 2 | 12,337 | 16,533 | 50,891 | 60,992 |
| Cost of sales | | (10,502) | (13,786) | (38,809) | (45,213) |
| Gross profit | | 1,835 | 2,747 | 12,082 | 15,779 |
| Other revenue | | 78 | 34 | 1,071 | 67 |
| Selling and distribution costs | | (1,542) | (1,747) | (5,418) | (5,613) |
| Administrative expenses | | (4,480) | (4,114) | (12,856) | (12,993) |
| Other operating expenses | | – | 131 | (5,083) | (397) |
| Operating loss | 3 | (4,109) | (2,949) | (10,204) | (3,157) |
| Finance costs | | (2) | (11) | (18) | (33) |
| Loss before taxation | | (4,111) | (2,960) | (10,222) | (3,190) |
| Taxation | 4 | 255 | 290 | – | (267) |
| Loss for the period attributable to equity holders of the Company | | <u>(3,856)</u> | <u>(2,670)</u> | <u>(10,222)</u> | <u>(3,457)</u> |
| | | <i>HK cents</i> | <i>HK cents</i> | <i>HK cents</i> | <i>HK cents</i> |
| Loss per share for loss attributable to the equity holders of the Company during the period | 5 | | | | |
| – basic | | <u>(1.205)</u> | <u>(0.834)</u> | <u>(3.194)</u> | <u>(1.080)</u> |
| – diluted | | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</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 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 30 September | | For the nine months ended 30 September | |
|---|--|---------------|---|---------------|
| | 2006 | 2005 | 2006 | 2005 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Home video products distribution | 11,801 | 11,521 | 44,813 | 50,117 |
| Theatrical release arrangement and film rights sub-licensing | 519 | 3,012 | 4,654 | 4,190 |
| Games distribution | 17 | 2,000 | 1,424 | 6,685 |
| | <u>12,337</u> | <u>16,533</u> | <u>50,891</u> | <u>60,992</u> |

3. Operating loss

For the nine months ended 30 September 2006, included in cost of sales is an amount of approximately HK\$0.9 million in respect of an impairment on inventories as a result of close down of the operation of an online games licensor.

For the nine months ended 30 September 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 credit/(charge) represents:

| | For the three months ended 30 September | | For the nine months ended 30 September | |
|-------------------|--|-----------------|---|-----------------|
| | 2006 | 2005 | 2006 | 2005 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Deferred taxation | <u>255</u> | <u>290</u> | <u>-</u> | <u>(267)</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 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 per share

Basic loss per share is calculated based on the Group's unaudited loss attributable to equity holders of the Company for the three months ended 30 September 2006 of approximately HK\$3,856,000 and loss for the nine months ended 30 September 2006 of approximately HK\$10,222,000 (three months and nine months ended 30 September 2005: loss of approximately HK\$2,670,000 and HK\$3,457,000 respectively) and the weighted average number of 320,000,000 shares for the three months and nine months ended 30 September 2006 and 2005.

No diluted loss per share is presented as the Company did not have any diluted potential shares during the periods.

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 |
| Exchange difference | – | (11) | – | (11) |
| Loss for the period | – | – | (3,457) | (3,457) |
| | <u>65,991</u> | <u>–</u> | <u>(3,457)</u> | <u>(3,457)</u> |
| At 30 September 2005 | <u>65,991</u> | <u>(6)</u> | <u>(25,892)</u> | <u>40,093</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 | – | – | (10,222) | (10,222) |
| | <u>–</u> | <u>–</u> | <u>(10,222)</u> | <u>(10,222)</u> |
| At 30 September 2006 | <u>65,991</u> | <u>16</u> | <u>(39,531)</u> | <u>26,476</u> |

DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

For the nine months ended 30 September 2006, the Group recorded a turnover of approximately HK\$50.9 million (2005: approximately HK\$61 million) and a loss attributable to shareholders amounted to approximately HK\$10.2 million (2005: approximately HK\$3.5 million).

Included in the loss attributable to shareholders for the nine months ended 30 September 2006 are respective impairment in value of receivable and inventories of approximately HK\$5.1 million and HK\$1.1 million, which have been provided for in the first quarter of this year due to the close down of the Group's online games licensor's operation in April 2006. The Group is still in the course of sourcing potential online games. Negotiations with potential game developers and licensors are under way. With regard to the subsequent arrangements and receivables from the online game licensor who closed down its operation, the Group has followed the legal procedures as suggested by the legal consultant engaged for such purpose.

Not many blockbuster titles have been available for release during the three months ended 30 September 2006, major video titles released during the quarter ended 30 September 2006 included "Inside Man". Some other major video titles expected to be released in the last quarter of 2006 include "Over The Hedge", "The Da Vinci Code", "Click", "Miami Vice" and "Monster House".

For the three months ended 30 September 2006, the Group has only arranged a relatively small scale release of a locally produced film title in the People's Republic of China ("PRC"), thus the theatrical release arrangement and film rights sub-licensing income is comparatively low. However, the Group has recently arranged theatrical release of a major film title in the PRC in mid October, and the box-office result of which is satisfactory.

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

As at 30 September 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 (Note) | 0.38% |
| Mr. Yau Kar Man | Beneficial owner | share options to subscribe for 400,000 ordinary shares (Note) | 0.13% |
| Mr. Ng Wai Lun | Beneficial owner | share options to subscribe for 300,000 ordinary shares (Note) | 0.09% |
| Mr. Keung Chi Wai | Beneficial owner | share options to subscribe for 400,000 ordinary shares (Note) | 0.13% |
| Mr. Chan Kin Wo | Beneficial owner | share options to subscribe for 400,000 ordinary shares (Note) | 0.13% |
| Mr. Yow Cecil | Beneficial owner | share options to subscribe for 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 share options may be exercised not later than 10 years from the date of grant. As at 30 September 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 September 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 30 September 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 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 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 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 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 compete with the Group.

Save as disclosed above, as at 30 September 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 nine months ended 30 September 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, 8 November 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.