

# ROJAM ENTERTAINMENT HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 8075

Interim Report 2009/2010



## 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 GEM of The Stock Exchange (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, collectively referred to as the “Group”) presents the unaudited condensed consolidated results of the Group for the three months and six months ended 30 September 2009 together with the comparative unaudited figures for the corresponding periods in 2008 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months ended 30 September		Six months ended 30 September	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
<b>Turnover</b>	2	<b>606</b>	772	<b>1,387</b>	1,697
Cost of sales and service rendered		<b>(360)</b>	(327)	<b>(710)</b>	(630)
<b>Gross profit</b>		<b>246</b>	445	<b>677</b>	1,067
Other (loss)/income		<b>(35)</b>	115	<b>98</b>	311
Operating expenses		<b>(3,735)</b>	(4,366)	<b>(6,888)</b>	(7,126)
<b>Loss before tax</b>		<b>(3,524)</b>	(3,806)	<b>(6,113)</b>	(5,748)
Income tax expenses	3	<b>-</b>	(8)	<b>-</b>	(8)
<b>Loss for the period from continuing operations</b>		<b>(3,524)</b>	(3,814)	<b>(6,113)</b>	(5,756)
Loss for the period from discontinued operations	4	<b>-</b>	(2,226)	<b>-</b>	(4,659)
<b>LOSS FOR THE PERIOD</b>		<b>(3,524)</b>	(6,040)	<b>(6,113)</b>	(10,415)
<b>Other comprehensive income for the period</b>					
Exchange differences on translating foreign operations		<b>18</b>	457	<b>21</b>	1,164
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(3,506)</b>	(5,583)	<b>(6,092)</b>	(9,251)
Loss attributable to equity holders		<b>(3,524)</b>	(6,040)	<b>(6,113)</b>	(10,415)
Total comprehensive loss attributable to equity holders		<b>(3,506)</b>	(5,583)	<b>(6,092)</b>	(9,251)
<b>Basic loss per share (expressed in HK cent)</b>	6				
Loss from continuing and discontinued operations		<b>(0.18)</b>	(0.31)	<b>(0.32)</b>	(0.54)
Loss from continuing operations		<b>(0.18)</b>	(0.20)	<b>(0.32)</b>	(0.30)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment	8	166	235
Goodwill	9	–	–
Other intangible assets	10	8,117	9,531
		<u>8,283</u>	<u>9,766</u>
<b>Current assets</b>			
Trade receivables	11	1,351	253
Prepayment, deposits and other receivables		7,753	6,079
Bank and cash balances		14,407	22,194
		<u>23,511</u>	<u>28,526</u>
<b>Current liabilities</b>			
Trade payables	12	5	7
Accruals and other payables		4,054	4,459
		<u>4,059</u>	<u>4,466</u>
<b>Net current assets</b>		<u>19,452</u>	<u>24,060</u>
<b>Total assets less current liabilities</b>		<u>27,735</u>	<u>33,826</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		858	857
		<u>858</u>	<u>857</u>
<b>NET ASSETS</b>		<u>26,877</u>	<u>32,969</u>
<b>Capital and reserves</b>			
Share capital	13	192,611	192,611
Reserves		(166,409)	(160,317)
Equity attributable to the equity holders of the Company		<u>26,202</u>	<u>32,294</u>
Minority interests		675	675
<b>TOTAL EQUITY</b>		<u>26,877</u>	<u>32,969</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to the equity holders of the Company

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Exchange reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
Balance at 1 April 2008	192,611	2	3,669	(117,279)	675	79,678
Total comprehensive loss for the period	-	-	1,164	(10,415)	-	(9,251)
Balance at 30 September 2008	192,611	2	4,833	(127,694)	675	70,427
Balance at 1 April 2009	192,611	2	4,782	(165,101)	675	32,969
Total comprehensive loss for the period	-	-	21	(6,113)	-	(6,092)
<b>Balance at 30 September 2009</b>	<b>192,611</b>	<b>2</b>	<b>4,803</b>	<b>(171,214)</b>	<b>675</b>	<b>26,877</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Net cash used in operating activities	(7,892)	(8,764)
Net cash generated from investing activities	94	311
Net cash used in financing activities	-	-
Net decrease in cash and cash equivalents	(7,798)	(8,453)
Cash and cash equivalents at 1 April	21,627	43,592
Exchange difference	11	476
Cash and cash equivalents at 30 September	13,840	35,615
Analysis of balances of cash and cash equivalents		
– Cash at bank and in hand	14,407	36,183
– Restricted bank deposits	(567)	(568)
	13,840	35,615

## NOTES TO THE CONDENSED 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 principal activity of the Company is investment holding. During the current period under review, 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"). During the prior financial year ended 31 March 2009, the Group also engaged in discotheque business, details of which are set out in notes 2 and 5 below.

The unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, applicable disclosure requirements of the GEM Listing Rules and the Hong Kong Companies Ordinance. 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 2009. These unaudited condensed consolidated results should be read in conjunction with the Company's 2008/2009 annual report.

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

During the six months ended 30 September 2009, 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.

Revenue recognised during the three months and six months ended 30 September 2009 is as follows:

	Three months ended		Six months ended	
	30 September		30 September	
	2009	2008	2009	2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Continuing operations				
Licensing of software income	606	772	1,387	1,697
Discontinued operations				
Discotheque income	-	-	-	8
	<b>606</b>	<b>772</b>	<b>1,387</b>	<b>1,705</b>

Since the Group has been operating in only one single segment, accordingly, no business segment analysis is presented for the period under review while the segment results for the six months ended 30 September 2008 (primary reporting format) are as follows:

	Six months ended 30 September 2008		Total (Unaudited) HK\$'000
	Continuing operations	Discontinued operations	
	Licensing of software (Unaudited) HK\$'000	Discotheque (Unaudited) HK\$'000	
Turnover	1,697	8	1,705
Segment results	(134)	(4,659)	(4,793)
Other income			311
Unallocated corporate expense			(5,925)
Loss before income tax			(10,407)
Income tax expense			(8)
Loss for the period			(10,415)

### 3. Income tax expenses

No provision for Hong Kong or overseas profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong or overseas for the six months ended 30 September 2009 (six months ended 30 September 2008: Nil).

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

	Six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Current tax		
– PRC taxation	–	–
Deferred tax	–	8
	–	8
Representing:		
– Continuing operations	–	8
– Discontinued operations	–	–
	–	8

#### 4. Discontinued operations

During the prior financial year ended 31 March 2009, 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:

	Six months ended	
	30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover	-	8
Cost of sales	-	(4,667)
	<hr/>	<hr/>
Gross loss	-	(4,659)
Other revenue	-	-
	<hr/>	<hr/>
Loss before income tax	-	(4,659)
Income tax credit	-	-
	<hr/>	<hr/>
<b>Loss for the period from discontinued operations</b>	<b>-</b>	<b>(4,659)</b>
	<hr/>	<hr/>
	Six months ended	
	30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	-	(4,314)
Net cash used in investing activities	-	-
Net cash generated from financing activities	-	10,877
	<hr/>	<hr/>
Net increase in cash and cash equivalents	-	6,563
	<hr/>	<hr/>



## 5. Loss for the period – continuing operations

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Continuing operations</b>		
Depreciation of property, plant and equipment	<b>86</b>	131
Amortisation of intangible assets	<b>1,425</b>	1,837
Operating leases on land and buildings	<b>284</b>	353
Employee benefit expense (including Directors' emoluments)	<b>3,203</b>	2,956
Management fee paid to the minority shareholder of Shanghai Rojam Entertainment Company Limited	<b>340</b>	452
	<b><u>340</u></b>	<u>452</u>

## 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.

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
<b>Continuing operations</b>				
Loss attributable to the equity holders of the Company (HK\$'000)	<b>(3,524)</b>	(3,814)	<b>(6,113)</b>	(5,756)
Weighted average number of ordinary shares in issue (thousands)	<b>1,926,114</b>	1,926,114	<b>1,926,114</b>	1,926,114
Basic loss per share (HK cent per share) (Note)	<b>(0.18)</b>	(0.20)	<b>(0.32)</b>	(0.30)

	Three months ended 30 September 2009		Six months ended 30 September 2009	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Discontinued operations</b>				
Loss attributable to the equity holders of the Company (HK\$'000)	-	(2,226)	-	(4,659)
Weighted average number of ordinary shares in issue (thousands)	<b>1,926,114</b>	1,926,114	<b>1,926,114</b>	1,926,114
Basic loss per share (HK cent per share) (Note)	-	(0.11)	-	(0.24)
<b>Total</b>				
Loss attributable to the equity holders of the Company (HK\$'000)	<b>(3,524)</b>	(6,040)	<b>(6,113)</b>	(10,415)
Weighted average number of ordinary shares in issue (thousands)	<b>1,926,114</b>	1,926,114	<b>1,926,114</b>	1,926,114
Basic loss per share (HK cent per share) (Note)	<b>(0.18)</b>	(0.31)	<b>(0.32)</b>	(0.54)

Note: No diluted loss per share have been presented as there were no dilutive potential ordinary shares during the periods ended 30 September 2009 and 2008.

## 7. Interim dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2009 (six months ended 30 September 2008: Nil).

## 8. Property, plant and equipment

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
Opening net book amount	<b>235</b>	500
Additions	<b>17</b>	–
Depreciation	<b>(86)</b>	(251)
Disposal	–	(23)
Exchange differences	–	9
	<hr/>	<hr/>
Closing net book amount	<b>166</b>	235
	<hr/>	<hr/>

## 9. Goodwill

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
Opening net book amount	–	17,571
Impairment loss recognised	–	(17,953)
Exchange differences	–	382
	<hr/>	<hr/>
Closing net book amount	–	–
	<hr/>	<hr/>

## 10. Other intangible assets

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
Opening net book amount	<b>9,531</b>	16,359
Amortisation	<b>(1,424)</b>	(3,696)
Impairment loss	–	(3,483)
Exchange differences	<b>10</b>	351
	<hr/>	<hr/>
Closing net book amount	<b>8,117</b>	9,531
	<hr/>	<hr/>

## 11. Trade receivables

The Group's trading terms with its customers from licensing operation are mainly on credit, the credit term is 30 days. The trade receivables are denominated in Renminbi, which is the functional currency of the operating subsidiary.

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

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
0 – 30 days	<b>391</b>	253
31 – 90 days	<b>952</b>	–
91 – 180 days	<b>8</b>	–
	<hr/> <b>1,351</b> <hr/>	<hr/> 253 <hr/>

The ageing analysis of the trade receivables that were past due but not impaired is as follows:

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
31 – 90 days	<b>952</b>	–
91 – 180 days	<b>8</b>	–
	<hr/> <b>960</b> <hr/>	<hr/> – <hr/>

## 12. Trade payables

The ageing analysis of the trade payables, based on the date of receipt of goods, is as follows:

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
0 to 90 days	<b>5</b>	7
	<hr/> <b>5</b> <hr/>	<hr/> 7 <hr/>

### 13. Share capital

	Number of shares	HK\$'000
<b>Authorised</b>		
Ordinary shares of HK\$0.1 each		
At 31 March 2009 and 30 September 2009	5,000,000,000	500,000
<b>Issued and fully paid</b>		
Ordinary shares of HK\$0.1 each		
At 31 March 2009 and 30 September 2009	1,926,114,403	192,611

### 14. Contingent liabilities

The Group had no material contingent liabilities at 30 September 2009 and 31 March 2009.

### 15. Related party transactions

On 5 August 2009, Yoshimoto Fandango Co., Ltd. ("Fandango", a company incorporated in Japan and a wholly owned subsidiary of Yoshimoto Kogyo Co., Ltd.) and Faith, Inc. ("Faith" a company incorporated in Japan), the then Company's substantial shareholders (as defined under the GEM Listing Rules) entered into a conditional agreement with Marvel Bonus Holdings Limited in relation to the sale and purchase of shares in the Company (the "Transaction"). The Transaction was completed on 21 August 2009 (the "Completion Date"). As a result and upon the completion of the Transaction, Marvel Bonus Holdings Limited becomes the controlling shareholder of the Company, and therefore Fandango and Faith were ceased to be the Company's substantial shareholders.

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

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2009</b>	2008
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
A shareholder:			
– Faith, Inc.			
– reimbursement of operating expenses	(a)	<b>(573)</b>	(735)
Other related party:			
– Yoshimoto R and C Co., Ltd.			
– sales of records and audio-visual products	(b)	<b>3</b>	7

Notes:

- (a) Reimbursement of operating expenses is recharged on an actual basis. The amount shown represents the reimbursement up to the Completion Date.
- (b) Sales of records and audio-visual products to related parties were entered into in the normal course of business of Rojam Entertainment Limited at terms mutually agreed by relevant parties. The amount shown represents the payment received up to the Completion Date.
- (ii) Key management compensation

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Fees, salaries and other short-term employee benefits	<b>2,515</b>	2,405
Pension costs-defined contribution plans	<b>18</b>	18
	<hr/>	<hr/>
	<b>2,533</b>	2,423
	<hr/>	<hr/>

## 16. Significant Subsequent Events

- (1) On 6 October 2009, the Board announced that the Company proposed to:
- change the domicile of the Company from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda;
  - reorganize the capital of the Company in the following manner:
    - the reduction of the issued share capital of the Company through reducing the par value of each of the issued existing shares from HK\$0.10 each to HK\$0.01 each by canceling the paid-up capital of the Company to the extent of HK\$0.09 on each of the issued existing shares;
    - the subdivision of each authorized but unissued share of HK\$0.1 into 10 new shares of HK\$0.01 each;
    - the transfer of the credit arising from the capital reduction to the contributed surplus account of the Company within the meaning of the Companies Act 1981 of Bermuda (the "Companies Act"); and

- d. the utilisation of the credits standing to the contributed surplus account of the Company within the meaning of the Companies Act after the event referred to in (c) above to offset the accumulated losses of the Company in full on the date the capital reorganisation becoming effective.

- iii. adopt the share option scheme.

The above proposed transactions will be subject to the approval by shareholders of the Company at the extraordinary general meeting by way of poll to be held on 19 November 2009. Further details of the proposed transactions are also set out in the circular of the Company dated 27 October 2009.

- (2) The Board further announced on the same day that, the Company and Kingston Securities Limited entered into a conditional placing agreement on 5 October 2009. The placing was completed on 30 October 2009 in accordance with the terms and conditions of the placing agreement in which an aggregate of 380,000,000 placing shares, representing approximately 16.48% of the issued share capital of the Company of 2,306,114,403 shares as enlarged by the placing as at 30 October 2009, were successfully placed to not fewer than six placees, who and whose ultimate beneficial owners are not connected persons (as defined under the GEM Listing Rules) of the Company and are third parties independent of and not connected with the Company, connected persons of the Company and any of the Directors, chief executive or substantial shareholder(s) of any members of the Group or any associate of them or any connected persons (as defined under the GEM Listing Rules) of the Company, at the placing price of HK\$0.10 per placing share. The net proceeds from the placing amount to approximately HK\$37.2 million. Further details of the placing are also set out in the announcements of the Company dated 6 and 30 October 2009.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Highlights

	<b>Second Quarter</b>	First Quarter	Six months	Six months
	<b>2009/2010</b>	2009/2010	Total in	Total in
	<b>(Jul to</b>	(Apr to	(Apr to	(Apr to
	<b>Sep 2009)</b>	Jun 2009)	Sep 2009)	Sep 2008)
	<b>HK\$'000</b>	HK\$'000	HK\$'000	HK\$'000
<b>Continuing operations</b>				
Turnover	<b>606</b>	781	1,387	1,697
Cost of sales	<b>(360)</b>	(350)	(710)	(630)
Gross profit	<b>246</b>	431	677	1,067
Operating expenditures*	<b>(3,735)</b>	(3,153)	(6,888)	(7,126)
Other (loss)/income	<b>(35)</b>	133	98	311
Loss before income tax	<b>(3,524)</b>	(2,589)	(6,113)	(5,748)
Income tax expenses	-	-	-	(8)
Loss attributable to the equity holders	<b>(3,524)</b>	(2,589)	(6,113)	(5,756)

### Discontinued operations –

#### Discotheque operations

Turnover	-	-	-	8
Cost of sales and operating expenditures*	-	-	-	(4,667)
Other revenue	-	-	-	-
Loss before income tax	-	-	-	(4,659)
Income tax expenses	-	-	-	-
Loss attributable to the equity holders	-	-	-	(4,659)

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



## **Financial Review**

Turnover decreased by approximately 18% to approximately HK\$1,387,000 for the six months ended 30 September 2009 from approximately HK\$1,697,000 for the six months ended 30 September 2008. During the period under review, the turnover of the Group was entirely derived from a single business segment which was licensing of software business in the PRC. Loss attributable to the equity holders of the Company for the six months ended 30 September 2009 was approximately HK\$6,113,000. Loss per share was approximately 0.32 HK cents.

Cost of sales increased by approximately 13% to approximately HK\$710,000 for the six months ended 30 September 2009 from approximately HK\$630,000 for the six months ended 30 September 2008. Operating expenditures decreased by approximately 3% to approximately HK\$6,888,000 for the six months ended 30 September 2009 from approximately HK\$7,126,000 for the six months ended 30 September 2008. The Group's other income decreased by approximately 68% to approximately HK\$98,000 for the six months ended 30 September 2009 from approximately HK\$311,000 for the corresponding period of the last year.

## **Change of control and management**

Marvel Bonus Holdings Limited completed the acquisition of 1,232,490,000 shares, representing approximately 63.99% of the then issued share capital of the Company of 1,926,114,403 shares on 21 August 2009 and made a mandatory unconditional cash offer for the remaining shares of the Company in September 2009. The offer was closed on 29 September 2009. Reflecting the change of control of the Company, 2 new executive Directors and 3 new independent non-executive Directors were appointed and all except one of the former Directors had resigned.

## **Future Plan**

The Group is currently principally engaging in the development and licensing of software and technology for use in connection with the provision of value-added telecommunication services in the PRC. As stated in the offer document dated 1 September 2009, Marvel Bonus Holdings Limited, the existing controlling shareholder of the Company, will conduct a more detailed review on the operations of the Group with a view to developing a comprehensive corporate strategy to broaden the income stream of the Group. In the long-term spectrum, it will explore other business opportunities and consider whether any assets and/or business acquisitions by the Group will be appropriate in order to enhance its growth.

Therefore, on 30 September 2009 after trading hours of the Stock Exchange, the Company entered into with Golden Coach Limited (the "Subscriber"), 1) a conditional convertible bonds subscription agreement whereby the Company conditionally agreed to issue and the Subscriber conditionally agreed to subscribe for the convertible bonds in the principal amount of HK\$25,000,000 and 2) an options subscription agreement whereby the Company, in consideration of the option fee being HK\$2,500,000, which is payable by the Subscriber

upon completion, conditionally agreed to grant to the Subscriber options to subscribe for 250,000,000 option shares at options price during the option period. The net proceeds from the granting of the options and the issue of the convertible bonds (after deduction of expenses) are estimated to be approximately HK\$26.0 million. If the options are exercised in full, the net proceeds will be approximately HK\$12.4 million. The details of the transactions were set out in the announcement of the Company dated 6 October 2009 and the transactions have not yet been completed as at the date of this report.

On 5 October 2009, the Company and Kingston Securities Limited entered into a conditional placing agreement. The placing was completed on 30 October 2009 in which an aggregate of 380,000,000 placing shares were placed to not fewer than six independent investors at a price of HK\$0.10 per placing share. The net proceeds from the placing amount to approximately HK\$37.2 million. For further details of the placing, please refer to note 16 "Significant Subsequent Events."

Looking forward, the Company intends to apply the net proceeds from the granting of the options, issue of the convertible bonds, the placing and, if applicable, the issue of the option shares as general working capital and/or finance any other new investment project in the PRC which may be identified by the Company from time to time in order to diversify the Group's revenue base. In addition, the Board believes the series of funds raised or to be raised will further strengthen and broaden the capital base of the Company and ensure the adequacy of the working capital for the Group's operations.

### **Liquidity and Financial Resources**

The Group financed its operations with internally generated cash flows. At 30 September 2009, cash and bank balances amounted to HK\$14.4 million (2008: HK\$36.2 million), which consists of approximately 4% in Hong Kong dollars, 52% in Renminbi and 44% 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 2009, the Group has net cash outflow of approximately HK\$7.9 million for its operating activities and cash inflow of approximately HK\$94,000 from investing activities. At 30 September 2009, 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 2009, the Group has no outstanding foreign currency hedge contract.

### **Charge on Group Assets**

At 30 September 2009, the Group did not have any charge on its assets.

### **Capital Structure**

During the six months ended 30 September 2009, there is no change in the Company's share capital.

### **Acquisition/Disposal and Significant Investments**

The Group did not make any material acquisition or disposal of subsidiaries at 30 September 2009.

### **Contingent Liabilities**

The Group had no material contingent liabilities at 30 September 2009.

### **Employee Information**

At 30 September 2009, the Group had 20 (2008: 24 (including the discontinued operations)) full-time employees. Staff costs amounted to approximately HK\$3.2 million for the six months ended 30 September 2009 (2008: HK\$3.6 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 2009.

### **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES**

At 30 September 2009, none of the Directors, chief executives of the Company or their respective associates (as defined under 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 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 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 2009 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' AND OTHER PERSONS' INTERESTS IN SECURITIES

So far as is known to any Director or chief executive of the Company, as at 30 September 2009, shareholders of the Company (other than Directors or chief executive 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 were as follows:

### Long position in ordinary shares of the Company

Name of shareholders	Capacity in which the share are held	Number of shares	Approximate percentage of the Company's total issued share capital
Marvel Bonus Holdings Limited (Note 1)	Beneficial owner	1,234,715,251	64.10%
Integrated Asset Management (Asia) Limited (Notes 1 and 2)	Interest of a controlled corporation	1,234,715,251	64.10%
Shanghai Assets (BVI) Limited (Notes 1 and 3)	Interest of a controlled corporation	1,234,715,251	64.10%
Mr. Yam Tak Cheung (Note 2)	Interest of a controlled corporation	1,234,715,251	64.10%
Mr. Ting Pang Wan, Raymond (Note 3)	Interest of a controlled corporation	1,234,715,251	64.10%
Kingston Finance Limited (Note 4)	Security interest	1,232,490,000	63.99%
Mrs. Chu Yuet Wah (Note 5)	Interest of a controlled corporation	1,232,490,000	63.99%
Ms. Ma Siu Fong (Note 5)	Interest of a controlled corporation	1,232,490,000	63.99%
Golden Coach Limited (Note 6)	Beneficial owner	750,000,000	38.94%
Mr. Chan Chun Kuen (Note 7)	Interest of a controlled corporation	750,000,000	38.94%
Yoshimoto Fandango Co., Ltd.	Beneficial owner	96,306,167	5.00%
Yoshimoto Kogyo Co., Ltd. (Note 8)	Interest of a controlled corporation	96,306,167	5.00%
Faith, Inc.	Beneficial owner	96,300,000	5.00%

Notes:

1. Marvel Bonus Holdings Limited ("Marvel Bonus") is owned as to 50% each by Integrated Asset Management (Asia) Limited ("Integrated Asset") and Shanghai Assets (BVI) Limited ("Shanghai Assets"). Integrated Asset and Shanghai Assets were therefore deemed to be interested in 1,234,715,251 shares held by Marvel Bonus.
2. Integrated Asset is in turn wholly and beneficially owned by Mr. Yam Tak Cheung ("Mr. Yam"). Mr. Yam was therefore deemed to be interested in the 1,234,715,251 shares held by Marvel Bonus.
3. Shanghai Assets is in turn wholly and beneficially owned by Mr. Ting Pang Wan, Raymond ("Mr. Ting"). Mr. Ting was therefore deemed to be interested in the 1,234,715,251 shares held by Marvel Bonus.
4. Kingston Finance Limited has a security interest of 1,232,490,000 shares owned by Marvel Bonus.
5. Mrs. Chu Yuet Wah and Ms. Ma Siu Fong own 51% and 49% interest in Kingston Finance Limited respectively. Both Mrs. Chu Yuet Wah and Ms. Ma Siu Fong were therefore deemed to be interested in the underlying shares in which Kingston Finance Limited holds an interest.
6. Golden Coach Limited ("Golden Coach") is the holder of convertible bonds with an aggregate principal amount of HK\$25,000,000 which can be converted into 500,000,000 shares and the grantee of 250,000,000 option shares pursuant to the conditional convertible bonds subscription agreement and the options subscription agreement entered into between Golden Coach and the Company dated 30 September 2009 respectively. Golden Coach was therefore deemed to be interested in 750,000,000 shares in total through its interests in the Company's convertible bonds and option shares.
7. Golden Coach is wholly and beneficially owned by Mr. Chan Chun Kuen ("Mr. Chan"). Mr. Chan was therefore deemed to be interested in 750,000,000 shares held by Golden Coach.
8. Yoshimoto Fandango Co., Ltd. is a wholly owned subsidiary of Yoshimoto Kogyo Co., Ltd. Accordingly, Yoshimoto Kogyo Co., Ltd. was interested in 96,306,167 shares in the Company by attribution.

Save as disclosed above, at 30 September 2009, the Company had 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 2009, none of the Directors or the management shareholders of the Company (as defined under 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.

## **CHANGES IN THE MEMBERS OF THE BOARD OF DIRECTORS**

On 1 September 2009, Mr. Chan Chi Ming, Alvin and Mr. Luk Hong Man, Hammond were appointed as executive Directors, while Mr. Zhang Xi was appointed as an independent non-executive Director and a member of the audit committee and the remuneration committee of the Company. On 30 September 2009, Mr. Chan Chi Yuen was appointed as an independent non-executive Director and chairman of the audit committee and the remuneration committee of the Company. On 5 November 2009, Mr. Yeung Wai Hung, Peter was appointed as an independent non-executive Director and a member of the audit committee and remuneration committee of the Company.

On 29 September 2009, Mr. Hidenori Nakai resigned as an executive Director and the chairman of the Board; Mr. Wang Kefei resigned as an executive Director, the chief executive officer, authorised representative and compliance officer of the Company; Mr. Etsuro Tojo resigned as an executive Director and the chief operating officer of the Company; while Mr. Takeyasu Hashizume and Mr. Hiroshige Tonomura resigned as executive Directors. On 30 September 2009, Mr. Seiichi Nakaoda resigned as an independent non-executive Director and chairman of the audit committee and the remuneration committee of the Company; while Mr. Kwong Pui Kei and Mr. Chan Hing Keung, Wilson resigned as independent non-executive Directors and members of the audit committee and the remuneration committee of the Company.

## **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. Chan Chi Yuen, Mr Zhang Xi and Mr. Yeung Wai Hung, Peter. 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 2009.

## **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. Chan Chi Yuen, Mr. Zhang Xi and Mr. Yeung Wai Hung, Peter. 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 2009, except the following deviation:

### **Distinctive Roles of Chairman and Chief Executive Officer**

The code provision A2.1 stipulates that 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.

The Board has not appointed individuals to the posts of chairman and chief executive officer. The Board is in the process of identifying suitable candidates to fill in the vacancies for chairman and chief executive officer in compliance with the requirement of the Code. Further announcement will be made by the Company with regard to the new appointment of chairman and chief executive officer of the Company in due course.

## **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 2009.

## **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 2009.

By Order of the Board

**Etsuko Hoshiyama**

*Executive Director*

Hong Kong, 12 November 2009

*As at the date of this report, the Board comprises three executive Directors, namely Ms. Etsuko Hoshiyama, Mr. Chan Chi Ming, Alvin and Mr. Luk Hong Man. Hammond; and three independent non-executive Directors, namely Mr. Chan Chi Yuen, Mr. Zhang Xi and Mr. Yeung Wai Hung, Peter.*