

ROJAM ENTERTAINMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

Stock Code: 8075

Interim Report 2010/2011



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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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 (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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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 2010 together with the comparative unaudited figures for the corresponding periods in 2009 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months ended		Six months ended	
		30 September		30 September	
		2010	2009	2010	2009
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	313	606	373	1,387
Cost of sales and service rendered		(411)	(360)	(506)	(710)
Gross (loss)/profit		(98)	246	(133)	677
Other income		31	(35)	64	98
Operating expenses		(8,125)	(3,735)	(15,390)	(6,888)
Finance costs	3	(480)	–	(798)	–
Loss before tax		(8,672)	(3,524)	(16,257)	(6,113)
Income tax expenses	4	69	–	138	–
Loss for the period attributable to owners of the Company		(8,603)	(3,524)	(16,119)	(6,113)
Other comprehensive income after tax:					
Exchange differences on translating foreign operations		151	18	301	21
Other comprehensive income for the period, net of tax		151	18	301	21
Total comprehensive loss for the period attributable to owners of the Company		(8,452)	(3,506)	(15,818)	(6,092)
Loss per share (expressed in HK cent)	6				
Basic and diluted		(0.37)	(0.18)	(0.70)	(0.32)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	8	1,018	377
Goodwill		–	–
Other intangible assets	9	5,892	7,040
		<u>6,910</u>	<u>7,417</u>
Current assets			
Trade receivables	10	24	38
Prepayment, deposits and other receivables		9,366	5,835
Bank and cash balances		49,666	46,466
		<u>59,056</u>	<u>49,339</u>
Current liabilities			
Trade payables	11	2	2
Accruals and other payables		685	3,620
		<u>687</u>	<u>3,622</u>
Net current assets			
		<u>58,369</u>	<u>45,717</u>
Total assets less current liabilities			
		<u>65,279</u>	<u>53,134</u>
Non-current liabilities			
Deferred tax liabilities		633	759
Convertible bonds	12	20,842	–
		<u>21,475</u>	<u>759</u>
NET ASSETS			
		<u>43,804</u>	<u>52,375</u>
Capital and reserves			
Share capital	13	23,063	23,061
Reserves		20,741	29,314
		<u>43,804</u>	<u>52,375</u>
Equity attributable to the owners of the Company		43,804	52,375
Non-controlling interests		–	–
		<u>43,804</u>	<u>52,375</u>
TOTAL EQUITY			
		<u>43,804</u>	<u>52,375</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited

	Attributable to the owners of the Company					Total equity
	Share capital	Other reserves	Accumulated Losses	Total	Non-controlling interests	
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2009	192,613	4,782	(165,101)	32,294	675	32,969
Total comprehensive loss for the period	-	21	(6,113)	(6,092)	-	(6,092)
Balance at 30 September 2009	192,613	4,803	(171,214)	26,202	675	26,877
Balance at 1 April 2010	23,063	49,100	(19,788)	52,375	-	52,375
Total comprehensive loss for the period	-	301	(16,119)	(15,818)	-	(15,818)
Transactions with owners in their capacity as owners						
Options fee received	-	2,500	-	2,500	-	2,500
Issue of convertible bonds	12	4,747	-	4,747	-	4,747
Transactions with owners	-	7,247	-	7,247	-	7,247
Balance at 30 September 2010	23,063	56,648	(35,907)	43,804	-	43,804

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(20,672)	(7,892)
Net cash (used in)/generated from investing activities	(748)	94
Net cash generated from financing activities	27,500	–
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	6,080	(7,798)
Cash and cash equivalents at 1 April	43,466	21,627
Exchange difference	120	11
	<hr/>	<hr/>
Cash and cash equivalents at 30 September	49,666	13,840
	<hr/>	<hr/>
Analysis of balances of cash and cash equivalents		
– Cash at bank and in hand	49,666	14,407
– Restricted bank deposits	–	(567)
	<hr/>	<hr/>
	49,666	13,840
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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 Company's domicile was changed to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda with effect from 3 December 2009. The address of its registered office is Claredon House, 2 Church Street, Hamilton HM11, Bermuda. The Company's shares were listed on GEM on 31 May 2001.

The principal activity of the Company is investment holding. 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").

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 2010. These unaudited condensed consolidated results should be read in conjunction with the Company's 2009/2010 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 2010, 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 2010 is as follows:

	Three months ended		Six months ended	
	30 September		30 September	
	2010	2009	2010	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Licensing of software income	313	606	373	1,387

Since the Group has been operating in only one single segment for the six months ended 30 September 2009 and 30 September 2010 respectively, no business segment analysis is presented for the respective period.

3. FINANCE COSTS

The Company issued convertible bonds in the principal amount of HK\$25,000,000 on 30 April 2010. The effective interest expenses for the period is as follows:

	Six months ended	
	30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Effective interest expenses on the convertible bonds	798	–
	<hr/>	<hr/>
	798	–
	<hr/>	<hr/>

4. 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 2010 (six months ended 30 September 2009: Nil).

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

	Six months ended	
	30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax		
– PRC taxation	–	–
Deferred tax	138	–
	<hr/>	<hr/>
	138	–
	<hr/>	<hr/>

5. LOSS FOR THE PERIOD

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

	Six months ended	
	30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	142	86
Amortisation of intangible assets	1,269	1,425
Operating leases on land and buildings	375	284
Employee benefit expense (including Directors' emoluments)	4,002	3,203
Management fee paid to the minority shareholder of Shanghai Rojam Entertainment Company Limited	-	340
	<u> </u>	<u> </u>

6. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Three months ended		Six months ended	
	30 September		30 September	
	2010	2009	2010	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss attributable to the owners of the Company (HK\$'000)	<u>(8,603)</u>	<u>(3,524)</u>	<u>(16,119)</u>	<u>(6,113)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>2,306,114</u>	<u>1,926,114</u>	<u>2,306,114</u>	<u>1,926,114</u>
Basic loss per share (HK cent per share) (Note)	<u>(0.37)</u>	<u>(0.18)</u>	<u>(0.70)</u>	<u>(0.32)</u>

Note: No diluted loss per share have been presented for each of the period ended 30 September 2010 and 2009 as the exercise of options and conversion of all outstanding convertible bonds has anti-dilutive effects during the period ended 30 September 2010 and there were no dilutive potential ordinary shares during the periods ended 30 September 2009.

7. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2010 (six months ended 30 September 2009: Nil).

8. PROPERTY, PLANT AND EQUIPMENT

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Opening net book amount	377	235
Additions	805	322
Depreciation	(142)	(145)
Disposal	(24)	(35)
Exchange differences	2	–
	<hr/>	<hr/>
Closing net book amount	1,018	377

9. OTHER INTANGIBLE ASSETS

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Opening net book amount	7,040	9,531
Amortisation	(1,269)	(2,517)
Impairment loss	–	–
Exchange differences	121	26
	<hr/>	<hr/>
Closing net book amount	5,892	7,040

10. 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:

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
0 – 30 days	24	–
31 – 90 days	–	–
91 – 180 days	–	7
181 – 365 days	–	31
	<hr/>	<hr/>
	24	38

As at 30 September 2010, an allowance is made for estimated irrecoverable trade receivable of approximately HK\$4,750,000 (31 March 2010: HK\$4,820,000). Reconciliation of the allowance for trade receivables:

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
At the beginning of year	4,820	4,040
Impairment loss (reversed)/recognised	(162)	765
Exchange differences	92	15
	<hr/>	<hr/>
	4,750	4,820
	<hr/> 4,750 <hr/>	<hr/> 4,820 <hr/>

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

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
31 – 90 days	–	–
91 – 180 days	–	7
Over 180 days	–	31
	<hr/>	<hr/>
	–	38
	<hr/> – <hr/>	<hr/> 38 <hr/>

11. TRADE PAYABLES

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

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
0 to 90 days	2	–
91 to 180 days	–	2
	<hr/>	<hr/>
	2	2
	<hr/> 2 <hr/>	<hr/> 2 <hr/>

12. CONVERTIBLE BONDS

On 30 April 2010, the Company issued the convertible bonds (the "CB") with an aggregate principal amount of HK\$25,000,000 which can be converted into 500,000,000 shares of the Company to Golden Coach Limited ("Golden Coach"). Golden Coach is wholly and beneficially owned by Mr. Chan Chun Kuen, a third party independent of and not connected with the Company and its connected persons. The CB carry interest at a rate of 2% per annum, payable in arrears half annually on 31 March and 30 September in each year. The conversion price is HK\$0.05 per conversion share subject to adjustment for dilutive events. The conversion period commenced on the date of issue of the CB up to the close of business on the day falling fourteen (14) days prior to the maturity date, which is 29 April 2013, being the date falling three (3) years from the issue of the CB. If the CB are not converted, cancelled or discharged, the Company is required to redeem them at their principal amount on the maturity date.

The CB have been split as to the liability and equity components as follows:

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Nominal value of convertible bonds	25,000	–
Equity component	(4,747)	–
	<hr/>	<hr/>
Liability component at the date of issue	20,253	–
Effective interest expenses during the period	798	–
Interest payable during the period	(209)	–
	<hr/>	<hr/>
Liability component	20,842	–
	<hr/>	<hr/>

13. SHARE CAPITAL

	Number of shares	Ordinary shares HK\$'000	Share premium HK\$'000	Total HK\$'000
Authorised				
Ordinary shares of HK\$0.01 each				
At 31 March 2010 and 30 September 2010	50,000,000,000			500,000
	<hr/>			<hr/>
Issued and fully paid				
Ordinary shares of HK\$0.01 each				
At 31 March 2010 and 30 September 2010	2,306,114,403	23,061	2	23,063
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14. CONTINGENT LIABILITIES

The Group had no material contingent liabilities at 30 September 2010 and 31 March 2010.

15. RELATED PARTY TRANSACTIONS

Key management compensation

	Six months ended	
	30 September	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Fees, salaries and other short-term employee benefits	1,652	2,515
Pension costs-defined contribution plans	20	18
	<hr/>	<hr/>
	1,672	2,533
	<hr/>	<hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover decreased by approximately 73% to approximately HK\$373,000 for the six months ended 30 September 2010 from approximately HK\$1,387,000 for the six months ended 30 September 2009. During the period under review, the turnover of the Group was entirely derived from the licensing of software business in the PRC. Loss attributable to the owners of the Company for the six months ended 30 September 2010 was approximately HK\$16,119,000. Loss per share was approximately 0.70 HK cents.

Cost of sales decreased by approximately 29% to approximately HK\$506,000 for the six months ended 30 September 2010 from approximately HK\$710,000 for the six months ended 30 September 2009. The Group's other income decreased by approximately 35% to approximately HK\$64,000 for the six months ended 30 September 2010 from approximately HK\$98,000 for the corresponding period of the last year. Operating expenditures increased by approximately 122% to approximately HK\$15,390,000 for the six months ended 30 September 2010 from approximately HK\$6,888,000 for the six months ended 30 September 2009. The increase in operating expenses for the six months ended 30 September 2010 was mainly attributable to the increased expenses for development of existing and potential new businesses. Finance costs being interest on the outstanding principal amount of the convertible bonds was approximately HK\$798,000 for the six months ended 30 September 2010.

Prospects

The licensing business of the Group has improved gradually in the second quarter as compared to that of the first quarter of the financial year ending 31 March 2011. To strengthen the entertainment business of the Group in order to broaden the income stream, an agent was appointed as the Group's agent and manager (the "Agent") for soliciting, referring and sourcing customers and managing, supervising and monitoring projects relating to entertainment business for the Group in the territory including the PRC, Hong Kong, Macau and Taiwan. The Agent has successfully referred to the Group a business opportunity to organize a concert in one of the major cities in the PRC for a renowned artist in the third quarter of the current financial year. The Group is in the process of negotiation regarding several potential business opportunities referred by the Agent. The Company believes that with the gradual improvement of the licensing business and the revenue to be generated from the entertainment business, the turnover of the Group will increase and eventually be restored to a healthy position. Besides, the management endeavors to explore opportunities to broaden income stream of the Group through business and/or assets acquisition.

Liquidity and Financial Resources

The Group financed its operations with internal resources. At 30 September 2010, cash and bank balances amounted to HK\$49.7 million (2009: 14.4 million), which consists of approximately 85% in Hong Kong dollars, 7% in Renminbi and 8% 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 foreign exchange rules and regulation of the PRC. During the six months ended 30 September 2010, the Group has net cash outflow of approximately HK\$20,672,000 for its operating activities, cash outflow of approximately HK\$748,000 for investing activities and cash inflow of approximately HK\$27,500,000 from financing activities. The increase in cash during the period was mainly attributable to the issue of the convertible bonds and options in April 2010. The gearing ratio was approximately 1.57% as at 30 September 2010 (2009: nil). Gearing ratio is calculated as current liabilities divided by total equity.

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 by internal resources. At 30 September 2010, the Group has no outstanding foreign currency hedge contract.

Charge on Group Assets

At 30 September 2010, the Group did not have any charge on its assets.

Capital Structure

During the six months ended 30 September 2010, there was 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 during the six months ended 30 September 2010.

Contingent Liabilities

The Group had no material contingent liabilities at 30 September 2010.

Employee Information

At 30 September 2010, the Group had 14 (2009: 20) full-time employees. Staff costs amounted to approximately HK\$4,002,000 for the six months ended 30 September 2010 (2009: HK\$3,203,000). The Group's remuneration policy remained the same as detailed in the Company's 2009/2010 annual report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

At 30 September 2010, 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 2010 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 2010, 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 shares are held	Interest in shares	Interest in underlying shares	Approximate shareholding in the Company
Marvel Bonus Holdings Limited (Note 1)	Beneficial owner	562,490,000	Nil	24.39%
Integrated Asset Management (Asia) Limited (Notes 1 and 2)	Interest of a controlled corporation	562,490,000	Nil	24.39%
Shanghai Assets (BVI) Limited (Notes 1 and 3)	Interest of a controlled corporation	562,490,000	Nil	24.39%
Mr. Yam Tak Cheung (Note 2)	Interest of a controlled corporation	562,490,000	Nil	24.39%
Mr. Ting Pang Wan, Raymond (Note 3)	Interest of a controlled corporation	562,490,000	Nil	24.39%
Golden Coach Limited (Note 4)	Beneficial owner	Nil	750,000,000	32.52%
Mr. Chan Chun Kuen (Note 5)	Interest of a controlled corporation	Nil	750,000,000	32.52%

Notes:

- 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 562,490,000 shares held by Marvel Bonus.
- 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 562,490,000 shares held by Marvel Bonus.
- 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 562,490,000 shares held by Marvel Bonus.
- Golden Coach Limited ("Golden Coach") holds convertible bonds issued by the Company in an aggregate principal amount of HK\$25,000,000 which can be converted into 500,000,000 shares and options to subscribe for 250,000,000 shares in the Company. Golden Coach was therefore deemed to be interested in 750,000,000 underlying shares in total through its long position in the Company's convertible bonds and options.
- Golden Coach is wholly and beneficially owned by Mr. Chan Chun Kuen ("Mr. Chan"). Mr. Chan was therefore deemed to be interested in Golden Coach's interest in 750,000,000 underlying shares.

Save as disclosed above, at 30 September 2010, 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.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 19 November 2009, pursuant to which the Directors of the Company may, at their discretion, invite any employee, director, non-executive director (including independent non-executive director), supplier, customer, advisor, consultant, agent, contractor, and any shareholder of any member of the Group or any invested entity or any holder of any securities issued by any member of the Group or any invested entity, to take up options to subscribe for Shares. As at 30 September 2010, no options had been granted under the Scheme.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 30 September 2010, 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.

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 four members comprising the four independent non-executive Directors, namely Mr. Chan Chi Yuen, Mr Zhang Xi, Mr. Yeung Wai Hung, Peter and Mr. Wong Kam Choi. 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 2010.

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 four members comprising the four independent non-executive Directors, namely Mr. Chan Chi Yuen, Mr. Zhang Xi, Mr. Yeung Wai Hung, Peter and Mr. Wong Kam Choi. 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 2010, 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 2010.

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 2010.

By order of the Board
Etsuko Hoshiyama
Executive Director

Hong Kong, 12 November 2010

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 four independent non-executive Directors, namely Mr. Chan Chi Yuen, Mr. Zhang Xi, Mr. Yeung Wai Hung, Peter and Mr. Wong Kam Choi.