ROJAM ENTERTAINMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Interim Report 2005/2006

ROJAM

Entertainment Network Asia

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This report, for which the directors of Rojam Entertainment Holdings Limited (the "Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of giving information with regard to Rojam Entertainment Holdings Limited. 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.

INTERIM RESULTS

The board of directors (the "Board") of Rojam Entertainment Holdings Limited (the "Company", together with its subsidiaries, the "Group") is pleased to present the unaudited consolidated results of the Group for the three months and six months ended 30th September 2005 together with the comparative unaudited figures for the corresponding periods in 2004.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Three months ended 30th September		Unaudited Six months ended 30th September	
		2005	2004	**2005**	2004
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	*2*	**169,304**	179,895	**288,196**	219,958
Other revenue	*2*	**146**	103	**344**	193
Total revenues		**169,450**	179,998	**288,540**	220,151
Cost of sales	*3*	**(98,138)**	(93,425)	**(173,256)**	(115,726)
Selling and distribution expenses	*3*	**(27,783)**	(42,274)	**(47,986)**	(53,283)
Other operating expenses	*3*	**(9,875)**	(17,566)	**(20,511)**	(25,468)
Amortisation of goodwill		**–**	(1,377)	**–**	(2,748)
Profit before income tax		**33,654**	25,356	**46,787**	22,926
Income tax expense	*4*	**(15,431)**	(16,155)	**(21,299)**	(16,590)
Profit for the period		**18,223**	9,201	**25,488**	6,336
Attributable to:					
Equity holders of the Company		**18,223**	6,675	**25,488**	3,721
Minority interests		**–**	2,526	**–**	2,615
		18,223	9,201	**25,488**	6,336
Earnings per share for profit attributable to the equity holders of the Company during the period					
– basic	*5*	**1.2 cents**	0.4 cent	**1.6 cents**	0.2 cent

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30th September 2005 Unaudited HK$'000	31st March 2005 Audited HK$'000
ASSETS			
Non-current assets			
Intangible assets	7	**139,522**	136,842
Fixed assets	7	**17,337**	22,120
Investment securities		**23,400**	–
Deposit for purchase of investment securities		**–**	23,400
Deferred income tax assets		**1,069**	5,090
		181,328	187,452
Current assets			
Record masters	7	**27,143**	21,996
Inventories		**26,817**	19,971
Trade receivables	8	**10,463**	10,194
Other receivables and prepayments		**8,248**	11,036
Deferred income tax assets		**3,947**	–
Cash and bank balances		**154,303**	209,805
		230,921	273,002
Total assets		**412,249**	460,454
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	9	**155,468**	155,468
Reserves		**132,420**	114,036
Proposed final dividend		**–**	18,656
		287,888	288,160
Minority interests		**675**	675
Total equity		**288,563**	288,835
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**–**	1,034
Current liabilities			
Trade payables	10	**84,209**	87,290
Accruals and other payables		**17,483**	67,122
Current income tax liabilities		**21,994**	16,173
		123,686	170,585
Total liabilities		**123,686**	171,619
Total equity and liabilities		**412,249**	460,454
Net current assets		**107,235**	102,417
Total assets less current liabilities		**288,563**	289,869

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					
	Attributable to equity holders of the Company					
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Exchange reserve** *HK$'000*	**Accumul-ated losses** *HK$'000*	**Minority interests** *HK$'000*	**Total** *HK$'000*
At 1st April 2004	155,468	148,329	(7,317)	(65,159)	1,884	233,205
Exchange adjustment on translation of accounts of overseas subsidiaries	–	–	(3,167)	–	–	(3,167)
Acquisition of subsidiaries from minority shareholders	–	–	–	–	(3,824)	(3,824)
Profit for the six months ended 30th September 2004	–	–	–	3,721	2,615	6,336
At 30th September 2004	155,468	148,329	(10,484)	(61,438)	675	232,550
At 1st April 2005	155,468	148,329	(8,302)	(7,335)	675	288,835
Exchange adjustment on translation of accounts of overseas subsidiaries	–	–	(7,104)	–	–	(7,104)
Final dividend for the year ended 31st March 2005	–	–	–	(18,656)	–	(18,656)
Profit for the six months ended 30th September 2005	–	–	–	25,488	–	25,488
At 30th September 2005	155,468	148,329	(15,406)	(503)	675	288,563

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Six months ended 30th September 2005 HK$'000	2004 HK$'000
Net cash (used in)/generated from operating activities	**(6,758)**	8,072
Net cash used in investing activities	**(24,940)**	(41,556)
Net cash used in financing activities	**(18,656)**	–
Net decrease in cash and cash equivalents	**(50,354)**	(33,484)
Cash and cash equivalents at 1st April	**209,805**	90,428
Exchange difference	**(5,148)**	(2,194)
Cash and cash equivalents at 30th September	**154,303**	54,750
Analysis of balances of cash and cash equivalents		
Cash at bank and in hand	**154,303**	54,750

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. Basis of preparation and accounting policies

The Company was incorporated in the Cayman Islands on 29th February 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The Company's shares were listed on GEM on 31st May 2001.

These unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and applicable disclosure requirements of the GEM Listing Rules. The accounts have been prepared under the historical cost convention. The unaudited condensed consolidated financial information has not been audited by the Company's auditors, but has been reviewed by the Company's audit committee.

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31st March 2005 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRS") and HKASs (collectively referred as "new HKFRS") which are effective for accounting periods commencing on or after 1st January 2005.

With effect from 1st April 2004, the Group has early adopted HKFRS 3 "Business Combinations", HKAS 36 "Impairment of Assets" and HKAS 38 "Intangible Assets". The details of the accounting policies have been disclosed in the annual financial statements for the year ended 31st March 2005.

With effect from 1st April 2005, the Group adopted other new HKFRS which are relevant to its operations. Except for the following, the adoption of these new HKFRS did not result in substantial changes to the Group's accounting policies, financial statement disclosures or presentation as compared to that used in the preparation of the annual financial statements as of and for the year ended 31st March 2005.

- HKAS 1 Presentation of Financial Statements has impacted the presentation of the following notable elements in the Group's condensed accounts:

    - minority interests are presented within equity on the face of the condensed consolidated balance sheet while it was presented outside of equity previously;

    - movement of minority interests is included in the consolidated statement of changes in equity while this was not required previously; and

    - allocation of profit attributable to minority interests and equity holders of the Company are disclosed on the face of the condensed consolidated income statement after profit for the period while the allocation to minority interests was previously disclosed as separate line item before arriving at profit attributable to the equity holders of the Company.

- HKAS 24 Related Party Disclosures has affected the identification of related parties and some other related-party disclosures.

The comparative consolidated financial information for 2004 have incorporated the effect of adjustments, where applicable, resulting from the adoption of the new HKFRS above.

2. Turnover, revenue and segment information

The amounts of each significant category of revenue recognised during the three months and six months ended 30th September 2005 are as follows:

	Three months ended 30th September		Six months ended 30th September	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Turnover				
Record distribution income	**164,695**	174,612	**277,971**	209,934
Music production income	**33**	673	**1,172**	1,101
Music publishing royalty	**–**	16	**11**	21
Digital distribution income	**448**	–	**585**	–
Discotheque income	**3,991**	4,587	**8,089**	8,718
Event management income	**137**	–	**366**	–
Merchandise sales	**–**	7	**2**	10
Banner advertising income	**–**	–	**–**	174
	169,304	179,895	**288,196**	219,958
Other revenue				
Bank interest income	**146**	103	**344**	193
Total revenues	**169,450**	179,998	**288,540**	220,151

The Group is principally engaged in four main business segments:

Record distribution – distributing records and audio-visual products under its own labels and records containing master sound recordings which have been licensed from third parties

Music production – provision of encompassing producer services, master tape recordings, mixing services, re-mixing services, arranging services and advisory services in respect of selection of songs for records production

Digital distribution – production and provision of digital entertainment content through multi-media platforms such as the internet, mobile phones and other digital media

Discotheque – operations of discotheque

The Group's inter-segment transactions mainly consist of sales of records between subsidiaries. The transactions were entered into on terms similar to those with independent third parties and were eliminated on consolidation. Unallocated costs represent corporate expenses.

An analysis of the Group's turnover and operating results for the period by business segment (primary reporting segment) is as follows:

	Six months ended 30th September 2005						
	Record distribution ***HK$'000***	**Music production** ***HK$'000***	**Digital distribution** ***HK$'000***	**Discotheque** ***HK$'000***	**Others** ***HK$'000***	**Elimination** ***HK$'000***	**Total** ***HK$'000***
Turnover							
External sales	**277,971**	**1,172**	**585**	**8,089**	**379**	**–**	**288,196**
Inter-segment sales	**10**	**–**	**–**	**–**	**–**	**(10)**	**–**
Total	**277,981**	**1,172**	**585**	**8,089**	**379**	**(10)**	**288,196**
Segment results	**46,583**	**197**	**438**	**1,282**	**722**	**(10)**	**49,212**
Unallocated costs							**(2,425)**
Profit before income tax							**46,787**
Income tax expense							**(21,299)**
Profit for the period							**25,488**

	Six months ended 30th September 2004						
	Record distribution *HK$'000*	Music production *HK$'000*	Digital distribution *HK$'000*	Discotheque *HK$'000*	Others *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Turnover							
External sales	209,934	1,101	–	8,718	205	–	219,958
Inter-segment sales	304	4,607	–	–	–	(4,911)	–
Total	210,238	5,708	–	8,718	205	(4,911)	219,958
Segment results	35,415	(5,820)	–	1,967	230	(4,911)	26,881
Unallocated costs							(3,955)
Profit before income tax							22,926
Income tax expense							(16,590)
Profit for the period							6,336

3. Expenses by nature

Expenses included in cost of sales, selling and distribution expenses and other operating expenses are analysed as follow:

	Six months ended 30th September	
	2005	2004
	HK$'000	*HK$'000*
Depreciation of fixed assets	**4,307**	4,062
Impairment of fixed assets	**–**	6,106
Net exchange losses	**92**	680
Management fee to the minority shareholder of Shanghai Rojam Entertainment Company Limited	**288**	282
Provision for inventories	**–**	3,538
Amortisation of record masters	**14,847**	9,413
Staff costs (excluding Directors' emoluments)	**10,833**	8,689

4. Income tax expense

No provisions for Hong Kong profits tax has been made as the Company and its subsidiaries in Hong Kong have no assessable profits for the period under review in the current and prior year. No provision for United States income tax has been made as the subsidiary in the United States of America has no assessable profit for the period under review in the current and prior year.

The Japanese corporate income tax and the People's Republic of China (the "PRC") taxation have been calculated on the estimated assessable profits of the Group's subsidiaries in Japan and the PRC respectively at the rates of taxation prevailing in the countries in which the companies operate.

The amount of taxation charged to the unaudited condensed consolidated income statement represents:

	Six months ended 30th September	
	2005	2004
	HK$'000	*HK$'000*
Current income tax		
– Japanese corporate income tax	**22,265**	16,324
– PRC taxation	**289**	266
Deferred income tax	**(1,255)**	–
	21,299	16,590

5. Earnings per share

Basic earnings per share for the three months and six months ended 30th September 2005 are calculated by dividing the profit attributable to equity holders of the Company of approximately HK$18,223,000 and HK$25,488,000 respectively (three months and six months ended 30th September 2004: HK$6,675,000 and HK$3,721,000) by 1,554,684,403 (2004: 1,554,684,403) ordinary shares in issue during the periods.

Diluted earnings per share has not been presented for the three months and six months ended 30th September 2005 as there was no dilutive event during the periods. Diluted earnings per share has not been presented for the three months and six months ended 30th September 2004 as there was no dilutive event at 30th September 2004.

6. Interim dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30th September 2005 (2004: Nil).

7. Capital expenditure

	Goodwill HK$'000	Record masters HK$'000	Total intangible assets HK$'000	Fixed assets HK$'000
Opening net book amount as at 1st April 2005	129,653	29,185	158,838	22,120
Additions	–	24,672	24,672	612
Depreciation/amortisation charge	–	(14,847)	(14,847)	(4,307)
Exchange differences	–	(1,998)	(1,998)	(1,088)
Closing net book amount as at 30th September 2005	129,653	37,012	166,665	17,337
Current portion included under current assets	–	(27,143)	(27,143)	–
	129,653	9,869	139,522	17,337
Opening net book amount as at 1st April 2004	101,498	21,230	122,728	29,332
Additions	26,704	15,603	42,307	1,611
Disposals	–	–	–	(194)
Depreciation/amortisation charge	(2,747)	(9,413)	(12,160)	(4,062)
Impairment charge	–	–	–	(6,106)
Exchange differences	–	(860)	(860)	(1,099)
Closing net book amount as at 30th September 2004	125,455	26,560	152,015	19,482
Additions	1,451	16,635	18,086	542
Disposals	–	–	–	(1,143)
Depreciation/amortisation charge	–	(13,206)	(13,206)	(3,600)
Impairment charge	–	(1,664)	(1,664)	6,106
Effect of change in accounting policy	2,747	–	2,747	–
Exchange differences	–	860	860	733
Closing net book amount as at 31st March 2005	129,653	29,185	158,838	22,120
Current portion included under current assets	–	(21,996)	(21,996)	–
	129,653	7,189	136,842	22,120

8. Trade receivables

The majority of the Group's turnover is on credit terms of sixty to ninety days except for the royalty income, of which credit terms are normally negotiable between the Group and its customers. At 30th September 2005, the ageing analysis of the trade receivables, including trading balance due from the ultimate holding company and the immediate holding company was as follow:

	30th September 2005 *HK$'000*	31st March 2005 *HK$'000*
Current	**7,804**	7,802
30-60 days	**1,906**	3,150
61-90 days	**1**	11
Over 90 days	**2,073**	726
	11,784	11,689
Provision for doubtful debts	**(1,321)**	(1,495)
	10,463	10,194
Trade receivables due from:		
Third parties	**10,441**	10,190
The ultimate holding company	**12**	–
The immediate holding company	**10**	–
A fellow subsidiary	**–**	4
	10,463	10,194

9. Share capital

	Authorised ordinary shares of HK$0.1 each	
	Number of shares	*HK$'000*
At 31st March 2005 and 30th September 2005	5,000,000,000	500,000

	Issued and fully paid ordinary shares of HK$0.1 each	
	Number of shares	*HK$'000*
At 31st March 2005 and 30th September 2005	1,554,684,403	155,468

10. Trade payables

At 30th September 2005, the ageing analysis of the trade payables, including trading balances due to the ultimate holding company, the immediate holding company and fellow subsidiaries was as follow:

	30th September 2005	31st March 2005
	HK$'000	*HK$'000*
Current	**54,801**	81,720
30-60 days	**29,179**	5,007
61-90 days	**4**	31
Over 90 days	**225**	532
	84,209	87,290
Trade payables due to:		
Third parties	**73,541**	78,110
The ultimate holding company	**9,452**	9,094
The immediate holding company	**75**	86
Fellow subsidiaries	**1,141**	–
	84,209	87,290

11. Contingent liabilities

The Group had no material contingent liabilities at 30th September 2005 and 31st March 2005.

12. Related party transactions

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

		Six months ended 30th September	
		2005	2004
	Note	***HK$'000***	*HK$'000*
Revenues received and receivable from related parties:			
– net digital distribution revenue from Fandango, Inc.	*(a)*	**238**	–
Operating expenses paid and payable to related parties:			
– rental payment and other charges to Yoshimoto Kogyo Co., Ltd.	*(b)*	**921**	815
– master royalties to Yoshimoto Kogyo Co., Ltd.	*(c)*	**8,201**	5,175
– promotion cost to Yoshimoto Kogyo Co., Ltd.	*(d)*	**304**	–
– music production cost to Yoshimoto Kogyo Co., Ltd.	*(e)*	**879**	597
– music production cost to Fandango, Inc.	*(e)*	**552**	–
– homepage production service fee to Fandango, Inc.	*(f)*	**224**	426
– business advisory fee to Fandango, Inc.	*(g)*	**–**	959
– master video production cost to:			
– Yes Visions Co., Ltd. and Y's Vision Co., Ltd.	*(h)(i)*	**900**	–
– International Television System, Inc.	*(h)(ii)*	**166**	–
– production cost to Yoshimoto Club Co., Ltd.	*(i)*	**336**	1,934

(a) Pursuant to a master digital distribution agreement dated 30th August 2004 and entered into between the Group and Fandango, Inc. ("Fandango"), the substantial shareholder of the Company, Fandango will distribute the Group's audio and audio-visual recordings through the internet, mobile phones, or other digital media on an order by order basis. Under this agreement, Fandango is liable to pay to the Group in connection with the distribution of the Group's content a commission of 50% of the revenue for distributing the Group's content after subtracting external cost. The Group will pay Fandango the development cost for the new digital content distribution system. The term of this agreement is from 30th August 2004 to 31st March 2007.

(b) Pursuant to a sub-lease agreement dated 20th July 2004 and entered into between the Group and Yoshimoto, the Group will sub-let office premises from Yoshimoto for an aggregate monthly rental payment of JPY1,687,618 (approximately HK$118,000), and other operating expenses, such as electricity, gas and water charges. The term of this agreement is from 20th July 2004 to 31st March 2006.

(c) Pursuant to a master royalty agreement dated 30th August 2004 and entered into between the Group and Yoshimoto, Yoshimoto will also include promotional activities and copyright licensing in addition to the artist performance arrangements. Yoshimoto will also include the Group's visual and audio-visual recordings in certain television programs produced by Yoshimoto for promotion purpose and grant the Group the right to manufacture and sell audio-visual products containing the content of the television programs for which Yoshimoto is the owner of the master rights. Master royalties in connection with the sales of such audio and audio-visual recordings are payable to Yoshimoto by the Group according to the rates as stipulated in the agreement. The term of this agreement is from 30th August 2004 to 31st March 2007.

(d) Pursuant to a master promotion agreement dated 30th August 2004 and entered into between the Group and Yoshimoto, Yoshimoto will promote the Group's audio and audio-visual recordings through television and radio programs, magazines, or any other advertisements produced by Yoshimoto and local television stations for the Group on an order by order basis. Under this agreement, the Group is liable to pay to Yoshimoto in connection with the promotion of the Group's contents a fee based on Yoshimoto's out-of-pocket expenses relating to the production plus administration costs which is fixed at 10% of such out-of-pocket expenses. The term of this agreement is from 30th August 2004 to 31st March 2007.

(e) The music production costs paid and payable to Yoshimoto and Fandango respectively were conducted in the normal course of business at prices and terms which were mutually agreed by both parties.

(f) Pursuant to web production agreements dated 1st April 2002 and 10th October 2002 between the Group and Fandango, Fandango will render production services for the homepages of the Group for an aggregate monthly fee of JPY900,000 (approximately HK$63,000) for a contract term up to 31st March 2005. Up to 30th September 2005, the term of each of these agreements has lapsed and remains in force as agreed by both parties.

(g) The business advisory fee paid to Fandango was conducted in the normal course of business at price and term which were mutually agreed by both parties.

(h) (i) Yes Visions Co., Ltd. ("Yes Visions") and Y's Vision Co., Ltd. ("Y's Vision") are beneficially owned as to 97% and 39%, respectively, by Yoshimoto. Pursuant to a master video production agreement dated 10th October 2002 and entered into between the Group and Yes Visions, and a master video production agreement dated 10th October 2002 and entered into between the Group and Y's Vision, the Group will engage Yes Visions and Y's Vision respectively to produce videos, containing visual or audio-visual recordings, to complement the Group's promotional activities in conjunction with its release of artists' music records and other products. Under these agreements, the Group is liable to pay Yes Visions and Y's Vision production costs of the videos, containing visual or audio-visual recordings, being Yes Visions' and Y's Vision's out-of-pocket expenses relating to the production plus administration costs which is fixed at 10% of such out-of-pocket expenses. The term of each of these agreements is from 10th October 2002 to 31st March 2005.

(ii) Pursuant to a master video production agreement dated 30th August 2004 and entered into between the Group and International Television System, Inc. ("ITS"), a company beneficially owned as to 60% by Yoshimoto, the Group will engage ITS to produce videos, containing visual or audio-visual recordings in accordance with requirements and specifications of and in such form specified by the Group. Under this agreement, the Group is liable to pay ITS production costs of the videos, containing visual or audio-visual recordings, being ITS's out-of-pocket expenses relating to the production plus administration costs which is fixed at 10% of such out-of-pocket expenses. The term of this agreement is from 30th August 2004 to 31st March 2007.

(i) Yoshimoto Club Co., Ltd. ("Yoshimoto Club") is a company beneficially owned as to approximately 81.8% by Yoshimoto. Pursuant to a master consignment agreement dated 30th August 2004 and entered into between the Group and Yoshimoto Club, Yoshimoto Club will produce and sell merchandise to the Group on an order by order basis, for a term from 30th August 2004 to 31st March 2007. Under this agreement, the Group is liable to pay Yoshimoto Club production costs of the merchandise, being Yoshimoto Club's out-of-pocket expenses relating to the production plus administration cost which is fixed at 10% of such out-of-pocket expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

	Second Quarter (Jul to Sep 2005) ***HK$'M***	First Quarter (Apr to Jun 2005) *HK$'M*	Second Quarter in 2004/2005 (Jul to Sep 2004) *HK$'M*
Turnover	**169.3**	118.9	179.9
Operating expenditures*	**135.8**	106.0	153.3
Profit from operations	**33.7**	13.1	25.4
Profit attributable to equity holders	**18.2**	7.3	6.7

* *Cost of sales, selling & other operating expenses*

Sales by business segments

	Second Quarter (Jul to Sep 2005)		First Quarter (Apr to Jun 2005)		Second Quarter in 2004/2005 (Jul to Sep 2004)	
	HK$'M	**%**	*HK$'M*	*%*	*HK$'M*	*%*
Record Distribution	**164.7**	**97**	113.3	95	174.6	97
Music Production	**–**	**–**	1.1	1	0.7	–
Digital Distribution	**0.4**	**1**	0.1	–	–	–
Discotheque	**4.0**	**2**	4.1	4	4.6	3
Others	**0.2**	**–**	0.3	–	–	–
Group Total	**169.3**	**100**	118.9	100	179.9	100

Financial Review

During the three-month period ended 30th September 2005, the Group recorded a turnover of HK$169.3 million, representing an increase of 42% over the previous quarter. The profit attributable to equity holders for the three months ended 30th September 2005 was HK$18.2 million, which is double of HK$7.3 million recorded in the previous quarter. The improvement was mainly due to the fact that the revenue generated by the Group's business has increased compared to the previous quarter. The record distribution revenue grew by 45% quarter-to-quarter to HK$164.7 million, while no music production revenue was recorded in the second quarter, digital distribution income increased slightly to HK$0.4 million and the discotheque revenue decreased by 2% quarter-to-quarter to HK$4.0 million.

Comparing overall financial performance to the same period of last year, turnover for the six months ended 30th September 2005 amounted to HK$288.2 million, a 31% increase from HK$220.0 million in the corresponding period in 2004. Profit attributable to equity holders in the first half of the financial year 2005/2006 was HK$25.5 million, an increase of 6 times as compared to HK$3.7 million in the same period of last year. During the first six months of 2005/2006, the Group's cost of sales, selling and distribution expenses, and other operating expenses accounted for approximately 60%, 17% and 7% of the Group's turnover respectively, compared to approximately 53%, 24% and 12% for the corresponding period of 2004/2005 respectively. The fade out of the music production was primarily attributed to the decrease of operating expenses.

Operation Review

Record Distribution

The record distribution revenue for this quarter increased by 45% over the previous quarter to HK$164.7 million, and slightly decreased by 6% from the corresponding quarter in last year. However, revenue for the six months ended 30th September 2005 increased by 32% to HK$278.0 million over the last year. This division continued to be the main drivers of the Group's profitability.

For the first six months of the financial year, the Group's own label released a total of 43 music records and 25 DVDs, compared to 20 music records and 32 DVDs and video tapes in last year. R&C continued to produce popular titles in Japan which are well received by the public and some of which have reached high ranking on the ORICON chart in Japan. The popular dual men group, Downtown, released 3 sequels (volume 5 to volume 7) to their popular "ダウンタウンのガキの使いやあらへんで!!" DVD series. All ranked number 1 on the ORICON chart immediately after their releases. Downtown are now producing their next DVDs which are planned for release in the coming periods. The cross-dressing male comedian, Gorie, released his second single and DVD namely "PECORI♥NIGHT" in September. The single was a hit in Japan and was also number 1 on the ORICON chart. Other major-selling titles in the second quarter included Kuzu's single "その手で夢をつかみとれ!", Muga Tsukaji, Atsushi Tsutsumishita and Yuuta Kajiwara's debut single and DVD "言いたいことも言えずに", and Robert's DVD "ロバートLIVE! DVD 2005".

Digital distribution

The revenue recognised from the digital distribution business to the accounts was HK$0.5 million for the six months ended 30th September 2005. In the first quarter, the Group has entered into digital partnerships, in cooperation with Fandango, with major mobile phone carriers in Japan, namely KDDI, NTT DoCoMo and Vodafone. The Group's full-length music tracks can be downloaded to subscribers' mobile phones at basic download rate ranges from 100 Yen (HK$7) to 360 Yen (HK$25) per song. In the second quarter, the Group continued to follow its established plan to adjust and improve the overall operational structure, to broaden the partnership base and to strengthen its deployment of production in the digital content distribution sector.

Rojam Disco

The discotheque business reported revenue of HK$4.0 million, representing a decline of 2% and 13% compared to HK$4.1 million in the previous quarter and HK$4.6 million in the corresponding period last year respectively. The discotheque business experienced a challenging quarter. The primary reason for the decrease in turnover was the drop of admission income, which in part reflects the intense competition in the entertainment industry in Shanghai. During the quarter, Rojam Disco has organised various events, namely Japanese comedian - Fujii Takashi's show, international DJ parties, hip-hop dancing parties and froth parties. This was the first time the discotheque organised froth parties and they were successful in terms of revenue and gimmicks.

Prospect

The factors that led to the success of this quarter, namely the popularity of the Group's music records and DVD products, have continued to generate a profit-making performance and can be expected to continue for the remainder of the financial year. The Japanese economy was being affected by external factors but domestic factors were improved. The Group's business in Japan is expected to benefit from the increasing domestic consumer spending as well.

The Chinese economy remains buoyant, and should continue to be the source of a steady stream of revenue. By revamping its business model, rationalising its costing structures, and renovating its shop image, Rojam Disco endeavours to retain itself as a meaningful profit generator for the Group.

In the past months, the Group has worked hard to put in place the digital partnerships in Japan. The digital music and entertainment are just taking off in Japan, the Group will look for ways to replicate the same business model in other regions.

Liquidity and Financial Resources

The Group financed its operations with internally generated cash flows. At 30th September 2005, cash and bank balances amounted to HK$154.3 million, which consists of 5% in Hong Kong dollars, 81% in Japanese yen, 9% in Renminbi, and 5% held in other currencies. The Renminbi denominated balances were placed with licensed banks in the PRC and the conversion of these balances into foreign currencies is subject to the rules and regulation of foreign exchange control promulgated by the PRC government. During the six months ended 30th September 2005, the Group has net cash outflow of HK$6.8 million for its operating activities, HK$24.9 million for investing activities and HK$18.6 million for payment of the final dividend for the last financial year. At 30th September 2005, the Group has no borrowing. The gearing ratio of the Group, calculated as non-current liabilities to shareholders' funds, was zero.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's exposure to foreign currencies is limited to its investment in foreign subsidiaries, which are financed internally. At 30th September 2005, the Group has no outstanding foreign currency hedge contract.

Charge on Group Assets

At 30th September 2005, the Group did not have any charge on its assets.

Material Acquisition/Disposal and Significant Investments

The subscription of 30,000 shares of Series A Convertible Preferred Stocks of Bellrock Media, Inc. at an aggregate cash consideration of US$3,000,000 (equivalent to approximately HK$23,400,000) was completed on 31st May 2005.

Save as disclosed, the Group did not have any plan for material investment and acquisition or disposal of material capital assets at 30th September 2005.

Contingent Liabilities

The Group had no material contingent liabilities at 30th September 2005.

Employee Information

At 30th September 2005, the Group had 116 (2004: 97) full-time employees. Staff costs, excluding Directors' emoluments, totalled HK$10.8 million for the six months ended 30th September 2005 (2004: HK$8.7 million). The Group's remuneration policy remained the same as detailed in the Annual Report for the year ended 31st March 2005.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 30th September 2005, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under section 352 of the SFO or as notified to the Company and the Stock Exchange were as follows:

Ordinary shares of HK$0.10 each in the Company

Name of Director	Capacity in which the shares are held	Personal interests	Approximate shareholding in the Company
Mr. Takeyasu Hashizume	Beneficial owner	1,730,000	0.11%
Mr. Arihito Yamada	Beneficial owner	8,913,600	0.57%
Mr. Yukitsugu Shimizu	Beneficial owner	430,000	0.03%
Mr. Hiroshi Osaki	Beneficial owner	1,300,000	0.08%

Save as disclosed above, at 30th September 2005, none of the Directors, chief executive or their respective associates (as defined in the GEM Listing Rules) was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or which, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

Save as disclosed above, at no time during the six months ended 30th September 2005 was the Company, its holding companies or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or its associated corporation.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 30th September 2005, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital:

Name of shareholder	Interests in the ordinary shares of HK$0.10 each in the Company	Approximate shareholding in the Company
Yoshimoto America, Inc.	450,000,000	28.94%
Fandango, Inc. *(Note 1)*	1,053,666,167	67.77%
Yoshimoto Kogyo Co., Ltd. *(Note 2)*	1,053,666,167	67.77%
CS Loginet Inc.	91,750,000	5.90%

Notes:

1. Yoshimoto America, Inc. is a wholly-owned subsidiary of Fandango, Inc. ("Fandango"), Fandango is deemed to have interest in the 450,000,000 shares in the Company held by Yoshimoto America, Inc. in addition to 603,666,167 shares in the Company directly held by itself.

2. Fandango controlled as to 63.5% by Yoshimoto Kogyo Co., Ltd. ("Yoshimoto"). Accordingly, Yoshimoto was interested in 1,053,666,167 shares in the Company by attribution.

Save as disclosed above, at 30th September 2005, the Directors or chief executives of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company under section 336 of the SFO.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Mr. Yukitsugu Shimizu and Mr. Hiroshi Osaki, executive Directors of the Company, are directors of Yoshimoto, a substantial shareholder of the Company, and certain of its associates (as defined in the GEM Listing Rules). Pursuant to two deeds of non-competition undertakings, both dated 10th October 2002, as each amended by a supplemental deed dated 28th September 2004, and entered into between Yoshimoto and each of (i) the Company and (ii) R and C Ltd. ("R&C"), Yoshimoto irrevocably and unconditionally undertakes to each of the Company and R&C that, unless with the written consent of the Company or R&C (as the case may be) or except for certain circumstances, it will not and will procure that its subsidiaries and associates will not, carry on or be engaged, concerned or interested directly or indirectly in the production of master tapes and licensing of such master tape rights. Details of the deeds of non-competition undertakings are set out in the circulars issued by the Company dated 31st July 2002 and 3rd September 2004.

Save as disclosed above, none of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company have any interest in a business, which competed or may compete with the business of the Group or have any other conflict of interests with the Group.

AUDIT COMMITTEE

The Company established an audit committee on 21st May 2001 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The audit committee has three members comprising the three independent non-executive Directors of the Company, namely Mr. Seiichi Nakaoda, Mr. Kwong Pui Kei and Mr. Law Kar Ping. The audit committee has reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial information for the six months ended 30th September 2005.

REPORT ON CORPORATE GOVERNANCE

The Company applied the principles and complied with all the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules throughout the six months ended 30th September 2005, except the following deviations:

Distinctive roles of Chairman and Chief Executive Officer

Code Provisions

Under the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Deviation and its Reasons

Mr. Takeyasu Hashizume is the President of the Company who is responsible for managing the Board and the Group's business. Mr. Hashizume has been the President of the Company since 2003. In view of the current operation of the Group, the management considers that the current structure is conductive to strong and consistent leadership enabling the Group to make and implement decisions promptly and efficiently and therefore, there is no imminent need to change the arrangement.

Remuneration Committee

Code Provisions

Under the Code, issuers should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. A majority of the members of the remuneration committee should be independent non-executive directors.

Deviation and its Reasons

The Company is in the progress of forming a remuneration committee, which is expected to be established by the end of the financial year.

Communication with Shareholders

Code Provisions

Under the Code, the chairman of the board should attend the annual general meeting and arrange for the chairmen of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.

Deviation and its Reasons

Whilst the Company endeavours to maintain an on-going dialogue with its shareholders, the President may not always be able to attend the annual general meeting due to other important business engagement. Mr. Arihito Yamada, an executive Director, attended the 2005 annual general meeting and answered questions raised at the meeting.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by Directors during the six months ended 30th September 2005.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th September 2005.

By Order of the Board
Takeyasu Hashizume
President

Hong Kong, 14th November 2005

As at the date of this report, the Board comprises seven executive directors, namely Mr. Takeyasu Hashizume, Mr. Tetsuo Mori, Mr. Osamu Nagashima, Mr. Mitsuo Sakauchi, Mr. Arihito Yamada, Mr. Yukitsugu Shimizu and Mr. Hiroshi Osaki; and three independent non-executive directors, namely Mr. Seiichi Nakaoda, Mr. Kwong Pui Kei and Mr. Law Kar Ping.