

ROJAM ENTERTAINMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8075

Interim Report 2008/2009



ROJAM

Entertainment Network Asia

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

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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 2008 together with the comparative unaudited figures for the corresponding periods in 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Continuing operations					
Turnover	2	772	–	1,697	–
Cost of sales	3	(327)	–	(630)	–
Gross profit		445	–	1,067	–
Other operating expenses	3	(4,360)	(2,699)	(7,119)	(4,514)
Other gain/(loss), net		(6)	34	(7)	(2,178)
Operating loss		(3,921)	(2,665)	(6,059)	(6,692)
Other revenue		115	1,265	311	4,008
Loss before income tax		(3,806)	(1,400)	(5,748)	(2,684)
Income tax expenses	4	(8)	–	(8)	–
Loss for the period from continuing operations		(3,814)	(1,400)	(5,756)	(2,684)
Discontinued operations					
Loss for the period from discontinued operations	5	(2,226)	(3,236)	(4,659)	(6,425)
Loss for the period		(6,040)	(4,636)	(10,415)	(9,109)
Attributable to:					
Equity holders of the Company		(6,040)	(4,636)	(10,415)	(9,109)
Loss per share (expressed in HK cent)					
Basic and diluted	6				
– Continuing operations		(0.20)	(0.07)	(0.30)	(0.14)
– Discontinued operations		(0.11)	(0.17)	(0.24)	(0.33)
		(0.31)	(0.24)	(0.54)	(0.47)
Dividends	7	–	–	–	–

CONDENSED CONSOLIDATED BALANCE SHEET

		As at	
		30 September 2008 Unaudited HK\$'000	31 March 2008 Audited HK\$'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	8	372	500
Goodwill	9	17,976	17,571
Other intangible assets	10	14,884	16,359
		<u>33,232</u>	<u>34,430</u>
Current assets			
Inventories		-	17
Trade receivables	11	4,756	5,308
Prepayment, deposits and other receivables		9,066	9,154
Bank and cash balances		36,183	44,147
		<u>50,005</u>	<u>58,626</u>
Total assets		<u>83,237</u>	<u>93,056</u>
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	12	192,611	192,611
Reserves		(122,859)	(113,608)
		<u>69,752</u>	<u>79,003</u>
Minority interests		675	675
Total equity		<u>70,427</u>	<u>79,678</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		2,043	1,969
		<u>2,043</u>	<u>1,969</u>
Current liabilities			
Trade payables	13	7	231
Accruals and other payables		10,760	11,178
		<u>10,767</u>	<u>11,409</u>
Total liabilities		<u>12,810</u>	<u>13,378</u>
Total equity and liabilities		<u>83,237</u>	<u>93,056</u>
Net current assets		<u>39,238</u>	<u>47,217</u>
Total assets less current liabilities		<u>72,470</u>	<u>81,647</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited

	Attributable to the equity holders of the Company					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Minority interests HK\$'000	
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
Balance at 1 April 2008	192,611	2	3,669	(117,279)	675	79,678
Exchange adjustment on translation of financial statements of overseas subsidiaries	-	-	1,164	-	-	1,164
Loss for the six months ended 30 September 2008	-	-	-	(10,415)	-	(10,415)
Balance at 30 September 2008	192,611	2	4,833	(127,694)	675	70,427

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
Net cash used in operating activities	(8,764)	(15,163)
Net cash generated from investing activities	311	109,675
Net cash used in financing activities	–	(227,281)
Net decrease in cash and cash equivalents	(8,453)	(132,769)
Cash and cash equivalents at 1 April	43,592	234,894
Exchange difference	476	(177)
Cash and cash equivalents at 30 September	35,615	101,948
Analysis of balances of cash and cash equivalents		
– Cash at bank and in hand	36,183	101,948
– Restricted bank deposits	(568)	–
	35,615	101,948

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 the development and licensing of software and technology for use in connection with the provision of value-added telecommunication services in the People's Republic of China (the "PRC") and content distribution business. The business of discotheque management was ceased on 28 July 2008.

These unaudited consolidated results should be read in conjunction with the Company's 2007/2008 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 2008. 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.

2. Turnover, revenue and segment information

The Group is principally engaged in the development and licensing of software and technology for use in connection with the provision of value-added telecommunication services in the PRC during the six months ended 30 September 2008. Discotheque business segment was discontinued on 28 July 2008.

Revenue recognised during the three months and six months ended 30 September 2008 are as follows:

	Unaudited Three months ended 30 September 2008		Unaudited Six months ended 30 September 2008	
	2007	2008	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Continuing operations				
Licensing of software income		768		1,686
Other income		4		11
		<u>772</u>		<u>1,697</u>
Discontinued operations				
Discotheque income		1,484		8
		<u>1,484</u>		<u>8</u>
		<u>772</u>		<u>1,705</u>
		1,484		3,570
		<u>1,484</u>		<u>3,570</u>

The segment results for the six months ended 30 September 2008 (primary reporting format) is as follows:

	Six months ended 30 September 2008				Total
	Continuing operations		Discontinued operations	Total	
	Licensing of software HK\$'000	Other income HK\$'000	Sub-total HK\$'000		
Turnover	<u>1,686</u>	<u>11</u>	<u>1,697</u>	<u>8</u>	<u>1,705</u>
Segment results	<u>(145)</u>	<u>11</u>	<u>(134)</u>	<u>(4,659)</u>	<u>(4,793)</u>
Other revenue					311
Unallocated corporate expense					<u>(5,925)</u>
Loss before income tax					(10,407)
Income tax expense					<u>(8)</u>
Loss for the period					<u>(10,415)</u>

No business segment analysis is presented for the six months ended 30 September 2007 as the Group has been operating in a single business segment, which is the discotheque management, during that period.

3. Loss for the period

The Group's loss is stated after charging the following:

	Unaudited Six months ended 30 September	
	2008 HK\$'000	2007 HK\$'000
Continuing operations		
Depreciation of property, plant and equipment	131	14
Amortisation of intangible assets	1,837	-
Operating leases on land and buildings	353	458
Employee benefit expense (including Directors' emoluments)	2,956	2,048
Management fee paid to the minority shareholder of Shanghai Rojam Entertainment Company Limited	<u>452</u>	<u>311</u>
Discontinued operations		
Cost of inventories sold	8	1,055
Depreciation of property, plant and equipment	-	979
Operating leases on land and buildings	834	2,988
Employee benefit expense	<u>618</u>	<u>2,112</u>

4. Income tax expenses/(credit)

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 PRC enterprise income tax ("EIT") has been provided on the profit/loss of the Group's subsidiary in the PRC and calculated at the applicable rate of 15% for the prior period.

The new PRC enterprise income tax law ("New Tax Law") passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the EIT rate for domestic and foreign enterprises at 25%. The New Tax Law is effective from 1 January 2008. On 26 December 2007, the State Council announced the detailed measures and regulations of the New Tax Law ("Implementation Rules"). The Implementation Rules ratcheted the PRC EIT rate from 15% or 24% to 25% over five years for grandfathering of incentives for enterprise incorporated in the PRC before 16 March 2007.

Pursuant to an approval from Shenzhen State Tax Bureau on 9 July 2004, AnyMusic Limited ("AnyMusic"), which the Group acquired in October in 2007, being a High-tech Enterprise, is exempted from the EIT for two years starting from the first year of profitable operations after offsetting prior year's tax losses, followed by a 50% reduction in the EIT rate for the next eight years.

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

	Unaudited	
	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
Current income tax		
– PRC taxation	–	(10)
Deferred income tax	<u>8</u>	<u>–</u>
	8	(10)
Representing:		
– Continuing operations	8	–
– Discontinued operations	<u>–</u>	<u>(10)</u>
	8	(10)

5. Discontinued operations

The Group ceased its discotheque business on 28 July 2008, the details of which are set out in the circular of the Company dated 7 August 2008. The results of the operation are separately presented as discontinued operations in the condensed consolidated income statements.

An analysis of the results and cash flow for the discontinued operations are as follows:

	Unaudited Six months ended 30 September 2008		2007
	HK\$'000		HK\$'000
Turnover	8		3,570
Cost of sales	(4,667)		(10,012)
Gross loss	(4,659)		(6,442)
Other revenue	-		7
Loss before income tax	(4,659)		(6,435)
Income tax credit	-		10
Loss for the period from discontinued operations	(4,659)		(6,425)

	Unaudited Six months ended 30 September 2008		2007
	HK\$'000		HK\$'000
Net cash used in operating activities	(4,314)		(7,736)
Net cash used in investing activities	-		(2,579)
Net cash generated from financing activities	10,877		4,964
Net increase/(decrease) in cash and cash equivalents	6,563		(5,351)

6. Loss per share

Basic loss per share is calculated by dividing the loss 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 2008		Six months ended 30 September 2008	
		2007		2007
Continuing operations				
Loss attributable to the equity holders of the Company (HK\$'000)	<u>(3,814)</u>	<u>(1,400)</u>	<u>(5,756)</u>	<u>(2,684)</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>1,926,114</u>
Basic and diluted loss per share (HK cent per share) (Note)	<u>(0.20)</u>	<u>(0.07)</u>	<u>(0.30)</u>	<u>(0.14)</u>
Discontinued operations				
Loss attributable to the equity holders of the Company (HK\$'000)	<u>(2,226)</u>	<u>(3,236)</u>	<u>(4,659)</u>	<u>(6,425)</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>1,926,114</u>
Basic and diluted loss per share (HK cent per share) (Note)	<u>(0.11)</u>	<u>(0.17)</u>	<u>(0.24)</u>	<u>(0.33)</u>
Total				
Loss attributable to the equity holders of the Company (HK\$'000)	<u>(6,040)</u>	<u>(4,636)</u>	<u>(10,415)</u>	<u>(9,109)</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>1,926,114</u>
Basic and diluted loss per share (HK cent per share) (Note)	<u>(0.31)</u>	<u>(0.24)</u>	<u>(0.54)</u>	<u>(0.47)</u>

Note: There was no dilutive potential ordinary share during the period ended 30 September 2008 and 2007.

7. Interim dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2008 (2007: Nil).

8. Property, plant and equipment

	At 30 September 2008 HK\$'000	At 31 March 2008 HK\$'000
Opening net book amount	500	8,070
Additions	–	4,162
Acquisition of subsidiaries	–	534
Depreciation for continuing operations	(131)	(132)
Depreciation for discontinued operations	–	(1,988)
Disposal for continuing operations	(6)	(8)
Disposal for discontinued operations	–	(3,701)
Impairment loss for discontinued operations	–	(7,181)
Exchange differences	9	744
	<u>372</u>	<u>500</u>
Closing net book amount	<u>372</u>	<u>500</u>

9. Goodwill

	At 30 September 2008 HK\$'000	At 31 March 2008 HK\$'000
Opening net book amount	17,571	23,519
Acquisition of subsidiaries	–	16,485
Impairment loss	–	(23,519)
Exchange differences	405	1,086
	<u>17,976</u>	<u>17,571</u>
Closing net book amount	<u>17,976</u>	<u>17,571</u>

10. Other intangible assets

	At 30 September 2008 HK\$'000	At 31 March 2008 HK\$'000
Opening net book amount	16,359	–
Acquisition of subsidiaries	–	17,468
Amortisation	(1,811)	(1,428)
Impairment loss	–	(710)
Exchange differences	336	1,029
	<u>14,884</u>	<u>16,359</u>
Closing net book amount	<u>14,884</u>	<u>16,359</u>

11. Trade receivables

The Group's trading terms with customers from licensing operation are mainly on credit, the credit term is 30 days.

The ageing analysis of the trade receivables, based on the invoice date, and net of allowance, is as follows:

	30 September 2008 HK\$'000	31 March 2008 HK\$'000
0 – 30 days	621	1,566
31 – 90 days	180	93
91 – 180 days	126	218
181 – 365 days	318	540
Over 1 year	3,511	2,891
	<u>4,756</u>	<u>5,308</u>

The trade receivables are denominated in Renminbi, which is the functional currency of the operating subsidiary. As of 30 September 2008, trade receivables of HK\$4,135,000 (March 2008: HK\$3,742,000) were past due but not impaired. These relate to two independent customers that have a good repayment history with the Group. Based on past experience, the Directors considered that no impairment is necessary in respect of these balances. The ageing analysis of these trade receivables is as follows:

	30 September 2008 HK\$'000	31 March 2008 HK\$'000
31 – 90 days	180	93
91 – 180 days	126	218
Over 180 days	3,829	3,431
	<u>4,135</u>	<u>3,742</u>

12. Share capital

	Authorised ordinary shares of HK\$0.1 each	
	Number of shares	HK\$'000
At 31 March 2008 and 30 September 2008	<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 2008 and 30 September 2008	<u>1,926,114,403</u>	<u>192,611</u>

13. Trade payables

	30 September 2008 HK\$'000	31 March 2008 HK\$'000
Trade payables due to third parties	<u>7</u>	<u>231</u>

At 30 September 2008, the ageing analysis of the trade payables was as follow:

	30 September 2008 HK\$'000	31 March 2008 HK\$'000
Current	<u>7</u>	<u>231</u>

14. Contingent liabilities

The Group had no material contingent liabilities at 30 September 2008 and 31 March 2008.

15. 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 Faith, Inc. ("Faith" a company incorporated in Japan).

Fandango is a wholly owned subsidiary of Yoshimoto Kogyo Co., Ltd. ("Yoshimoto", a company incorporated in Japan and the shares of which are listed on the Tokyo Stock Exchange Section 1 and the Osaka Securities Exchange Section 1).

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

		Six months ended	
		30 September	
		2008	2007
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
A shareholder:			
– Yoshimoto Fandango Co., Ltd.			
– loan interest income received	<i>(a)</i>	–	732
– Faith, Inc.			
– reimbursement of operation expenses	<i>(b)</i>	(735)	(250)
Other related party:			
– Yoshimoto R and C Co., Ltd.			
– sales of records and audio-visual products	<i>(c)</i>	7	–

- (a) The loan interest represents interest charged on inter-company receivable assigned to Fandango under the disposal arrangement. The balance is unsecured and repaid on 31 March 2007. Except for a balance of HK\$81,385,000 which bears interest at 5.38% per annum, the amount due is interest-free.
- (b) Reimbursement of operating expenses is recharged on an actual basis.
- (c) Sales of records and audio-visual products to related party were entered into in the normal course of business of Rojam Entertainment Limited at terms mutually agreed by the party.

- (ii) Key management compensation

	Six months ended	
	30 September	
	2008	2007
	HK\$'000	<i>HK\$'000</i>
Fees, salaries and other short-term employee benefits	2,405	1,496
Pension costs-defined contribution plans	18	24
	2,423	1,520

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

	Second Quarter (Jul to Sep 2008) HK\$'000	First Quarter (Apr to Jun 2008) HK\$'000	Six months Total in 2008/2009 (Apr to Sep 2008) HK\$'000	Six months Total in 2007/2008 (Apr to Sep 2007) HK\$'000
Continuing operations				
Turnover	772	925	1,697	-
Cost of sales	(327)	(303)	(630)	-
Gross profit	445	622	1,067	-
Operating expenditures*	(4,366)	(2,760)	(7,126)	(6,692)
Other revenue	115	196	311	4,008
Loss before income tax	(3,806)	(1,942)	(5,748)	(2,684)
Income tax expenses	(8)	-	(8)	-
Loss attributable to the equity holders	(3,814)	(1,942)	(5,756)	(2,684)
Discontinued operations –				
Discotheque operations				
Turnover	-	8	8	3,570
Cost of sales and operating expenditures*	(2,226)	(2,441)	(4,667)	(10,012)
Other revenue	-	-	-	7
Loss before income tax	(2,226)	(2,433)	(4,659)	(6,435)
Income tax expenses	-	-	-	10
Loss attributable to the equity holders	(2,226)	(2,433)	(4,659)	(6,425)

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

Financial Review

Turnover generated from the continuing operations, principally licensing of software, for the six months ended 30 September 2008 is amounted to approximately HK\$1,697,000 and none for the corresponding period in 2007. The Group ceased the discotheque operations during the period under review and has been focusing on the licensing of software business, which was acquired in October 2007. Loss attributable to the equity holders in the first half of the financial year 2008/2009 was approximately HK\$10,415,000, compared to a loss of approximately HK\$9,109,000 in the same period of last year. Loss per share was approximately 0.54 HK cent for the six months ended 30 September 2008, compared to approximately 0.47 HK cent for the corresponding period of last financial year.

Cost of sales of continuing operations for the six months ended 30 September 2008 amounted to approximately HK\$630,000 and none for the corresponding period in 2007. Operating expenditures of continuing operations increased by approximately 6% to approximately HK\$7,126,000 for the six months ended 30 September 2008 from approximately HK\$6,692,000 for the six months ended 30 September 2007. Cost of sales and operating expenditures of discontinued operations decreased by approximately 53% to approximately HK\$4,667,000 for the six months ended 30 September 2008 from approximately HK\$10,012,000 for the six months ended 30 September 2007.

The Group's other revenue of continuing operations has decreased by approximately 92% to approximately HK\$311,000 for the six months ended 30 September 2008 from approximately HK\$4,008,000 for the corresponding period of the last year.

Operation Review and Prospect

Following the termination of disco operation in the PRC, the management is now focusing on the expansion of digital content distribution business in Asia. In August 2008, the Taiwan Branch of Rojam Entertainment Limited successfully signed a content distribution contract with a Taiwan service provider, in which the Yoshimoto-Fandango content can be distributed to major mobile carriers in Taiwan. To make the first move, the Group has already distributed the selected ringtones and videos of Edo Harumi, a well-known female comedian of Yoshimoto, in Taiwan.

Further, the Group continues strengthening its digital content business in the PRC. Quality music and talented musicians are the keys to success in entertainment content business. Hence, in October 2008, AnyMusic Limited, a wholly owned subsidiary of the Group, re-launched its interactive music website, NextMusic (<http://www.nextmusic.com.cn>), to source young music talents and content. NextMusic is an interactive music platform tailors for professional Chinese musicians – composer, lyrics writer, arranger, music producer and singer etc to facilitate their mutual cooperation. There are six music channels in the website namely, Music Debut, Music Creation, Performance, Music Production, Music Circles and Broadcast Center, offers various music genres, including Pop, Rock, Folk, Hip Hop, R&B, Blues, Funk, Punk, Latin, Jazz, and Techno. All the content are uploaded by the members of AnyMusic.

Liquidity and Financial Resources

The Group financed its operations with internally generated cash flows. At 30 September 2008, cash and bank balances amounted to HK\$36.2 million (2007: HK\$40.3 million), which consists of approximately 2% in Hong Kong dollars, 57% in Renminbi and 41% in US dollars. 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 2008, the Group has net cash outflow of approximately HK\$8.8 million for its operating activities and cash inflow of approximately HK\$0.3 million from investing activities. At 30 September 2008, 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 2008, the Group has no outstanding foreign currency hedge contract.

Charge on Group Assets

At 30 September 2008, the Group did not have any charge on its assets.

Capital Structure

During the six months ended 30 September 2008, there is no change in the Company's share capital.

Acquisition/Disposal and Significant Investments

On 28 July 2008, the Group ceased the operation of the Rojam Club in Suzhou, which was operated by the subsidiary of the Group in the PRC. Details of the transaction are set out in the circular of the Company dated 7 August 2008. Save as disclosed, the Group had no material acquisition or disposal of subsidiaries at 30 September 2008.

Contingent Liabilities

The Group had no material contingent liabilities at 30 September 2008.

Employee Information

At 30 September 2008, the Group had 24 (2007: 91 (including the discontinued operations)) full-time employees. Staff costs amounted to approximately HK\$3.6 million for the six months ended 30 September 2008 (2007: HK\$4.2 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 2008.

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 2008, the interests or short positions 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:

Long position in ordinary shares of the Company

Name of Director	Capacity in which the shares are held	Number of shares	Approximate shareholding in the Company
Mr. Takeyasu Hashizume	Beneficial owner	6,658,000	0.35%

Save as disclosed above, at 30 September 2008, 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 2008 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

So far as is known to any Director or chief executive of the Company, as at 30 September 2008, shareholders of the Company (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shareholders of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was 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 other member of the Group, or any options in respect of such capital, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long position in ordinary shares of the Company

Name of shareholder	Capacity in which the Share are held	Number of shares	Approximate shareholding in the Company
Yoshimoto Fandango Co., Ltd.	Beneficial owner	866,522,167	44.99%
Yoshimoto Kogyo Co., Ltd.	Interest of a controlled corporation	866,522,167 (Note)	44.99%
Faith, Inc.	Beneficial owner	558,574,000	29.00%

Note: Yoshimoto Fandango Co., Ltd. is a wholly owned subsidiary of Yoshimoto Kogyo Co., Ltd. Accordingly, Yoshimoto Kogyo Co., Ltd. is interested in 866,522,167 shares in the Company by attribution.

Save as disclosed above, at 30 September 2008, the Company has not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was 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 other member of the Group, or any options in respect of such capital, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 30 September 2008, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business, which competed or might compete with the business of the Group or had any other conflict of interests with the Group.

AUDIT COMMITTEE

The Company has 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. Chan Hing Keung, Wilson. 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 2008.

REMUNERATION COMMITTEE

The Company has 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. Chan Hing Keung, Wilson. 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 2008, except the following deviation:

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.

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 2008.

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 2008.

By Order of the Board

Hidenori Nakai

Chairman

Hong Kong, 14 November 2008

As at the date of this report, the Board comprises six executive Directors, namely Mr. Hidenori Nakai, Mr. Wang Kefei, Mr. Etsuro Tojo, Mr. Takeyasu Hashizume, Ms. Etsuko Hoshiyama, and Mr. Hiroshige Tonomura; and three independent non-executive Directors, namely Mr. Seiichi Nakaoda, Mr. Kwong Pui Kei and Mr. Chan Hing Keung, Wilson.