

ROJAM ENTERTAINMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Interim Report 2007/2008

Stock Code: 8075



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 30 September 2007 together with the comparative unaudited figures for the corresponding periods in 2006.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited			
		Three months ended		Six months ended	
		30 September 2007	2006	30 September 2007	2006
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations					
Turnover	2	1,484	3,023	3,570	6,104
Cost of sales	3	(4,721)	(2,938)	(10,013)	(5,753)
Gross (loss)/profit		(3,237)	85	(6,443)	351
Other operating expenses	3	(2,698)	(1,554)	(4,514)	(2,739)
Other gain/(loss), net		34	(11)	(2,178)	(40)
Operating loss		(5,901)	(1,480)	(13,135)	(2,428)
Finance income		1,265	573	4,016	898
Loss before income tax		(4,636)	(907)	(9,119)	(1,530)
Income tax credit/(expenses)	4	-	-	10	(14)
Loss for the period from continuing operations		(4,636)	(907)	(9,109)	(1,544)
Discontinued operations					
Profit for the period from discontinued operations		-	6,712	-	7,854
(Loss)/profit for the period		(4,636)	5,805	(9,109)	6,310
Attributable to:					
Equity holders of the Company		(4,636)	5,805	(9,109)	6,310
Loss per share for loss from continuing operations attributable to the equity holders of the Company during the period (expressed in HK cent per share) – basic and diluted	5	(0.24)	(0.05)	(0.47)	(0.09)
Earnings per share for profit from discontinued operations attributable to the equity holders of the Company during the period (expressed in HK cent per share) – basic and diluted	5	-	0.35	-	0.43
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the period (expressed in HK cent) – basic and diluted	5	(0.24)	0.30	(0.47)	0.34
Dividends	6	-	-	-	-

CONDENSED CONSOLIDATED BALANCE SHEET

		As at	
		30 September	31 March
		2007	2007
		Unaudited	Audited
	Note	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Intangible assets	7	23,519	23,519
Property, plant and equipment	8	10,261	8,070
Deferred income tax assets		569	537
		<u>34,349</u>	<u>32,126</u>
Current assets			
Inventories		249	117
Amount due from a shareholder		-	112,076
Other receivables and prepayments		5,163	1,334
Cash and cash equivalents		101,948	234,894
		<u>107,360</u>	<u>348,421</u>
Total assets		<u>141,709</u>	<u>380,547</u>
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	9	192,611	192,611
Reserves		(62,410)	(53,753)
Special dividends		-	227,281
		<u>130,201</u>	<u>366,139</u>
Minority interests		675	675
Total equity		<u>130,876</u>	<u>366,814</u>
LIABILITIES			
Current liabilities			
Trade payables	10	125	118
Accruals and other payables		10,708	13,615
		<u>10,833</u>	<u>13,733</u>
Total liabilities		<u>10,833</u>	<u>13,733</u>
Total equity and liabilities		<u>141,709</u>	<u>380,547</u>
Net current assets		<u>96,527</u>	<u>334,688</u>
Total assets less current liabilities		<u>130,876</u>	<u>366,814</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited

	Attributable to the equity holders of the Company					
	Share capital	Share premium	Exchange reserve	(Accumulated	Minority interests	Total
				losses)/ retained earnings		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 April 2006	155,468	148,329	(18,212)	14,175	675	300,435
Issue of shares	37,143	79,857	-	-	-	117,000
Share issue expenses	-	(903)	-	-	-	(903)
Exchange adjustment on translation of financial statements of overseas subsidiaries	-	-	1,231	-	-	1,231
Profit for the six months ended 30 September 2006	-	-	-	6,310	-	6,310
Balance at 30 September 2006	192,611	227,283	(16,981)	20,485	675	424,073
Balance at 1 April 2007	192,611	227,283	319	(54,074)	675	366,814
Special Dividends	-	(227,281)	-	-	-	(227,281)
Exchange adjustment on translation of financial statements of overseas subsidiaries	-	-	452	-	-	452
Loss for the six months ended 30 September 2007	-	-	-	(9,109)	-	(9,109)
Balance at 30 September 2007	192,611	2	771	(63,183)	675	130,876

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Net cash used in operating activities	(15,163)	(63,733)
Net cash generated/(used in) from investing activities	109,675	(34,551)
Net cash (used in)/generated from financing activities	<u>(227,281)</u>	<u>116,097</u>
Net (decrease)/increase in cash and cash equivalents	(132,769)	17,813
Cash and cash equivalents at 1 April	234,894	112,068
Exchange difference	<u>(177)</u>	<u>1,135</u>
Cash and cash equivalents at 30 September	<u>101,948</u>	<u>131,016</u>
Analysis of balances of cash and cash equivalents		
Cash at bank and in hand	<u>101,948</u>	<u>131,016</u>

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. Basis of preparation and accounting policies

The Company is a limited liability company incorporated in the Cayman Islands on 29 February 2000. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's shares were listed on GEM on 31 May 2001. The Group is principally engaged in discotheque management during the six months ended 30 September 2007. The business of record production and distribution was disposed of on 31 March 2007.

These unaudited consolidated results should be read in conjunction with the Company's 2006/2007 annual report.

The unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and applicable disclosure requirements of the GEM Listing Rules. The accounting policies and methods of computation used in the preparation of the unaudited consolidated accounts are consistent with those used in the annual financial statements for the year ended 31 March 2007. The unaudited condensed consolidated financial information has not been audited by the Company's auditor, but has been reviewed by the Company's audit committee.

2. Turnover, revenue and segment information

The Group is principally engaged in the discotheques management during the six months ended 30 September 2007. The following business segments were discontinued on 31 March 2007:

- Record production and distribution – producing and distributing records and audio-visual products under the Group's own labels and records and audio-visual products containing master sound recordings which have been licensed from third parties
- Digital distribution – production and provision of digital entertainment content through multi-media platforms such as the internet, mobile phones and other digital media
- Others – mainly includes music publishing, event management and merchandise sales

Revenue recognised during the three months and six months ended 30 September 2007 are as follows:

	Three months ended 30 September		Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Turnover				
Continuing operations				
Discotheque income	1,484	3,023	3,570	6,104
Discontinued operations				
Record production and distribution income	–	121,651	–	178,495
Digital distribution income	–	1,325	–	6,254
Others	–	850	–	1,104
	1,484	126,849	3,570	191,957

No business segment analysis is presented as the Group has been operating in a single business segment, which is the discotheque management, during the six months ended 30 September 2007. The segment results for the six months ended 30 September 2006 (primary reporting format) is as follows:

	Six months ended 30 September 2006						
	Discontinued operations					Continuing operations	Total
	Record production and distribution	Digital distribution	Others	Elimination	Sub-total	Discotheque	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover							
External sales	178,495	6,254	1,104	-	185,853	6,104	191,957
Inter-segment sales	10	-	-	(10)	-	-	-
Total	178,505	6,254	1,104	(10)	185,853	6,104	191,957
Segment results	10,437	366	772	-	11,575	31	11,606
Finance income							901
Unallocated corporate expense							(2,563)
Profit before income tax							9,944
Income tax expense							(3,634)
Profit for the period							6,310

The Group's inter-segment transactions mainly consist of record production and distribution 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.

3. Expenses by nature

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

	Six months ended	
	2007	2006
	HK\$'000	HK\$'000
Cost of inventories sold	1,055	1,169
Depreciation of property, plant and equipment	993	344
Operating leases on land and buildings	3,446	1,917
Employee benefit expense (including Directors' emoluments)	4,160	2,762
Management fee paid to the minority shareholder of Shanghai Rojam Entertainment Company Limited	311	294
Others	4,562	2,006
Total expenses	14,527	8,492

4. Income tax expenses

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 current and prior period.

The People's Republic of China (the "PRC") taxation has been provided on the assessable profit of the Group's subsidiary in the PRC and calculated at the applicable rate of 15%.

The amount of income tax (credited)/charged to the unaudited condensed consolidated income statement represents:

	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
Current income tax		
– Japanese corporate income tax expenses	–	772
– PRC taxation	(10)	14
Deferred income tax	–	2,848
	<hr/>	<hr/>
	(10)	3,634
	<hr/>	<hr/>

5. (Loss)/earnings per share

Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Three months ended 30 September		Six months ended 30 September	
	2007	2006	2007	2006
Continuing operations				
Loss attributable to the equity holders of the Company (HK\$'000)	<u>(4,636)</u>	<u>(907)</u>	<u>(9,109)</u>	<u>(1,544)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,926,114</u>	<u>1,926,114</u>	<u>1,926,114</u>	<u>1,814,482</u>
Basic and diluted loss per share (HK cent per share) (Note)	<u>(0.24)</u>	<u>(0.05)</u>	<u>(0.47)</u>	<u>(0.09)</u>
Discontinued operations				
Profit attributable to the equity holders of the Company (HK\$'000)	<u>-</u>	<u>6,712</u>	<u>-</u>	<u>7,854</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,926,114</u>	<u>1,926,114</u>	<u>1,926,114</u>	<u>1,814,482</u>
Basic and diluted earnings per share (HK cent per share) (Note)	<u>-</u>	<u>0.35</u>	<u>-</u>	<u>0.43</u>
Total				
(Loss)/profit attributable to the equity holders of the Company (HK\$'000)	<u>(4,636)</u>	<u>5,805</u>	<u>(9,109)</u>	<u>6,310</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,926,114</u>	<u>1,926,114</u>	<u>1,926,114</u>	<u>1,814,482</u>
Basic and diluted (loss)/earnings per share (HK cent per share) (Note)	<u>(0.24)</u>	<u>0.30</u>	<u>(0.47)</u>	<u>0.34</u>

Note: There was no dilutive potential ordinary share during the period ended 30 September 2007 and 2006.

6. Interim dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2007 (2006: Nil). A special dividend in respect of the year ended 31 March 2007 of 11.8 HK cents per share, amounting to a total dividend of HK\$227,281,000, was paid in May 2007.

7. Intangible assets

	Goodwill <i>HK\$'000</i>	Record masters <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 September 2007			
Opening net book amount	23,519	–	23,519
Additions	–	–	–
Amortisation expense	–	–	–
Exchange differences	–	–	–
	<hr/>	<hr/>	<hr/>
Closing net book amount	23,519	–	23,519
Year ended 31 March 2007			
Opening net book amount	129,653	55,121	184,774
Acquisition of a business	4,488	18	4,506
Additions	–	127,680	127,680
Amortisation expense for discontinued operations	–	(49,023)	(49,023)
Impairment expense for discontinued operations	–	(13,346)	(13,346)
Disposal of business	(110,622)	(121,285)	(231,907)
Exchange differences	–	835	835
	<hr/>	<hr/>	<hr/>
Closing net book amount	23,519	–	23,519
At 31 March 2007 and 30 September 2007			
Cost	23,519	–	23,519
Accumulated amortisation and impairment	–	–	–
	<hr/>	<hr/>	<hr/>
Net book amount	23,519	–	23,519

8. Property, plant and equipment

	30 September 2007 <i>HK\$'000</i>	31 March 2007 <i>HK\$'000</i>
Opening net book amount	8,070	13,606
Exchange differences	597	231
Additions	2,587	8,157
Acquisition of subsidiaries	–	135
Depreciation for continuing operations	(993)	(685)
Depreciation for discontinued operations	–	(4,140)
Disposal of subsidiaries	–	(9,234)
	<hr/>	<hr/>
Closing net book amount	10,261	8,070

9. Share capital

	Authorised ordinary shares of HK\$0.1 each	
	Number of shares	HK\$'000
At 31 March 2007 and 30 September 2007	<u>5,000,000,000</u>	<u>500,000</u>

	Issued and fully paid ordinary shares of HK\$0.1 each	
	Number of shares	HK\$'000
At 31 March 2007 and 30 September 2007	<u>1,926,114,403</u>	<u>192,611</u>

10. Trade payables

	30 September 2007 HK\$'000	31 March 2007 HK\$'000
Trade payables due to third parties	<u>125</u>	<u>118</u>

At 30 September 2007, the ageing analysis of the trade payables was as follow:

	30 September 2007 HK\$'000	31 March 2007 HK\$'000
Current	<u>125</u>	<u>118</u>

11. Contingent liabilities

The Group had no material contingent liabilities at 30 September 2007 and 31 March 2007.

12. Related party transactions

The Company's substantial shareholders (as defined in the GEM Listing Rules) are Yoshimoto Fandango Co., Ltd. ("Fandango", formerly known as Fandango, Inc., a company incorporated in Japan) and Yoshimoto Kogyo Co., Ltd. ("Yoshimoto", a company incorporated in Japan and the shares of which are listed on the Tokyo Stock Exchange, Inc. and the Osaka Securities Exchange Co., Ltd.).

- (i) The Group has carried out the following material transactions with related parties during the period:

		Six months ended	
		30 September	
		2007	2006
	<i>Note</i>	HK\$'000	HK\$'000
A shareholder/the ultimate holding company:			
– Yoshimoto Kogyo Co., Ltd.			
– rental payment and other charges	<i>(a)</i>	–	(767)
– artistes royalties	<i>(b)</i>	–	(5,282)
– promotion costs	<i>(c)</i>	–	(334)
A shareholder/the immediate holding company:			
– Yoshimoto Fandango Co., Ltd.			
– digital distribution revenue, net	<i>(d)</i>	–	540
– homepage production service fee	<i>(e)</i>	–	(189)
Other related parties:			
– Bellrock Media K.K.			
– sales of records and audio-visual products	<i>(f)</i>	–	107,885
– distribution costs	<i>(g)</i>	–	(19,500)
– Yoshimoto Club Co., Ltd			
– sales of records and audio visual product	<i>(f)</i>	–	177
– International Television System, Inc.			
– master video production costs	<i>(h)</i>	–	(20)

- (a) Pursuant to a sub-lease agreement dated 20 July 2004 and entered into between R and C Ltd. ("R&C", a subsidiary of the Company which was disposed of on 31 March 2007) and Yoshimoto, R&C will sub-let office premises from Yoshimoto for an aggregate monthly rental payment of JPY1,687,618 (approximately HK\$113,000), and electricity, gas and water charges. The term of this agreement is from 20 July 2004 to 31 March 2006. R&C has entered into a renewal agreement with Yoshimoto on 19 June 2006 to extend the term of this agreement for a period from 1 April 2006 to 31 March 2009.
- (b) Pursuant to a master royalty agreement dated 30 August 2004 and entered into between R&C and Yoshimoto, Yoshimoto will procure artistes or groups of artistes managed by Yoshimoto and nominated by R&C from time to time to perform to enable the reproduction and distribution of records (which include, but not limited to, any analog disc records, compact discs, minidiscs, digital audio discs and recorded tapes) or videogram (which includes, but not limited to, any video discs, video tapes or any other tangible medium for the purpose of playing back of visual or audio-visual recordings). Yoshimoto will also include R&C's visual and audio-visual recordings in certain television programs produced by Yoshimoto for promotion purpose and grant R&C the right to manufacture and sell audio-visual products containing the content of the television programs for which Yoshimoto is the copyright owner. Artistes royalties in connection with the sales of such audio and audio-visual recordings are payable to Yoshimoto by R&C according to the rates as stipulated in the respective agreements. The term of this agreement is from 30 August 2004 to 31 March 2007.

- (c) Pursuant to a master promotion agreement dated 30 August 2004 and entered into between R&C and Yoshimoto, Yoshimoto will promote the R&C's audio and audio-visual recordings through television and radio programs, magazines, or any other advertisements produced by Yoshimoto and local television stations for R&C on an order by order basis. Under this agreement, R&C is liable to pay to Yoshimoto in connection with the promotion of R&C'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 30 August 2004 to 31 March 2007.
- (d) Pursuant to a master digital distribution agreement dated 30 August 2004 and entered into between R&C and Fandango, Fandango will distribute R&C's audio and audio-visual recordings through the internet, mobile telephones, or other digital media on an order by order basis. Under this agreement, Fandango is liable to pay to R&C in connection with the distribution of R&C's content a commission of 50% of the revenue for distributing R&C's content after subtracting external cost. The term of this agreement is from 30 August 2004 to 31 March 2007.
- (e) Pursuant to web production agreements dated 1 April 2002 and 10 October 2002 between R&C and Fandango, Fandango will render production services for the homepages of R&C for an aggregate monthly fee of JPY900,000 (approximately HK\$60,000) for a contract term up to 31 March 2005. Up to 30 September 2006, the term of each of these agreements has lapsed and remained in force as agreed by both parties.
- (f) Sales of records and audio-visual products to related parties were entered into in the normal course of business of R&C at terms mutually agreed by relevant parties.
- (g) Pursuant to a sales consignment agreement dated 24 June 2005 between R&C and Bellrock Media K.K., a wholly-owned subsidiary of Bellrock Media, Inc., in which an approximately 23% interest was held by Fandango U.S.A., Inc., a wholly owned subsidiary of the Company which was disposed on 31 March 2007, Bellrock Media K.K. will render distribution services to R&C at a percentage of the selling price of the records and audio-visual products for a contract term from 1 July 2005 to 31 March 2006. The agreement was automatically extended by 1 year.
- (h) Pursuant to a master video production agreement dated 30 August 2004 and entered into between R&C and International Television System, Inc. ("ITS"), a subsidiary of Yoshimoto, R&C 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 R&C. Under this agreement, R&C 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 30 August 2004 to 31 March 2007.
- (ii) Key management compensation

	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
Fees, salaries and other short-term employee benefits	1,496	2,499
Pension costs-defined contribution plans	24	59
	1,520	2,558

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

	Current Quarter (Jul to Sep 2007) HK\$'M	Previous Quarter (Apr to Jun 2007) HK\$'M	Second Quarter in 2006/2007 (Jul to Sep 2006) HK\$'M
Continuing operations – Discotheque operations			
Turnover	1.5	2.1	3.0
Cost of sales	(4.7)	(5.3)	(2.9)
Gross (loss)/profit	(3.2)	(3.2)	0.1
Operating expenditures*	(2.7)	(4.0)	(1.6)
Finance income	1.2	2.7	0.6
Loss before income tax	(4.7)	(4.5)	(0.9)
Income tax expenses	-	-	-
Loss attributable to the equity holders	(4.7)	(4.5)	(0.9)
Discontinued operations – record production and distribution			
Turnover	-	-	123.8
Cost of sales	-	-	(75.1)
Gross profit	-	-	48.7
Operating expenditures*	-	-	(38.1)
Profit before income tax	-	-	10.6
Income tax expenses	-	-	(3.9)
Profit attributable to the equity holders	-	-	6.7

* Selling & distribution, other operating expenses and other loss, net

Financial Review

Turnover for the six months ended 30 September 2007 amounted to approximately HK\$3.6 million, an approximately 42% decrease from HK\$6.1 million in the corresponding period in 2006. Since the disposal of the operations in Japan, the Group has been operating in the discotheque management. The decrease represents the reduction of the income from the discotheque business. Loss attributable to the equity holders of the Company in the first half of the financial year 2007/2008 was approximately HK\$9.1 million, compared to a profit of approximately HK\$6.3 million in the same period of last year. Loss per share was approximately 0.47 HK cent for the six months ended 30 September 2007, compared to earnings per share of approximately 0.34 HK cent for the corresponding period of last financial year.

Cost of sales increased by approximately 74% to approximately HK\$10.0 million for the six months ended 30 September 2007 from approximately HK\$5.8 million for the six months ended 30 September 2006 as a result of the inclusion of the expenses of the Rojam Club in Suzhou. Other operating expenses increased by approximately 65% to approximately HK\$4.5 million for the six months ended 30 September 2007 from approximately HK\$2.7 million for the six months ended 30 September 2006 was mainly due to the launch of the Rojam Club, recruitment of staff, professional fees incurred for the payment of special dividend and inflation of operating expenses such as office rental. Other loss of approximately HK\$2.2 million mainly represents the exchange loss arising from the depreciation of Japanese Yen against Hong Kong dollars in the first quarter.

The Group's finance income has risen by approximately 347% to approximately HK\$4.0 million for the six months ended 30 September 2007 from approximately HK\$0.9 million for the corresponding period of the last year. This was mainly caused by the surge in average cash deposits compared to that of the last year.

Operation Review and Prospect

The decrease in turnover of the Group was because of the drop of admission income of the Rojam Disco in Shanghai. The new Rojam Club in Suzhou opened in April 2007 has not yet contributed any significant revenue to the Group. The management reviewed the market position of the discotheques and considered to take various steps, including modifying their fittings and employing more promotion and marketing initiatives, to boost the revenue of the Group.

The acquisition of the entire equity interest in AnyMusic Limited (“AnyMusic”) was completed on 31 October 2007. AnyMusic is a wholly owned subsidiary of the Group and its results will be consolidated to the Group’s results in the third quarter. AnyMusic is now principally engaged in the development and licensing of software and technology for use in connection with the provision of value-added telecommunication services such as the distribution of digital content to mobile phone users. Though AnyMusic is prohibited from applying for the PRC Value-added Telecommunication Operation License (“VATB license”) which enables it to engage in the provision of value-added telecommunication services to the end-users directly within the PRC, it has entered into contracts with two telecommunication service providers who possess the VATB licenses to conduct value-added telecommunication business in the PRC. These telecommunication service providers have established cooperative arrangement with leading telecommunications operators in the PRC, such as China Mobile and China Unicom. The management believe that the acquisition of AnyMusic will allow the Group to establish the digital distribution business in the PRC, thereby diversifying the Group’s revenue base and generate synergies for the Group in the future.

Liquidity and Financial Resources

The Group financed its operations with internally generated cash flows. At 30 September 2007, cash and bank balances amounted to HK\$101.9 million (2006: HK\$131.0 million), which consists of approximately 18% in Hong Kong dollars, 3% in Renminbi, 78% held in US dollars and 1% in Japanese yen. 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 30 September 2007, the Group has net cash outflow of approximately HK\$15.2 million for its operating activities and cash inflow of approximately HK\$109.7 million from investing activities as a result of the settlement of the assignment of loan and certain accounts receivable from its substantial shareholder, and net cash outflow of approximately HK\$227.3 million for its financing activities in relation to the payment of the special dividend in May 2007. At 30 September 2007, the Group has no long-term borrowing, the same as for the past years. The gearing ratio of the Group, calculated as total borrowings 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 30 September 2007, the Group has no outstanding foreign currency hedge contract.

Charge on Group Assets

At 30 September 2007, the Group did not have any charge on its assets.

Capital Structure

During the six months ended 30 September 2007, there is no change in the Company’s share capital.

Acquisition/Disposal and Significant Investments

On 31 October 2007, the Group completed the acquisition of the entire equity interest in AnyMusic Limited ("AnyMusic") at an aggregate consideration of Japanese Yen 700 million (equivalent to approximately HK\$48 million). AnyMusic is principally engaged in the development and licensing of software and technology for use in connection with the provision of value-added telecommunication services. Details of the transaction are set out in the circular of the Company dated 27 September 2007. Save as disclosed, the Group had no material acquisition or disposal of subsidiaries at 30 September 2007.

Contingent Liabilities

The Group had no material contingent liabilities at 30 September 2007.

Employee Information

At 30 September 2007, the Group had 91 (2006: 132 (including the discontinued operations)) full-time employees. Staff costs amounted to approximately HK\$4.2 million for the six months ended 30 September 2007 (2006: HK\$14.5 million (including the discontinued operations)). The Group's remuneration policy remained the same as detailed in the Annual Report for the year ended 31 March 2007.

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

At 30 September 2007, the interests of the Directors and chief executives of the Company in the shares, underlying share and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have 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 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Interests in the shares of the Company

Name of Director	Capacity in which the shares are held	Number of shares (Note)	Approximate percentage of the Company's total issued share capital
Mr. Takeyasu Hashizume	Beneficial owner	6,658,000 (L)	0.35%

Note: The letter "L" denotes Director's long position in the shares of the Company.

Save as disclosed above, at 30 September 2007, none of the Directors, chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) had or 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 30 September 2007 was the Company or any of its 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 30 September 2007, 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:

Interests in the shares of the Company

Name of shareholder	Nature of interest	Number of shares (Note 1)	Approximate percentage of the Company's total issued share capital
Yoshimoto Fandango Co., Ltd. (formerly known as Fandango, Inc.)	Beneficial owner	866,522,167 (L)	44.99%
Yoshimoto Kogyo Co., Ltd. (Note 2)	Interest of a controlled corporation	866,522,167 (L)	44.99%
Faith, Inc.	Beneficial owner	558,574,000 (L)	29.00%

Notes:

- The letter "L" denotes the shareholders' long position in the shares of the Company.
- Yoshimoto Fandango Co., Ltd. is controlled as to approximately 55.53% by Yoshimoto Kogyo Co., Ltd. ("Yoshimoto"). Accordingly, Yoshimoto is interested in 866,522,167 shares in the Company by attribution.

Save as disclosed above, at 30 September 2007, 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

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) have any interest in a business, which competes or may compete with the business of the Group or had any other conflict of interests with the Group.

AUDIT COMMITTEE

The Company established an audit committee on 21 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, 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 30 September 2007.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 23 October 2006 with written terms of reference which deal clearly with its authority and duties, in accordance with the requirement of the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules. The remuneration committee has three members comprising the three independent non-executive Directors, namely Mr. Seiichi Nakaoda, Mr. Kwong Pui Kei and Mr. Law Kar Ping. The principal responsibilities of the remuneration committee include formulating, reviewing and considering the remuneration policy and proposal prepared by the management of the Company and/or the remuneration arrangement implemented by the Company.

REPORT ON CORPORATE GOVERNANCE

The Company applied the principles and complied with all the code provisions set out in the Code throughout the six months ended 30 September 2007, 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 and is very experienced in the music industry. In view of the current operation of the Group, the management considers that the current structure is conducive 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.

Appointments, Re-election and Removal

Code Provisions

Under the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Deviation and its Reasons

All the Directors are currently appointed with specific terms. According to the articles of association of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not greater than one-third) shall retire from office by rotation, but the chairman of the Board and/or the managing Director shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. As such, with the exception of the chairman, all Directors are subject to retirement by rotation. The management considers that there is no imminent need to amend the articles of association of the Company.

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. Ms. Etsuko Hoshiyama and Ms. Cheng Kit Sum Clara, both executive Directors, attended the 2007 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 30 September 2007.

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 30 September 2007.

By Order of the Board
Takeyasu Hashizume
President

Hong Kong, 14 November 2007

As at the date of this report, the Board comprises six executive Directors, namely Mr. Takeyasu Hashizume, Mr. Tetsuo Mori, Ms. Etsuko Hoshiyama, Mr. Etsuro Tojo, Ms. Cheng Kit Sum Clara and Mr. Hiroshige Tonomura; and three independent non-executive Directors, namely Mr. Seiichi Nakaoda, Mr. Kwong Pui Kei and Mr. Law Kar Ping.