

ROJAM ENTERTAINMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

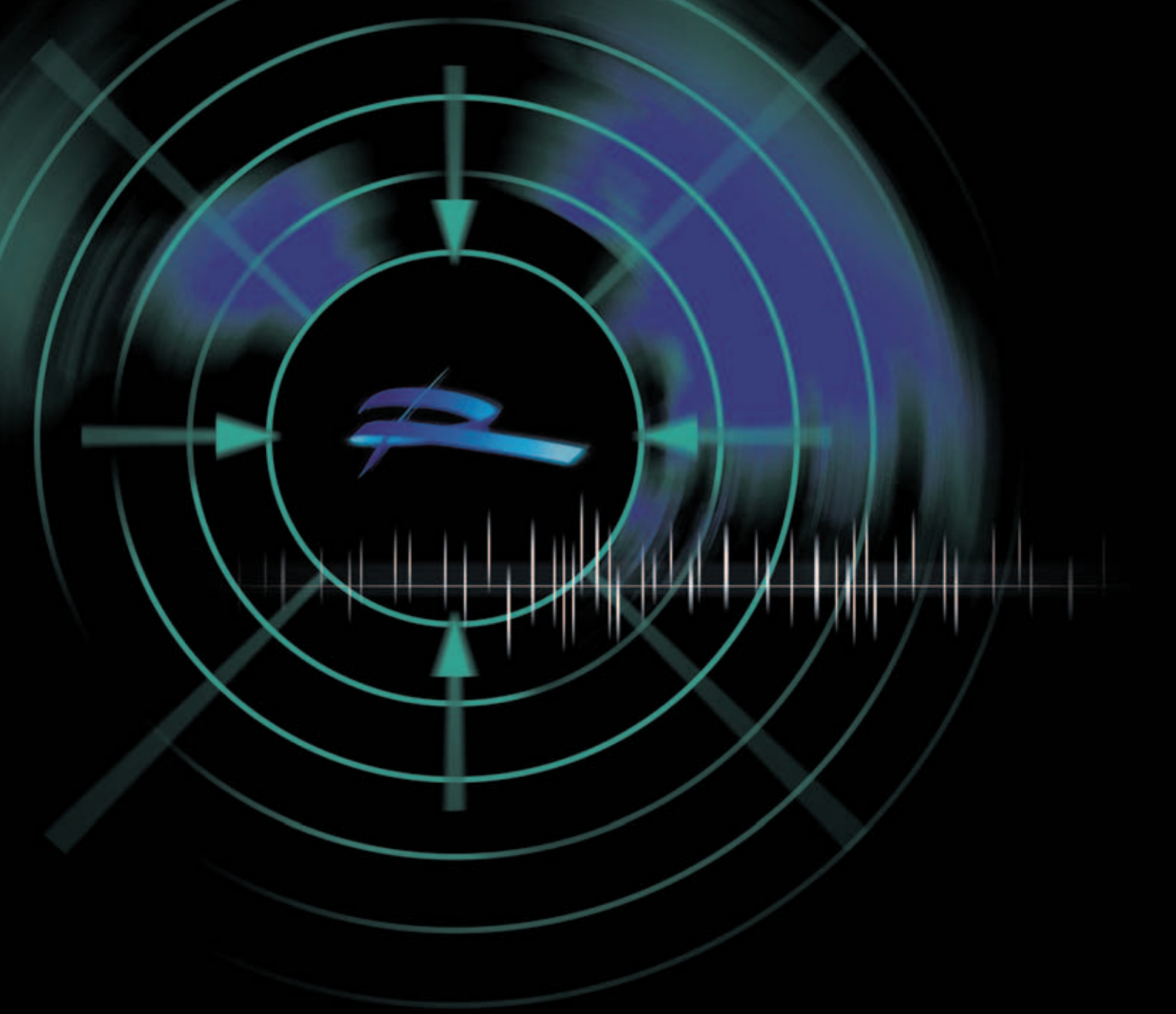
Stock Code: 8075

2007/2008 Annual Report



ROJAM

Entertainment Network Asia



Characteristics of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

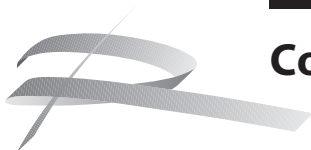
GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this annual report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this annual report.

This annual 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 annual 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 annual report misleading; and (3) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



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BOARD OF DIRECTORS

Executive Directors

Hidenori Nakai (Chairman)
Wang Kefei (Chief Executive Officer)
Etsuro Tojo (Chief Operating Officer)
Takeyasu Hashizume
Etsuko Hoshiyama
Hiroshige Tonomura

Independent Non-executive Directors

Seiichi Nakaoda
Kwong Pui Kei
Chan Hing Keung, Wilson

COMPLIANCE OFFICER

Wang Kefei

COMPANY SECRETARY

Etsuko Hoshiyama, CPA, AICPA

QUALIFIED ACCOUNTANT

Etsuko Hoshiyama, CPA, AICPA

AUDIT COMMITTEE

Seiichi Nakaoda
Kwong Pui Kei
Chan Hing Keung, Wilson

REMUNERATION COMMITTEE

Seiichi Nakaoda
Kwong Pui Kei
Chan Hing Keung, Wilson

AUTHORISED REPRESENTATIVES

Wang Kefei
Etsuko Hoshiyama

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 501, 5/F, Lucky Building
39 Wellington Street, Central,
Hong Kong

WEBSITE

<http://www.rojam.com>

STOCK CODE

8075

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
Fort Street
P. O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

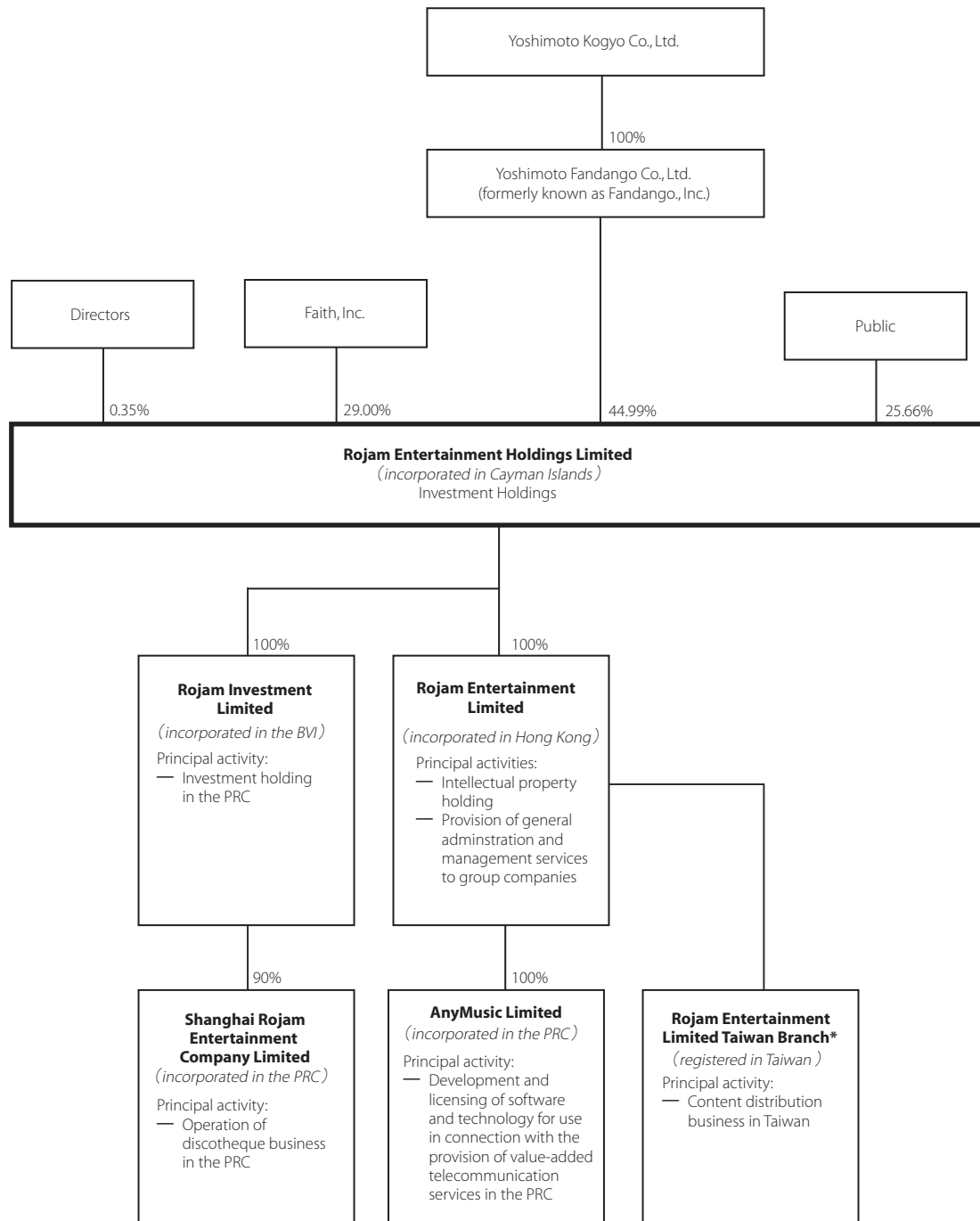
RSM Nelson Wheeler
Certified Public Accountants
29th Floor
Caroline Centre, Lee Gardens Two
28 Yun Ping Road
Hong Kong



Corporate Chart

The Rojam Entertainment Holdings Limited (“Company”) was incorporated in the Cayman Islands on 29 February 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The Company’s shares were listed on GEM on 31 May 2001.

The following is a corporate chart of the Company and its subsidiaries (collectively known as the “Group”) up to the date of this report.



* For identification purpose only



Financial Summary

	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000
Results for the year ended 31 March (continuing operations and discontinued operations)					
Turnover	6,677	524,582	505,417	535,716	249,349
(Loss)/Profit before income tax	(62,795)	42,601	73,992	70,815	11,146
(Loss)/Profit attributable to equity holders of the Company and minority interest	(63,205)	(68,249)	40,166	58,990	9,984
Assets and liabilities					
Total assets	93,056	380,547	469,876	460,454	298,383
Total liabilities	(13,378)	(13,733)	(169,441)	(171,619)	(65,178)
Net assets	79,678	366,814	300,435	288,835	233,205

FINANCIAL RESULTS

The Group's turnover was significantly reduced as a result of the disposal of its record production and distribution business in the last financial year. Turnover (continuing operations) was approximately HK\$6.7 million in the financial year of 2007/2008, a 44% decline from turnover of approximately HK\$11.9 million in the previous financial year. Loss before income tax (continuing operations) for the financial year amounted to approximately HK\$62.8 million, compared to loss before income tax of approximately HK\$11.4 million of the last financial year. Loss attributable to equity holders (continuing operations and discontinued operations) was approximately HK\$63.2 million, compared to loss of approximately HK\$68.2 million for the last financial year. Basic loss per share (continuing operations and discontinued operations) were approximately 3.3 HK cents, compared to basic loss per share of approximately 3.6 HK cents of the last financial year.

BUSINESS REVIEW

The Group continued to adjust its business structure in the financial year of 2007/2008. The Board re-evaluated the Group's business strategy in light of trends and developments in the distribution business in Asia. Following the cessation of operations of Rojam Disco in Shanghai in December 2007, the Group is principally focused on digital distribution business through AnyMusic and its newly set-up Taiwan branch. The coming year will be a preparation year for the Group to pursue in better development opportunities for future expansions.

Acquisition of AnyMusic Limited

The acquisition of the entire equity interests in AnyMusic Limited ("AnyMusic") was completed on 31 October 2007. AnyMusic is principally engaged in the development and licensing of software and technology for use in connection with the provision of value-added telecommunication services such as the distribution of digital content to mobile phone users. It has entered into contracts with two telecommunication service providers who possess the PRC Value-added Telecommunication Operation Licenses to conduct value-added telecommunication business in the PRC. These telecommunication service providers have established cooperative arrangement with leading telecommunications operators in the PRC, including China Mobile and China Unicom. The management believes that the acquisition of AnyMusic will allow the Group to establish its digital distribution business in the PRC, thereby diversifying the Group's revenue base and generate synergies for the Group in the future.

Closure of Shanghai Rojam Disco

Due to the intense market competition in Shanghai and the expected renovation of the building within which the discotheque is located by the landlord, the Directors anticipate that these would continue to have a negative impact on the operations of the Rojam Disco in Shanghai, therefore the Board came to the commercial decision to discontinue this business in December 2007. The Directors anticipate that the closure of the loss-making discotheque in Shanghai will free the Group's resources for profitable business.

Set up of Taiwan Branch

On 30 January 2007, Rojam Entertainment Limited ("REL"), a wholly-owned subsidiary of the Group, entered into a conditional Licensing Agreement with Yoshimoto R and C Co., Ltd. (formerly known as R and C Ltd.) ("R&C") pursuant to which R&C granted REL an exclusive licence to use and distribute the R&C content in digital form through mobile phone, the Internet and other digital media in the PRC, Hong Kong and Taiwan. REL pays to R&C royalties of 30% of the net sales revenue earned by REL from the distribution of the R&C Content after subtracting all the external costs including, without limitation, all withholding tax, VAT and sales tax and charges payable to telecommunications providers. In this respect, the Group has set up the Taiwan Branch of REL on 31 March 2008 to explore new business opportunities in Taiwan, which if executed successfully, have the potential to create new growth drivers for the Group over the coming years.

OUTLOOK

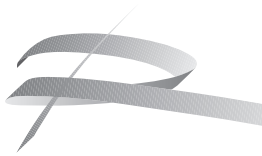
Looking forward, the Group will continue to improve its operational and management capabilities. Strategically, the Group will also speed up its business transformation and actively pursue business opportunities that will allow it to expand its entertainment and digital distribution business in Asia.

The Board composition was adjusted during the year under review to cope with the Asian business. Mr. Kefei Wang, Mr. Etsuro Tojo, Ms. Etsuko Hoshiyama and Mr. Hiroshige Tonomura have been appointed as executive directors of the Company and Mr. Osamu Nagashima, Mr. Tetsuo Mori, Mr. Hiroshi Osaki, Mr. Mitsuo Sakauchi and Mr. Yukitsugu Shimizu have resigned from the Board. The appointment of new directors enhanced the decision making and supervision capabilities of the Board and improved the Group's level of corporate governance.

Lastly, on behalf of the board of Directors, I wish to take this opportunity to extend my sincere gratitude to our customers, shareholders and business partners for their continuous and valuable support. I would also like to express my heartfelt appreciations to all our dedicated management team and committed staff for their hard work and efforts over the year.

Hidenori Nakai
Chairman

Hong Kong, 26 June 2008



Management Discussion and Analysis

FINANCIAL REVIEW

	Fourth Quarter (Jan to Mar 2008) <i>HK\$'M</i>	Third Quarter (Oct to Dec 2007) <i>HK\$'M</i>	Second Quarter (Jul to Sep 2007) <i>HK\$'M</i>	First Quarter (Apr to Jun 2007) <i>HK\$'M</i>	Total <i>HK\$'M</i>
Turnover	0.9	2.2	1.5	2.1	6.7
Cost of sales	(3.5)	(5.3)	(4.7)	(5.3)	(18.8)
Gross loss	(2.6)	(3.1)	(3.2)	(3.2)	(12.1)
Operating expenditures*	(43.1)	(6.7)	(2.7)	(4.0)	(56.5)
Other revenue	0.8	1.0	1.2	2.8	5.8
Loss before income tax	(44.9)	(8.8)	(4.7)	(4.4)	(62.8)
Income tax expenses	(0.4)	–	–	–	(0.4)
Loss attributable to the equity holders	(45.3)	(8.8)	(4.7)	(4.4)	(63.2)

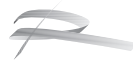
* Selling & distribution expenses, other operating expenses and other loss, net

Sales by Business Segments

	Fourth Quarter (Jan to Mar 2008)		Third Quarter (Oct to Dec 2007)		Second Quarter (Jul to Sept 2007)		First Quarter (Apr to Jun 2007)		Total	
	<i>HK\$'M</i>	%	<i>HK\$'M</i>	%	<i>HK\$'M</i>	%	<i>HK\$'M</i>	%	<i>HK\$'M</i>	%
Discotheque	0.1	11	1.3	59	1.5	100	2.1	100	5.0	75
Licensing of software income	0.8	89	0.9	41	–	–	–	–	1.7	25
Group total	0.9	100	2.2	100	1.5	100	2.1	100	6.7	100

Overall performance

The Group has recorded turnover of approximately HK\$6.7 million, a 44% decrease from turnover from the continuing operations of approximately HK\$11.9 million in the previous financial year. The Group recorded loss before income tax of approximately HK\$62.8 million for the year ended 31 March 2008 compared to loss before income tax of the continuing operations of approximately HK\$11.4 million for the year ended 31 March 2007. Loss attributable to equity holders for the year was approximately HK\$63.2 million, compared to loss attributable to equity holders of the continuing operations and discontinued operations of approximately HK\$68.2 million in the previous financial year.



FINANCIAL REVIEW *(Continued)*

Segment results

The revenue generated from the discotheque business was approximately HK\$5.0 million, being a 58% decline from approximately HK\$11.9 million of the last financial year. Segment loss amounted to approximately HK\$31.4 million, compared to loss of approximately HK\$1.7 million in the last financial year. The increase in the segment loss was due to the cessation of the Rojam Disco in Shanghai during the financial year and impairment on fixed assets in Suzhou.

The licensing of software income from AnyMusic, a new income source for the year under review, was approximately HK\$1.7 million. Segment loss was approximately HK\$0.2 million.

Cost of sales and operating expenses

Cost of sales increased by 46% to approximately HK\$18.9 million, compared to the cost of sales of the continuing operations of approximately HK\$12.9 million in the last financial year. The operating expenses increased to approximately HK\$56.4 million from approximately HK\$13.6 million of the operating expenses of the continuing operations in the last financial year, as a result of the cessation of Rojam Disco in Shanghai and impairment on assets in Suzhou.

Income tax expenses

The income tax expenses increased to approximately HK\$0.4 million for the year ended 31 March 2008, compared to the income tax expenses of the continuing operations of approximately HK\$0.01 million for the previous financial year. The increase is due to the deferred tax liabilities of AnyMusic.

LIQUIDITY AND FINANCIAL RESOURCES

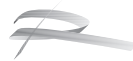
At 31 March 2008, the Group's shareholders' funds decreased by approximately 78% to approximately HK\$79.7 million as compared to approximately HK\$366.8 million as at 31 March 2007. The decrease in the shareholders' fund is mainly due to the payment of a special dividend. Total assets amounted to approximately HK\$93.1 million (2007: HK\$380.5 million), of which current assets amounted to approximately HK\$58.6 million (2007: HK\$348.4 million). At 31 March 2008, the Group had current liabilities and minority interest of approximately HK\$11.4 million (2007: HK\$13.7 million) and HK\$0.7 million (2007: HK\$0.7 million) respectively. Net asset value per share was approximately HK\$0.04 (2007: HK\$0.19). Current ratio was approximately 5.1 (2007: 25.4).

The Group financed its operations with internally generated cash flows. At 31 March 2008, cash and bank balances decreased to approximately HK\$44.1 million (2007: HK\$234.9 million), which consists of approximately 23% in Hong Kong dollars, 31% in Renminbi and 46% held 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 year ended 31 March 2008, the Group used approximately HK\$32.2 million in its operating activities and approximately HK\$44.8 million in its investing activities. The decrease in cash and bank balance is mainly due to the payment of a special dividend and the acquisition of AnyMusic.

At 31 March 2008, the Group has no long-term borrowing, the same as for the past years. The gearing ratio of the Group, calculated as non-current liabilities to shareholders' funds, was 2.5% (2007: NIL).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars, United States dollars and Japanese Yen, which are not the functional currencies of the companies comprising the Group. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise. At 31 March 2008, the Group has no outstanding foreign currency hedge contracts (2007: Nil).



CHARGE ON GROUP ASSETS

At 31 March 2008, the Group did not have any charge on its assets (2007: Nil).

MATERIAL ACQUISITION/ DISPOSAL AND SIGNIFICANT INVESTMENTS

On 31 October 2007, REL, a wholly-owned subsidiary of the Group, acquired the entire issued capital of AnyMusic (“the Acquisition”), at an aggregate consideration of JPY700,000,000 (equivalent to HK\$47,916,000). The new subsidiary is principally engaged in the development and licensing of computer software for use in connection with the provision of value-added telecommunication services in respect of the digital distribution of ringtones, games and media content to mobile phone users in the PRC. The Acquisition constitutes a major connected transaction for the Company under the GEM Listing Rules and is subject to the approval of the independent shareholders of the Company. Details of the Acquisition are set out in the announcement of the Company dated 6 September 2007 and the circular of the Company dated 27 September 2007. The Acquisition was approved by the independent shareholders on 15 October 2007 and was completed on 31 October 2007.

Other than the above, the Group had no other material acquisitions or disposals of subsidiaries during the year ended 31 March 2008.

The Group will continue to consolidate its existing business while exploring new business opportunities that will complement and enhance its existing business. As at 31 March 2008, the Group was considering various investment projects and options but had not made any solid plan for pursuing the same.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities at 31 March 2008 (2007: Nil).

EMPLOYEE INFORMATION

At 31 March 2008, the Group had 44 (2007: 73 for the continuing operations) full-time employees in Hong Kong, Beijing, Shenzhen, Shanghai and Suzhou. Staff costs (continuing operations), excluding Directors’ emoluments, totalled HK\$3.5 million (2007: HK\$5.4 million). The Group’s remuneration policy is basically determined by the performance of individual employees. In general, salary review is conducted annually. Staff benefits, including medical coverage and provident funds, are also provided to employees.



OPERATIONS REVIEW

Discotheque business

The discotheque business reported revenue of approximately HK\$5.0 million with a segment loss of approximately HK\$31.4 million, compared to a revenue of approximately HK\$11.9 million and a segment loss of approximately HK\$1.7 million in previous year. The decrease in revenue was mainly attributable to the drop of admission income, the termination of the operations of Rojam Disco in Shanghai and impairment on fixed assets in Suzhou. The discotheque income accounted for approximately 75% of the total turnover of the Group for the year ended 31 March 2008.

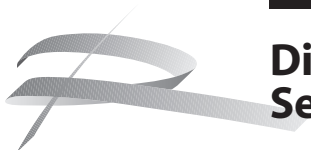
Due to the significant negative impacts to the turnover brought by the fierce market competition, the limited prospects, the expected renovation of the building within which the Shanghai discotheque is located by the landlord, and the increasing drop of admission income of the Rojam Disco in Shanghai, the Company therefore determined to terminate the operations of the Rojam Disco on 24 December 2007. The Directors anticipate that the closure of the loss-making discotheque in Shanghai will free the Company's resources for profitable business. Going forward, the Group will actively pursue business opportunities that will allow it to expand its entertainment and digital distribution of music related businesses in Asia.

The Rojam Club in Suzhou, was soft-opened in April 2007 and formally opened in August 2007. The Rojam Club in Suzhou did not contribute any significant revenue to the Group for the year ended 31 March 2008.

Licensing of software income from AnyMusic

The Company acquired a business of digital distribution of music, Anymusic, on 31 October 2007. This newly acquired business provides the new income source for the Group from the third quarter of the current fiscal year. Revenue from the licensing of software amounted to approximately HK\$1.7 million and segment loss amounted to approximately HK\$0.2 million for the year ended 31 March 2008. The revenue from the licensing of software accounted for approximately 25% of the total turnover of the Group for the year ended 31 March 2008.

AnyMusic is principally engaged in the development and licensing of computer software for use in connection with the provision of value-added telecommunication services in respect of the digital distribution of ringtones, games and media content to mobile phone users in the PRC. AnyMusic has entered into contracts with two telecommunication service providers who possess Value-added Telecommunication Operation Licenses to conduct value-added telecommunication business, such as the distribution of digital content to mobile phone users, in the PRC. These service providers have established cooperative arrangements with leading telecommunications operators in the PRC, such as China Mobile and China Unicom. Pursuant to the contracts between AnyMusic and the telecommunication service providers, AnyMusic licenses its software to the service providers which they use for their digital content distribution businesses. In return, AnyMusic is entitled to a specified percentage of the revenue generated by the telecommunication service providers, which percentage is negotiated between the parties based on the existing market conditions when the contracts are renewed.



Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Mr. Hidenori Nakai, aged 49, Chairman of the Group, is responsible for the Group's overall management, operations and strategic planning. Mr. Nakai has over 25 years of experience in the entertainment industry with Yoshimoto Kogyo Co., Ltd. ("Yoshimoto") since his graduation from Keio University in Japan in 1981. He has substantial experiences in artist management, production of TV and theatre programs, and multi-media information services. Mr. Nakai was appointed as a director of Yoshimoto Fandango Co., Ltd. (formerly known as Fandango, Inc.) ("Fandango") in 2000 where he was responsible for provision of multi-media information services and distribution of entertainment content through the Internet and mobile phone. He is also responsible for various projects of Yoshimoto in Asia and its broadband business. Currently, Mr. Nakai is the president of Fandango and an officer of Yoshimoto.

Mr. Takeyasu Hashizume, aged 60, was appointed to the Board in February 2003. He has over 30 years of experience in the music and entertainment business. After graduated from Waseda University in 1972, Mr. Hashizume joined Sony Music Entertainment (Japan) Inc. (formerly known as CBS/Sony), where he was responsible for production and marketing, and had engaged in production involving a number of popular singers. In 1996 Mr. Hashizume became the president of Eastwest Japan, Inc. (currently known as Warner Entertainment Japan, Inc.). Mr. Hashizume joined R&C, as its president in May 2001. Currently Mr. Hashizume is the president of R&C and a director of Yoshimoto.

Mr. Wang Kefei, aged 43, Chief Executive Officer, joined the Group and was appointed to the Board in December 2007. Mr. Wang is responsible for the overall management and development strategy of the Group's digital distribution business. He has over 15 years of experience in working and managing in telecommunications field in and outside the PRC. He worked for the Posts and Telecommunications Science Research Institute Heilongjiang of the former Posts and Telecommunications Ministry of China from 1988 to 1992, and for NTT DoCoMo from 1996 to 2004. Since July 2004, Mr. Wang joined Faith Inc. ("Faith") and has been appointed as the chief executive officer of AnyMusic. Mr. Wang holds a Bachelor Degree in Computing and Communications from Beijing University of Posts and Telecommunications, a Master Degree in Computing from Yokohama National University and an MBA from Massachusetts Institute of Technology.

Mr. Etsuro Tojo, aged 36, Chief Operating Officer, is responsible for the Group's original content distribution business. Mr. Tojo joined the Group and appointed to the Board in July 2007. After graduating from Waseda University, Japan in 1996, Mr. Tojo joined JCB (Japan Credit Bureau) and had been working in the credit industry for 5 years. Since he joined a major cable and satellite television (CS TV) channel in 2002, he has been working in the content business for 5 years. Prior to joining the Group, Mr. Tojo was in charge of the operation of the oversea subsidiaries of Faith.

Ms. Etsuko Hoshiyama, aged 46, has joined the Group since March 2000 and was appointed to the Board in July 2007. She is responsible for finance and business administration of the Group. Ms. Hoshiyama is also the legal representative of Shanghai Rojam Entertainment Company Limited, 90% indirectly held by the Company. She holds a Bachelor Degree of Law from Kwansai Gakuin University, Japan and a Master Degree of Laws in Taxation from University of Denver, the USA. She is a certified public accountant registered with the Hong Kong Institute of Certified Public Accountants and an associate member of the American Institution of Certified Public Accountants. Before joining the Group, Ms. Hoshiyama was a manager of PricewaterhouseCoopers in Hong Kong. She has approximately 17 years of experience in the area of business administration, business development and tax and, business consulting.

Mr. Hiroshige Tonomura, aged 46, joined the Group and was appointed to the Board in September 2007. After graduated from Chuo University, Japan in 1987, Mr. Tonomura joined Capcom Co., Ltd., and he had been working in the video game industry for 20 years. He has substantial experience in content planning and business planning. In 2005, Mr. Tonomura was appointed as a director of Taito Corporation, a content company in Japan. Since 2006, Mr. Tonomura has been a chief executive officer of Brave, Inc., a subsidiary of Faith.



INDEPENDENT NON-EXECUTIVE DIRECTORS

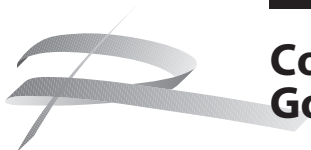
Mr. Seiichi Nakaoda, aged 43, was appointed as an Independent Non-executive Director in February 2001. He is a member of the Institute of Certified Public Accountants in Japan and has over 15 years of experience in finance and accounting practice. Mr. Nakaoda is the managing director of an accounting consultancy firm in Hong Kong.

Mr. Kwong Pui Kei, aged 46, was appointed as an Independent Non-executive Director in September 2004. Mr. Kwong is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and has over 18 years of experience in finance and accounting practice. Mr. Kwong is practicing in his own accountancy firm.

Mr. Chan Hing Keung, Wilson, aged 51, graduated from the University of Western Sydney in 1996 with a master degree in Applied Finance. Mr. Chan has extensive experiences in accounting, financial controlling and logistics management. Mr. Chan held senior positions in a multi-national fast moving consumer goods distributing company which was listed in Hong Kong. Mr. Chan is currently the managing director of a private finance and marketing advisory company.

COMPANY SECRETARY

Ms. Etsuko Hoshiyama, for details, please refer to the paragraph under "Executive Directors" above.



Corporate Governance Report

The board of directors (the "Board") of Rojam Entertainment Holdings Limited (the "Company") is pleased to present this Corporate Governance Report in the annual report for the year ended 31 March 2008.

The Company wishes to highlight the importance of its Board in ensuring high standards of corporate governance in the interests of its shareholders and has devoted considerable effort to identifying and formalising best practices appropriate to the needs of the Company.

The Company applied the principles and complied with all the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 March 2008.

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 year ended 31 March 2008.

THE BOARD

The Board is responsible for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All Directors should take decisions objectively in the interests of the Company.

The Board currently comprises nine members, consisting of six executive Directors and three independent non-executive Directors. Their brief biographical details are described in the annual report.

The Company has received written annual confirmation from each of the independent non-executive Directors of his independence pursuant to the rules 5.09 of the GEM Listing Rules.

The Company considers all independent non-executive Directors to be independent. The Board meets at least four times a year to review the financial and operating performance of the Group.

THE BOARD *(Continued)*

There were six Board meetings held in the financial year ended 31 March 2008. Individual attendance of each Board member at these meetings is as follows:

Name of Director	Attended/ Eligible to attend
Executive Directors	
Takeyasu Hashizume	6/6
Tetsuo Mori	6/6
Osamu Nagashima (resigned on 25 July 2007)	1/2
Mitsuo Sakauchi (resigned on 25 July 2007)	1/2
Yukitsugu Shimizu (resigned on 25 July 2007)	1/2
Hiroshi Osaki (resigned on 20 September 2007)	3/3
Etsuro Tojo (appointed on 25 July 2007)	4/4
Etsuko Hoshiyama (appointed on 25 July 2007)	4/4
Cheng Kit Sum, Clara (appointed on 25 July 2007 and resigned on 28 January 2008)	3/3
Hiroshige Tonomura (appointed on 20 September 2007)	1/2
Wang Kefei (appointed on 13 December 2007)	1/1
Independent Non-executive Directors	
Seiichi Nakaoda	6/6
Kwong Pui Kei	6/6
Law Kar Ping	6/6

During the regular meetings of the Board, the Directors discuss and formulate the overall strategies of the Group, review and monitor the business and financial performances and discuss the quarterly, half-yearly and annual results, as well as discuss and decide on other significant matters.

The management is responsible for the day-to-day operations of the Group. For significant matters that are specifically delegated by the Board, the management must report back to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

On 13 December 2007, Mr. Wang Kefei was appointed as the Chief Executive Officer and the capacity of Mr. Takeyasu Hashizume was changed from the President to the Chairman. Prior to Mr. Wang's appointment, Mr. Hashizume had been the President of the Company and was responsible for managing the board and overall business management of the Group. After Mr. Wang's appointment, the duties of the Chairman and the Chief Executive Officer have been segregated. The Chairman is responsible for the overall management and strategic planning of the Group while the Chief Executive Officer is responsible for the management of the daily operations of the Group and the execution of the Board decisions.

AUDIT COMMITTEE

The Company established an audit committee on 21 May 2001 with written terms of reference in compliance with the GEM Listing Rules. The audit committee has three members comprising the three independent non-executive Directors of the Company, namely Mr. Seiichi Nakaoda, Mr. Kwong Pui Kei and Mr. Law Kar Ping (Mr. Law Kar Ping resigned and Mr. Chan Hing Keung, Wilson was appointed as a member of the audit committee with effect from 1 May 2008). The primary duties of the audit committee are to review the Company's annual report and accounts, half-yearly report and quarterly reports and to provide advices and comments thereon to the Board. The audit committee meets at least four times a year with management to review the accounting principles and practices adopted by the Group and to discuss auditing, internal control and financial reporting matters. The audit committee met four times during the year ended 31 March 2008. Individual attendance of each committee member at these meetings is as follows:

Name of Director	Attended/ Eligible to attend
Independent Non-executive Directors	
Seiichi Nakaoda	4/4
Kwong Pui Kei	4/4
Law Kar Ping	4/4

The audit committee has reviewed the Group's audited results for the year ended 31 March 2008.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 23 October 2006 with written terms of reference which deal clearly with its authority and duties, in accordance with the requirement of the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules. The remuneration committee has three members comprising the three independent non-executive Directors of the Company, namely Mr. Seiichi Nakaoda, Mr. Kwong Pui Kei and Mr. Law Kar Ping (Mr. Law Kar Ping resigned and Mr. Chan Hing Keung, Wilson was appointed as a member of the remuneration committee with effect from 1 May 2008). 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.

NOMINATION OF DIRECTORS

The Board is responsible for considering the suitability of an individual to act as a Director, and approving and terminating the appointment of a Director. The company has not established a nomination committee. The Company currently does not have any plans to set up the nomination committee considering small size of the Board.

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

COMMUNICATION WITH SHAREHOLDERS

The Company has disclosed all necessary information to the shareholders in accordance with the GEM Listing Rules and reported the Company's performance through various communication tools. These include annual and extraordinary general meetings, quarterly and annual reports, various notices, announcements and circulars.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the financial statements of the Group. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements. The auditors' responsibilities are set out in the Auditors' Report.

INTERNAL CONTROL

The Board has overall responsibility for the establishment, maintenance and review of the Group's system of internal control. The Board has conducted a review of, and is satisfied with the effectiveness of the system of internal control of the Group.

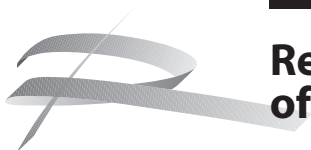
EXTERNAL AUDITORS

PricewaterhouseCoopers ("PwC") were re-appointed as the auditors of the Group at the annual general meeting held on 28 September 2007 and resigned on 18 April 2008. RSM Nelson Wheeler ("RSM") were first appointed as auditors of the Group following the resignation of PwC and the appointment of RSM was approved at the extraordinary general meeting held on 15 May 2008. The remuneration in respect of services provided by PwC and RSM for the Group for the year ended 31 March 2008 and 2007 is analysed as follows:

	2008 HK\$'000	2007 HK\$'000
Auditors' remuneration		
– PricewaterhouseCoopers	2,065	5,003
– RSM Nelson Wheeler	600	–
	2,665	5,003

CONCLUSION

The Board believes that good corporate governance can safeguard the effective allocation of resources and protect shareholders' interest. The management will try to maintain, strengthen and improve the standard and quality of the Group's corporate governance.



Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATION

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 18 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 8 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 26.

The Directors do not recommend the payment of a dividend for the year ended 31 March 2008 (2007: a special dividend of HK\$0.118 per ordinary share, totalling HK\$227,281,000).

RESERVES

Movements in the reserves of the Group during the year is set out in the consolidated statement of changes in equity and the movements in the reserves of the Company during the year are set out in Note 26 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 15 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 25 to the financial statements.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 5.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 31 March 2008.



DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Hidenori Nakai (<i>Chairman</i>)	(appointed on 10 April 2008)
Mr. Wang Kefei (<i>Chief Executive Officer</i>)	(appointed on 13 December 2007)
Mr. Etsuro Tojo (<i>Chief Operating Officer</i>)	(appointed on 25 July 2007)
Mr. Takeyasu Hashizume	
Ms. Etsuko Hoshiyama	(appointed on 25 July 2007)
Mr. Hiroshige Tonomura	(appointed on 20 September 2007)
Mr. Tetsuo Mori	(resigned on 10 April 2008)
Mr. Osamu Nagashima	(resigned on 25 July 2007)
Mr. Mitsuo Sakauchi	(resigned on 25 July 2007)
Mr. Yukitsugu Shimizu	(resigned on 25 July 2007)
Mr. Hiroshi Osaki	(resigned on 20 September 2007)
Ms. Cheng Kit Sum, Clara	(appointed on 25 July 2007 and resigned on 28 January 2008)

Independent non-executive Directors

Mr. Seiichi Nakaoda	
Mr. Kwong Pui Kei	
Mr. Chan Hing Keung Wilson	(appointed on 1 May 2008)
Mr. Law Kar Ping	(resigned on 1 May 2008)

In accordance with Articles 87(1) and 87(2) of the Company's Articles of Association, Messrs. Etsuro Tojo and Etsuko Hoshiyama retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' SERVICE CONTRACTS

Each of the executive and independent non-executive Directors has entered into a service agreement with the Company.

Each of the service agreements with Mr. Takeyasu Hashizume, Mr. Seiichi Nakaoda, Mr. Kwong Pui Kei and Mr. Chan Hing Keung, Wilson is of an initial duration of two years. In the case of Mr. Takeyasu Hashizume, his service agreement commenced on 27 February 2003; in the case of Mr. Seiichi Nakaoda, his service agreement commenced on 6 February 2001; in the cases of Mr. Kwong Pui Kei, his service agreement commenced on 14 September 2004, in case of Mr. Chan Hing Keung, Wilson, his service agreement commenced on 1 May 2008. Each of the service agreements with Mr. Hidenori Nakai, Mr. Wang Kefei, Mr. Etsuro Tojo, Ms. Etsuko Hoshiyama and Mr. Hiroshige Tonomura is of an initial duration of three years. In the case of Mr. Hidenori Nakai, his service agreement commenced on 10 April 2008; in the case of Mr. Wang Kefei, his service agreement commenced on 13 December 2007; in the case of Mr. Etsuro Tojo and Ms. Etsuko Hoshiyama, their service agreements commenced on 25 July 2007; in the case of Mr. Hiroshige Tonomura, his service agreement commenced on 20 September 2007. It is provided in each of these service agreements that their terms of service shall continue until terminated by either party giving to the other not less than three months' prior written notice, such notice to expire upon or after the initial term of two or three years. Up to the date of this report, the terms of service agreements for those Directors whose initial terms have lapsed, remain in force.

Save as disclosed, none of the Directors has entered into any service agreements with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

During the year, the Group had entered into transactions with certain companies related to them. Details of the material related party transactions and the Directors' interests therein are set out in Note 29 to the financial statements. Certain of the transactions disclosed in Note 29 also constitute connected transactions under the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange ("GEM Listing Rules"). The information required to be disclosed in respect of these connected transactions, in accordance with Chapter 20 of the GEM Listing Rules, is set out below.

(I) Continuing connected transactions exempt from the reporting, announcement and independent shareholder's approval requirements

Discotheque management fee arrangement

Pursuant to the cooperative joint venture agreements dated 18 September 2002 and 1 August 2004 entered into between Rojam Investment Limited and Shanghai Huanyu Import and Export Company Limited ("Shanghai Huanyu") (together, the "JV Agreements"), Shanghai Huanyu will help Shanghai Rojam Entertainment Company Limited ("SRE") obtain all licenses required for the operation of Discotheque in Shanghai and provide other management services to SRE, including, among other things, the recruitment of management staff, technicians and other staff, the leasing of properties in the PRC, application for tax benefits in the PRC and purchase of all necessary equipments and facilities. Shanghai Huanyu is a connected person by virtue of its holding of 10% equity interest in SRE. The term of the JV Agreements will expire on 22 November 2023.

(II) Acquisition of entire interests in AnyMusic

On 4 September 2007, REL and Faith ("the Vender") entered into a conditional Sales and Purchase Agreement (the "Agreement") whereby the Vender agreed to sell and REL agreed to purchase the 100% of equity interests of AnyMusic at the consideration of JPY700,000,000 (equivalent to HK\$47,916,000). This transaction constitutes a connected transaction under the GEM Listing Rules and the details are included in the circular of the Company dated 27 September 2007. The transaction was completed on 31 October 2007.

The independent non-executive Directors have reviewed the above connected transactions from and confirmed that the connected transactions:

- (i) have been entered into in the ordinary and usual course of the business of the Group;
- (ii) have been entered into either on normal commercial terms; or
- (iii) have been entered into in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and
- (iv) have not exceeded their respective caps.

The auditors of the Company – PricewaterhouseCoopers have also confirmed that the connected transactions:

- (i) have been approved by the board of Directors;
- (ii) are in accordance with the pricing policies of the Group if the transactions involve provision of goods or services by the Group;
- (iii) have been entered into in accordance with the relevant agreement governing the transactions; and
- (iv) have not exceeded their respective caps.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS *(Continued)*

Save as aforesaid and disclosed in the section headed "Directors' service contracts" in this report, no other contracts of significance in relation to the Group's business to which the Company, its parent companies, any of its fellow subsidiaries or its subsidiaries was a party and in which a Director or the controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

At 31 March 2008, the interests of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Interests in the shares of the Company

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

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

Save as disclosed above, as at 31 March 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) 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.

Save as disclosed above, at no time during the year ended 31 March 2008 was the Company, its parent companies or any of its fellow subsidiaries or subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or its associated corporation.

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

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 March 2008, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital:

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

Notes:

1. The letter "L" denotes the Directors' long position in the shares of the Company.
2. Yoshimoto Fandango Co., Ltd. is a wholly owned subsidiary of Yoshimoto. Accordingly, Yoshimoto was interested in 866,522,167 shares in the Company by attribution.

Save as disclosed above, at 31 March 2008, the Directors or chief executives of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company under section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 30% of its goods and services from its five largest suppliers and sold less than 30% of its goods and services to its five largest customers.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Rules 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures throughout the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would obligate the Company to offer new shares on a pro-rata basis to existing shareholders.

PENSION SCHEME ARRANGEMENTS

The subsidiaries operating in Hong Kong are required to participate in a defined contribution retirement scheme of the Group or Company set up in accordance with the Hong Kong Mandatory Provident Fund Ordinance. Under the scheme, the employees are required to contribute 5% of their monthly salaries up to a maximum of HK\$1,000 and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries up to a maximum of HK\$1,000 (the "mandatory contributions"). The employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65 years old, death or total incapacity.

The subsidiary in the PRC is required to participate in defined contribution retirement scheme organised by the relevant local government authorities since incorporation. It is required to make contributions to the retirement scheme at a rate of around 7% to 22% of the basic salary of their employees.

AUDITOR

PricewaterhouseCoopers ("PwC") were re-appointed as the auditors of the Group at the annual general meeting held on 28 September 2007 and resigned on 18 April 2008. RSM Nelson Wheeler ("RSM") were first appointed as auditors of the Group following the resignation of PwC and the appointment of RSM was approved at the extraordinary general meeting held on 15 May 2008.

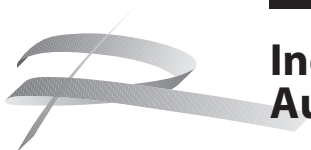
The financial statements have been audited by RSM who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Hidenori Nakai

Chairman

Hong Kong, 26 June 2008



Independent Auditor's Report

RSM Nelson Wheeler

中瑞岳華(香港)會計師事務所

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ROJAM ENTERTAINMENT HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Rojam Entertainment Holdings Limited (the "Company") set out on pages 26 to 76, which comprise the consolidated and Company balance sheets as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

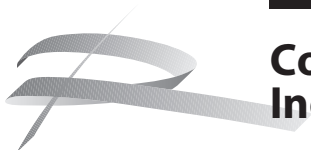
Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2008 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler

Certified Public Accountants

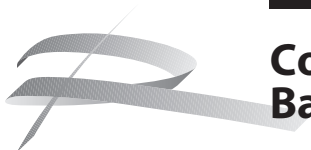
Hong Kong,
26 June 2008



Consolidated Income Statement

For the year ended 31 March 2008

	Note	2008 HK\$'000	2007 HK\$'000
Continuing operations			
Turnover	6	6,677	11,860
Cost of sales and service rendered		<u>(18,825)</u>	<u>(12,925)</u>
Gross loss		(12,148)	(1,065)
Other income	7	5,769	3,201
Selling expenses		(226)	–
Administrative expenses		(13,267)	(13,581)
Other operating expenses		<u>(42,923)</u>	<u>–</u>
Loss before tax		(62,795)	(11,445)
Income tax expense	9	<u>(410)</u>	<u>(14)</u>
Loss for the year from continuing operations		(63,205)	(11,459)
Discontinued operations			
Loss for the year from discontinued operations	27(c)(i)	<u>–</u>	<u>(56,790)</u>
Loss for the year	10	<u>(63,205)</u>	<u>(68,249)</u>
Attributable to:			
Equity holders of the Company	12	<u>(63,205)</u>	<u>(68,249)</u>
Basic loss per share			
Loss from continuing and discontinued operations	14	<u>3.3 cents</u>	<u>3.6 cents</u>
Loss from continuing operations	14	<u>3.3 cents</u>	<u>0.6 cents</u>



Consolidated Balance Sheet

At 31 March 2008

	Note	2008 HK\$'000	2007 HK\$'000
Non-current assets			
Property, plant and equipment	15	500	8,070
Goodwill	16	17,571	23,519
Other intangible assets	17	16,359	–
Deferred tax assets	24	–	537
		<u>34,430</u>	<u>32,126</u>
Current assets			
Inventories	19	17	117
Trade receivables	21	5,308	–
Prepayments, deposits and other receivables		9,154	1,334
Due from a shareholder	20	–	112,076
Bank and cash balances	22	44,147	234,894
		<u>58,626</u>	<u>348,421</u>
Current liabilities			
Trade payables	23	231	118
Accruals and other payables		11,178	13,615
		<u>11,409</u>	<u>13,733</u>
Net current assets		<u>47,217</u>	<u>334,688</u>
Total assets less current liabilities		<u>81,647</u>	<u>366,814</u>



Consolidated Balance Sheet

At 31 March 2008

	Note	2008 HK\$'000	2007 HK\$'000
Non-current liabilities			
Deferred tax liabilities	24	<u>1,969</u>	<u>–</u>
		1,969	–
NET ASSETS			
		<u>79,678</u>	<u>366,814</u>
Capital and reserves			
Share capital	25	192,611	192,611
Reserves	26	<u>(113,608)</u>	<u>173,528</u>
Equity attributable to equity holders of the Company		79,003	366,139
Minority interests		<u>675</u>	<u>675</u>
TOTAL EQUITY		<u>79,678</u>	<u>366,814</u>

Approved by the Board of Directors on 26 June 2008

Hidenori Nakai
Director

Wang Kefei
Director



Balance Sheet

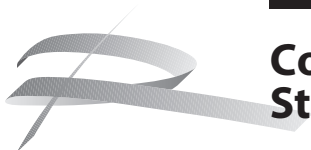
At 31 March 2008

	Note	2008 HK\$'000	2007 HK\$'000
Non-current assets			
Investments in subsidiaries	18	<u>29,707</u>	<u>81,385</u>
Current assets			
Prepayments, deposits and other receivables		132	294
Due from subsidiaries	20	29,758	24,530
Due from a shareholder		–	112,076
Bank and cash balances		<u>28,086</u>	<u>227,022</u>
		<u>57,976</u>	<u>363,922</u>
Current liabilities			
Accruals and other payables		548	3,678
Due to a subsidiary	20	<u>–</u>	<u>49,371</u>
		<u>548</u>	<u>53,049</u>
Net current assets			
		<u>57,428</u>	<u>310,873</u>
NET ASSETS			
		<u><u>87,135</u></u>	<u><u>392,258</u></u>
Capital and reserves			
Share capital	25	192,611	192,611
Reserves	26	<u>(105,476)</u>	<u>199,647</u>
TOTAL EQUITY			
		<u><u>87,135</u></u>	<u><u>392,258</u></u>

Approved by the Board of Directors on 26 June 2008

Hidenori Nakai
Director

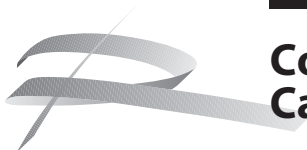
Wang Kefei
Director



Consolidated Statement of Changes in Equity

For the year ended 31 March 2008

	Attributable to equity holders of the Company						Total equity HK\$'000
	Share capital HK\$'000	Share premium account HK\$'000	Exchange reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000	Minority interests HK\$'000	
At 1 April 2006	155,468	148,329	(18,212)	14,175	299,760	675	300,435
Share issue expenses	-	(903)	-	-	(903)	-	(903)
Exchange adjustment on translation of financial statements of overseas subsidiaries	-	-	2,765	-	2,765	-	2,765
Net income recognised directly in equity	-	(903)	2,765	-	1,862	-	1,862
Loss for the year	-	-	-	(68,249)	(68,249)	-	(68,249)
Total recognised income and expense for the year	-	(903)	2,765	(68,249)	(66,387)	-	(66,387)
Issue of shares	37,143	79,857	-	-	117,000	-	117,000
Exchange differences realised upon disposal of subsidiaries (Note 27(c))	-	-	15,766	-	15,766	-	15,766
	<u>37,143</u>	<u>79,857</u>	<u>15,766</u>	<u>-</u>	<u>132,766</u>	<u>-</u>	<u>132,766</u>
At 31 March 2007 and 1 April 2007	192,611	227,283	319	(54,074)	366,139	675	366,814
Exchange adjustment on translation of financial statements of overseas subsidiaries	-	-	3,350	-	3,350	-	3,350
Net income recognised directly in equity	-	-	3,350	-	3,350	-	3,350
Loss for the year	-	-	-	(63,205)	(63,205)	-	(63,205)
Total recognised income and expense for the year	-	-	3,350	(63,205)	(59,855)	-	(59,855)
2007 special dividend paid	-	(227,281)	-	-	(227,281)	-	(227,281)
At 31 March 2008	<u>192,611</u>	<u>2</u>	<u>3,669</u>	<u>(117,279)</u>	<u>79,003</u>	<u>675</u>	<u>79,678</u>



Consolidated Cash Flow Statement

For the year ended 31 March 2008

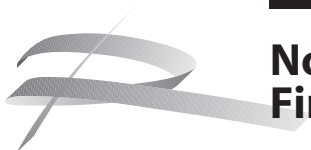
	Note	2008 HK\$'000	2007 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax			
– Continuing operations		(62,795)	(11,445)
– Discontinued operations		–	54,046
		(62,795)	42,601
Adjustments for:			
Amortisation of other intangible assets		1,428	49,023
Depreciation		2,120	4,825
Loss on disposals of property, plant and equipment		3,628	–
Allowance for inventories		103	–
Impairment on goodwill		23,519	–
Impairment on other intangible assets		710	13,346
Impairment on property, plant and equipment		7,181	–
Interest income		(4,976)	(2,026)
Impairment on available-for-sales financial assets		–	4,370
Gain from trading of financial assets		(419)	–
Operating (loss) / profit before working capital changes		(29,501)	112,139
Decrease/(increase) in inventories		6	(5,434)
Decrease/(increase) in trade receivables, prepayments, deposits and other receivables		1,450	(2,307)
(Decrease)/increase in trade payables, accruals and other payables		(4,216)	67,827
Cash generated from operations		(32,261)	172,225
Overseas tax paid		–	(34,315)
Income taxes refunded		11	–
Net cash (used in)/generated from operating activities		(32,250)	137,910
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in bank deposits		(555)	–
Acquisition of subsidiaries	27	(45,753)	(5,662)
Net proceeds from disposal of subsidiaries	27	–	6,887
Interest received		4,976	1,931
Purchases of other intangible assets		–	(127,680)
Purchases of property, plant and equipment		(4,162)	(8,157)
Proceeds from disposals of property, plant and equipment		81	–
Proceeds from trading of financial assets		564	–
Net cash used in investing activities		(44,849)	(132,681)



Consolidated Cash Flow Statement

For the year ended 31 March 2008

	Note	2008 HK\$'000	2007 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid to equity holders of the Company		(115,090)	–
Net proceeds from issuance of shares		–	116,097
Net cash (used in)/generated from financing activities		(115,090)	116,097
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS			
Effect of foreign exchange rate changes		887	1,500
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		234,894	112,068
CASH AND CASH EQUIVALENTS AT 31 MARCH		43,592	234,894
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		44,147	234,894
Restricted bank deposits		(555)	–
		43,592	234,894



Notes to the Financial Statements

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is Unit 501, Lucky Building, 39 Wellington Street, Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The Group is principally engaged in discotheque operation and 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 business of record distribution, music production and digital distribution were disposed of on 31 March 2007.

In the opinion of the directors of the Company, as at 31 March 2008, the Group has no holding company or ultimate controlling party.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 April 2007. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

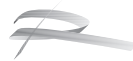
3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.



3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related accumulated exchange reserve.

Inter-company transactions, balances and unrealised profits on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the year between minority and shareholders of the Company. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

In the Company's balance sheet the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Business combination

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.



3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combination *(Continued)*

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses of goodwill are recognised in the consolidated income statement and are not subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

The interests of minority shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

(c) Foreign currency transactions

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.



3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	20% – 50%
Studio equipment	10% – 20%
Office equipment, furniture and fixtures	20% – 25%
Computer equipment	30%
Discotheque equipment	20% – 33%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(e) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments are expensed in the income statement on a straight-line basis over the lease term.

(f) Intangible assets

(i) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 10 years.

(ii) Club debentures

Club debentures are shown at historical cost and have a finite useful life. Club debentures are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost to their residual values over their estimated useful lives of 35 years.

(iii) Customer contract

Customer contract represents the software licence contracts with telecommunication service providers who possess Value-Added Telecommunication Operation Licenses to provide value-added telecommunication services and have established cooperative arrangements with leading communications operators in the PRC. The amount is measured initially at purchase cost and is amortised using the straight-line method over the estimated life of the software licensed of 5 years.



3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Intangible assets *(Continued)*

(iv) Record masters

Record masters mainly represent costs of production for master tapes from which the relevant audio and audio-visual products are released and are stated at accumulated costs incurred in the production, less amortisation and impairment losses, of master tapes of the audio and audio-visual products. The amount recognised as an asset is amortised using the straight-line method over the estimated life of the record performance, with a maximum of 2 years.

(g) Discontinued operations

A discontinued operation is a component of the Group, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale in accordance with HKFRS5, if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

- The post-tax profit or loss of the discontinued operation; and
- The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(h) Inventories

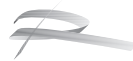
Inventories represent merchandise and are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods comprises purchase cost. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(i) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the income statement.



3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement within other operating expenses.

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(k) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include cash in hand and deposits held at call with banks.

(l) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(m) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(o) Revenue recognition

- (i) Revenue from operation of discotheque, including sales of food and beverages, is recognised when the service is rendered.
- (ii) Licensing of software income generated from the licensing of content and technology for use in connection with the provision of value-added telecommunication services is recognised on an accruals basis in accordance with the substance of the relevant agreements.
- (iii) Revenue from record production and distribution and digital distribution is recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivable is reasonably assured.
- (iv) Revenue from music production services is recognised when the service is rendered.
- (v) Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.



3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(q) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition other than in a business combination of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.



3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Taxation *(Continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(r) Related parties

A party is related to the Group if:

- (i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;
- (ii) the party is an associate;
- (iii) the party is a joint venture;
- (iv) the party is a member of the key management personnel of the Company or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(s) Segment reporting

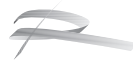
A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

(t) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, deferred tax assets, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.



3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Impairment of assets *(Continued)*

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(v) Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the financial statements when material.

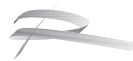
4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Useful life of other intangible assets

The Group determines the estimated useful lives and related amortisation charges for the Group's other intangible assets. This estimate is based on the historical experience of the actual useful lives of other intangible assets of similar nature and functions. The Group will revise the amortisation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.



4. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(b) *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the balance sheet date was HK\$17,571,000 after an impairment loss of HK\$23,519,000 was recognised during the year. Details of the impairment loss calculation are provided in note 16 to financial statements.

(c) *Impairment loss for bad and doubtful debts*

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

5. FINANCIAL RISK MANAGEMENT

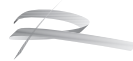
Risk management is carried out by the Group's Treasury function. The Group adopts a conservative and balanced treasury policy which focuses on the financial risks factor as below and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign exchange risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars, United States dollars and Japanese Yen, which are not the functional currencies of the companies comprising the Group. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 March 2008, if the US dollar had weakened 1 per cent against the Hong Kong dollar with all other variables held constant, consolidated loss after tax for the year would have been HK\$202,000 (2007: HK\$411,000) higher, arising mainly as a result of the foreign exchange loss on bank deposits and bank balance denominated in US dollar. If the US dollar had strengthened 1 per cent against the Hong Kong dollar with all other variables held constant, consolidated loss after tax for the year would have been HK\$202,000 (2007: HK\$411,000) lower, arising mainly as a result of the foreign exchange gain on bank deposits and bank balance denominated in US dollar.

At 31 March 2008, if the Japanese Yen had weakened 5 per cent against the Hong Kong dollar with all other variables held constant, consolidated loss after tax for the year would have been HK\$1,700 (2007: HK\$9,234,000) higher, arising mainly as a result of the foreign exchange loss on bank deposits and bank balance denominated in Japanese Yen. If the Japanese Yen had strengthened 5 per cent against the Hong Kong dollar with all other variables held constant, consolidated loss after tax for the year would have been HK\$1,700 (2007: HK\$9,234,000) lower, arising mainly as a result of the foreign exchange gain on bank deposits and bank balance denominated in Japanese Yen.



5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk

The maximum exposure of credit risks arises from bank and cash balances, bank deposits and credit exposures to outstanding trade receivables and other receivables.

The credit risk on cash and bank balances is limited because the counter parties are banks with high credit-ratings assigned by international credit-rating agencies.

For outstanding receivables, the Group has significant concentration of credit risk as majority of trade receivables and other receivables are due from two major customers of one of the subsidiary – AnyMusic Limited (“AnyMusic”).

Pursuant to the contracts between AnyMusic and the two major customers, AnyMusic licenses its technology to these customers which they use for their digital content distribution businesses. In return, AnyMusic is entitled to a specified percentage of the revenue generated by these customers, which percentage is negotiated between the parties based on existing market conditions when the contracts are renewed annually.

Since there is no independent rating on these two customers, the credit risk is controlled by assessing the credit quality of the customers taking into account their repayment history, past experience and other factors. Given the constant repayment history, the directors are of the opinion that the risk of default by these customers is low.

(c) Interest rate risk

The Group’s exposure to interest-rate risk arises from its bank deposits. These deposits bear interests at variable rates varied with the then prevailing market condition.

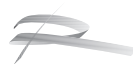
At 31 March 2008, if interest rates at that date had been 100 basis points lower with all other variables held constant, consolidated loss after tax for the year would have been HK\$212,000 (2007: HK\$114,000) higher, arising mainly as a result of lower interest income on bank deposits. If interest rates had been 100 basis points higher, with all other variables held constant, consolidated loss after tax for the year would have been HK\$212,000 (2007: HK\$114,000) lower, arising mainly as a result of higher interest income on bank deposits.

(d) Liquidity risk

The Group adopts a prudent liquidity risk management policy to maintain sufficient cash to fund its operations.

(e) Fair values

The carrying amounts of the Group’s financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair value.



6. TURNOVER

The Group's turnover represents record production and distribution, music production, digital distribution, discotheque income and licensing of software income. The businesses in record production and distribution, music production and digital distribution are disposed of on 31 March 2007. The Group's turnover is as follows:

	2008 HK\$'000	2007 HK\$'000
Turnover		
Continuing operations		
Discotheque income	5,010	11,860
Licensing of software income	1,667	–
	6,677	11,860
Discontinued operations (note 27(c)(i))		
Record production and distribution income	–	502,570
Digital distribution income	–	7,094
Music production income	–	1,219
Others	–	1,839
	–	512,722
	6,677	524,582

7. OTHER INCOME

	2008 HK\$'000	2007 HK\$'000
Continuing operations		
Interest income	4,976	1,990
Gain from trading of financial assets	419	–
Net foreign exchange gain	–	1,211
Sundry income	374	–
	5,769	3,201
Discontinued operations (note 27(c)(i))		
Interest income	–	36
	5,769	3,237



8. SEGMENT INFORMATION

Primary reporting format – business segments

The Group is organised into the following main business segments:

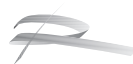
Discotheque	–	operations of discotheque
Licensing of software	–	development and licensing of software and technology for use in connection with the provision of value added telecommunication services
Record production and distribution	–	producing and distributing records and audio-visual products under its own labels and records containing master sound recordings which have been licensed from third parties (discontinued on 31 March 2007)
Digital distribution	–	production and provision of digital entertainment content through multi-media platforms such as internet, mobile phones and other digital media (discontinued on 31 March 2007)
Music production	–	provision of encompassing producer services, master tape recordings, mixing services, re-mixing services, arranging services and advisory services in respect of selection of songs for records production (discontinued on 31 March 2007)
Others	–	mainly includes music publishing, event management and merchandise sales (discontinued on 31 March 2007)

For the year ended 31 March 2007, the Group's inter-segment transactions mainly consist of record production and distribution and music production between subsidiaries. The transactions were entered into on terms similar to those with independent third parties and were eliminated on consolidation. Unallocated (costs)/income represent corporate (expenses)/income.

Segment assets consist primarily of property, plant and equipment, goodwill, other intangible assets, inventories, receivables and operating cash. They exclude deferred tax assets and available-for-sale investments and cash and cash equivalents held by corporate office for general working capital purpose.

Segment liabilities comprise operating liabilities and exclude items such as current tax liabilities and deferred tax liabilities.

Capital expenditure comprises additions to property, plant and equipment (note 15) and other intangible assets (note 17).

8. SEGMENT INFORMATION *(Continued)***Primary reporting format – business segments** *(Continued)*

The segment results and capital expenditure and other segment items of the Group's continuing operations for the year then ended 31 March 2008 and segment assets and liabilities of the Group's continuing operations at 31 March 2008 are as follows:

	Discotheque HK\$'000	Licensing of software HK\$'000	Total HK\$'000
Turnover			
External sales	5,010	1,667	6,677
Inter-segment sales	–	–	–
Total	<u>5,010</u>	<u>1,667</u>	<u>6,677</u>
Segment results	<u>(31,368)</u>	<u>(167)</u>	<u>(31,535)</u>
Other income			5,769
Unallocated corporate expense			<u>(37,029)</u>
Loss before tax			<u>(62,795)</u>
Income tax expense			<u>(410)</u>
Loss for the year			<u>(63,205)</u>
Segment assets	<u>4,434</u>	<u>57,207</u>	61,641
Unallocated corporate assets			<u>31,415</u>
Total assets			<u>93,056</u>
Segment liabilities	<u>(9,638)</u>	<u>(538)</u>	<u>(10,176)</u>
Unallocated corporate liabilities			<u>(3,202)</u>
Total liabilities			<u>(13,378)</u>
Capital expenditure	<u>4,162</u>	<u>–</u>	<u>4,162</u>
Impairment on goodwill recognised in income statement	<u>23,519</u>	<u>–</u>	<u>23,519</u>
Impairment on other intangible assets	<u>–</u>	<u>710</u>	<u>710</u>
Amortisation of other intangible assets	<u>–</u>	<u>1,428</u>	<u>1,428</u>
Write down of inventories	<u>103</u>	<u>–</u>	<u>103</u>
Impairment on property, plant and equipment	<u>7,181</u>	<u>–</u>	<u>7,181</u>
Depreciation	<u>1,988</u>	<u>110</u>	<u>2,098</u>
Unallocated corporate depreciation			<u>22</u>
			<u>2,120</u>



8. SEGMENT INFORMATION (Continued)

The segment results and capital expenditure and other segment items for the year then ended 31 March 2007 and segment assets and liabilities at 31 March 2007 are as follows:

	Discontinued operations						Continuing operations	Total
	Record production and distribution HK\$'000	Digital distribution HK\$'000	Music production HK\$'000	Others HK\$'000	Elimination HK\$'000	Sub-total HK\$'000	Discotheque HK\$'000	Total HK\$'000
Turnover								
External sales	502,570	7,094	1,219	1,839	-	512,722	11,860	524,582
Inter-segment sales	12	-	-	-	(12)	-	-	-
Total	<u>502,582</u>	<u>7,094</u>	<u>1,219</u>	<u>1,839</u>	<u>(12)</u>	<u>512,722</u>	<u>11,860</u>	<u>524,582</u>
Segment results	<u>59,586</u>	<u>902</u>	<u>155</u>	<u>1,838</u>	<u>-</u>	<u>62,481</u>	<u>(1,658)</u>	60,823
Other income								2,026
Unallocated corporate expense								<u>(20,248)</u>
Profit before tax								42,601
Income tax expense								<u>(82,428)</u>
Loss on disposal of a discontinued operation, net of tax								<u>(28,422)</u>
Loss for the year								<u>(68,249)</u>
Segment assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,931</u>	39,931
Unallocated corporate assets								<u>340,616</u>
Total assets								<u>380,547</u>
Segment liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,426)</u>	(9,426)
Unallocated corporate liabilities								<u>(4,307)</u>
Total liabilities								<u>(13,733)</u>
Impairment on trade receivables	<u>115</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115</u>	<u>-</u>	115
Capital expenditure	<u>129,947</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,947</u>	<u>5,890</u>	<u>135,837</u>
Amortisation of other intangible assets	<u>49,023</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,023</u>	<u>-</u>	<u>49,023</u>
Impairment on other intangible assets	<u>13,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,346</u>	<u>-</u>	<u>13,346</u>
Impairment on available-for-sale financial assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,370</u>	<u>-</u>	<u>4,370</u>	<u>-</u>	<u>4,370</u>
Write down of inventories	<u>12,922</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,922</u>	<u>-</u>	<u>12,922</u>
Depreciation	<u>4,140</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,140</u>	<u>659</u>	<u>4,799</u>
Unallocated corporate depreciation								<u>26</u>
								<u>4,825</u>

8. SEGMENT INFORMATION *(Continued)***Secondary reporting format – geographical segments**

For the year ended 31 March 2008, all the Group's revenue and assets are derived from customers and operations based in the PRC and accordingly, no further analysis of the Group's geographical segments is disclosed.

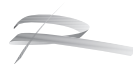
For the year ended 31 March 2007, the Group operate in two main geographical areas:

Japan – record production and distribution, digital distribution and music production

The PRC – operations of discotheque

	Turnover <i>HK\$'000</i>	Segment assets <i>HK\$'000</i>	Capital expenditure <i>HK\$'000</i>
Continuing operations			
The PRC	11,860	39,931	5,890
Discontinued operations			
Japan	<u>512,722</u>	<u>–</u>	<u>129,947</u>
	<u>524,582</u>	39,931	<u>135,837</u>
Unallocated corporate assets		<u>340,616</u>	
Total assets		<u>380,547</u>	

There are no sales or other transactions between the geographical segments.



9. INCOME TAX EXPENSE

	2008 HK\$'000	2007 HK\$'000
Current tax – PRC taxation		
Provision for the year	–	–
(Over)/under-provision in prior years	<u>(11)</u>	<u>14</u>
	<u>(11)</u>	<u>14</u>
Current tax – Japanese corporation income tax		
Provision for the year	–	34,917
Under-provision in prior years	<u>–</u>	<u>659</u>
	<u>–</u>	<u>35,576</u>
Deferred tax (note 24)	<u>421</u>	<u>46,838</u>
	<u>410</u>	<u>82,428</u>
Representing:		
Continuing operations	<u>410</u>	14
Discontinued operations (note 27(c)(i))	<u>–</u>	<u>82,414</u>
	<u>410</u>	<u>82,428</u>

(i) No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries in Hong Kong have no assessable profits for the year (2007: Nil).

(ii) PRC Enterprise Income Tax

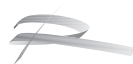
In accordance with the relevant PRC income tax laws and regulations, the applicable PRC Enterprise Income Tax ("EIT") rates of the Company's subsidiaries are as follows:

(a) AnyMusic Limited ("AnyMusic")

AnyMusic is a foreign investment enterprise established in Shenzhen with the applicable tax rate at 15%. According to certificate issued by the Shenzhen Bureau of Science and Information Technology, AnyMusic is accredited at a High-Tech Enterprise. Pursuant to an approval from the Shenzhen State Tax Bureau on 9 July 2004, AnyMusic, 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 EIT rate for the next eight years.

(b) Shanghai Rojam Entertainment Company Limited ("Shanghai Rojam")

Shanghai Rojam is a foreign cooperative joint venture company established in Shanghai with the applicable tax rate at 15%.

**9. INCOME TAX EXPENSE** *(Continued)*

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	2008 HK\$'000	2007 HK\$'000
(Loss)/ profit before income tax	<u>(62,795)</u>	<u>42,601</u>
Calculated at a taxation rate of 17.5% (2007: 17.5%)	(10,989)	7,455
Effect of different taxation rates in other countries	(2,283)	12,917
Income not subject to taxation	(803)	(1,099)
Expenses not deductible for taxation purposes	13,547	4,808
Tax losses not recognised (<i>note 24</i>)	949	16
(Over)/under-provision in prior year	(11)	673
Deferred tax arising from temporary difference (<i>note 27(c)(iv)</i>)	<u>-</u>	<u>57,658</u>
Income tax expense	<u>410</u>	<u>82,428</u>

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 enterprise income tax 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 enterprise income tax rate from 15% or 24% to 25% over five years for grandfathering of incentives for enterprise incorporated in the PRC before 16 March 2007.



10. LOSS FOR THE YEAR – CONTINUING OPERATIONS

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

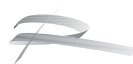
	2008 HK\$'000	2007 HK\$'000
Amortisation of other intangible assets (included in other operating expenses)	1,428	–
Depreciation	2,120	685
Loss on disposals of property, plant and equipment	3,628	–
Operating lease charges on land and buildings	5,556	4,163
Auditors' remuneration	632	3,510
Cost of inventories sold	1,334	2,234
Allowance for inventories	103	–
Impairment on goodwill (included in other operating expenses)	23,519	–
Impairment on other intangible assets (included in other operating expenses)	710	–
Impairment on property, plant and equipment (included in other operating expenses)	7,181	–
Staff costs excluding directors' emoluments		
Wages and salaries	3,236	5,124
Social security costs	160	60
Pension costs – defined contribution plans	68	196
	3,464	5,380



11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director for the year ended 31 March 2008 were as follows:

	Fees HK\$'000	Salaries and allowances HK\$'000	Employer's contribution to pension scheme HK\$'000	Total HK\$'000
<i>Executive Directors</i>				
Takeyasu Hashizume	-	-	-	-
Etsuro Tojo (note (c))	-	864	-	864
Etsuko Hoshiyama (note (c))	-	663	8	671
Hiroshige Tonomura (note (e))	-	-	-	-
Wang Kefei (note (f))	-	523	-	523
Tetsuo Mori (note (g))	-	-	-	-
Cheng Kit Sum, Clara (note (c), (d))	-	466	7	473
Osamu Nagashima (note (a))	-	-	-	-
Mitsuo Sakauchi (note (a))	-	-	-	-
Yukitsugu Shimizu (note (a))	-	-	-	-
Hiroshi Osaki (note (b))	-	-	-	-
	<u>-</u>	<u>2,516</u>	<u>15</u>	<u>2,531</u>
<i>Independent Non-Executive Directors</i>				
Seiichi Nakaoda	85	-	-	85
Kwong Pui Kei	85	-	-	85
Law Kar Ping (note (h))	85	-	-	85
	<u>255</u>	<u>-</u>	<u>-</u>	<u>255</u>
	<u>255</u>	<u>2,516</u>	<u>15</u>	<u>2,786</u>

**11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS** *(Continued)*

The emoluments of each director for the year ended 31 March 2007 were as follows:

	Fees <i>HK\$'000</i>	Salaries and allowances <i>HK\$'000</i>	Employer's contribution to pension scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Executive Directors</i>				
Takeyasu Hashizume	–	966	–	966
Tetsuo Mori	–	106	–	106
Osamu Nagashima	–	212	6	218
Mitsuo Sakauchi	–	16	–	16
Arihito Yamada <i>(note (i))</i>	–	373	–	373
Hiroshi Osaki	–	201	–	201
Yukitsugu Shimizu	–	–	–	–
	<u>–</u>	<u>1,874</u>	<u>6</u>	<u>1,880</u>
<i>Independent Non-Executive Directors</i>				
Seiichi Nakaoda	120	–	–	120
Kwong Pui Kei	120	–	–	120
Law Kar Ping	120	–	–	120
	<u>360</u>	<u>–</u>	<u>–</u>	<u>360</u>
	<u>360</u>	<u>1,874</u>	<u>6</u>	<u>2,240</u>

- (a) Resigned on 25 July 2007
- (b) Resigned on 20 September 2007
- (c) Appointed on 25 July 2007
- (d) Resigned on 28 January 2008
- (e) Appointed on 20 September 2007
- (f) Appointed on 13 December 2007
- (g) Resigned on 10 April 2008
- (h) Resigned on 1 May 2008
- (i) Resigned on 26 June 2006

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

**11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS** *(Continued)*

The five highest paid individuals in the Group during the year included four (2007: one) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining one (2007: four) individual is set out below:

	2008 HK\$'000	2007 HK\$'000
Salaries, allowances and benefit in kind	414	4,039
Pension costs – defined contribution plans	12	120
	426	4,159

The emoluments fell within the following bands:

	Number of individuals	
	2008	2007
Nil to HK\$1,000,000	1	2
HK\$1,000,001 – HK\$1,500,000	Nil	2

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. LOSS / PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss/profit for the year attributable to equity holders of the Company included a loss of approximately HK\$77,842,000 (2007: profit of HK\$113,150,000) which has been dealt with in the financial statements of the Company.

13. DIVIDENDS

	2008 HK\$'000	2007 HK\$'000
Special dividend of 11.8 HK cents per ordinary share	-	227,281

The Board does not recommend the payment of any dividend for the year ended 31 March 2008.

A special dividend in respect of the year ended 31 March 2007 of 11.8 HK cents per share, amounting to a total dividend of HK\$227,281,000 was approved at the extraordinary general meeting on 30 May 2007.



14. BASIC LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighed average number of ordinary shares in issue during the year.

	2008	2007
Continuing operations		
Loss attributable to equity holders of the Company (HK\$'000)	<u>63,205</u>	<u>11,459</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,926,114</u>	<u>1,870,145</u>
Basic loss per share (HK cents per share)	<u>3.3</u>	<u>0.6</u>
Discontinued operations		
Loss attributable to equity holders of the Company (HK\$'000)	<u>N/A</u>	<u>56,790</u>
Weighted average number of ordinary shares in issue (thousands)	<u>N/A</u>	<u>1,870,145</u>
Basic loss per share (HK cents per share)	<u>N/A</u>	<u>3.0</u>
Total		
Loss attributable to equity holders of the Company (HK\$'000)	<u>63,205</u>	<u>68,249</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,926,114</u>	<u>1,870,145</u>
Basic loss per share (HK cents per share)	<u>3.3</u>	<u>3.6</u>

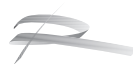
There were no dilutive potential ordinary shares during the years ended 31 March 2008 and 2007.



15. PROPERTY, PLANT AND EQUIPMENT

	Group					
	Leasehold improvements	Studio equipment	Office equipment, furniture and fixtures	Computer equipment	Discotheque equipment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost						
At 1 April 2006	16,896	26,922	1,827	1,953	6,302	53,900
Additions	1,372	536	1	371	5,877	8,157
Acquisition of subsidiaries (note 27(b))	–	103	16	16	–	135
Disposal of subsidiaries (note 27(c))	(18,400)	(27,965)	(1,699)	(2,199)	–	(50,263)
Exchange differences	254	404	25	28	265	976
At 31 March 2007 and 1 April 2007	122	–	170	169	12,444	12,905
Additions	48	–	–	–	4,114	4,162
Acquisition of subsidiaries (note 27(a))	–	–	16	518	–	534
Disposals	(122)	–	–	(21)	(8,781)	(8,924)
Exchange differences	–	–	1	33	1,248	1,282
At 31 March 2008	48	–	187	699	9,025	9,959
Accumulated depreciation and impairment						
At 1 April 2006	15,922	17,983	1,387	1,454	3,548	40,294
Charge for the year for continuing operations	–	–	24	2	659	685
Charge for the year for discontinued operations	1,143	2,569	137	291	–	4,140
Disposal of subsidiaries (note 27(c))	(17,183)	(20,821)	(1,416)	(1,609)	–	(41,029)
Exchange differences	240	269	19	19	198	745
At 31 March 2006 and 1 April 2007	122	–	151	157	4,405	4,835
Charge for the year	2	–	20	110	1,988	2,120
Disposals	(122)	–	–	(13)	(5,080)	(5,215)
Impairment loss	–	–	–	–	7,181	7,181
Exchange differences	–	–	1	6	531	538
At 31 March 2008	2	–	172	260	9,025	9,459
Carrying amount						
At 31 March 2008	46	–	15	439	–	500
At 31 March 2007	–	–	19	12	8,039	8,070

Due to the poor operating results of the discotheque operation, the management estimates that the discotheque equipment will not generate economic benefits to the Group in the future. Therefore full impairment loss of HK\$7,181,000 on discotheque equipment has been recognised during the year ended 31 March 2008.



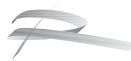
16. GOODWILL

	Group <i>HK'000</i>
Cost	
At 1 April 2006	129,653
Arising on acquisition of subsidiaries (<i>note 27(b)</i>)	4,488
Disposal of subsidiaries (<i>note 27(c)</i>)	<u>(110,622)</u>
At 31 March 2007 and 1 April 2007	23,519
Arising on acquisition of a subsidiary (<i>note 27(a)</i>)	16,485
Exchange difference	<u>1,086</u>
At 31 March 2008	<u>41,090</u>
Accumulated impairment losses	
At 1 April 2006, 31 March 2007 and 1 April 2007	–
Impairment loss recognised in the year	<u>23,519</u>
At 31 March 2008	<u>23,519</u>
Carrying amount	
At 31 March 2008	<u><u>17,571</u></u>
At 31 March 2007	<u><u>23,519</u></u>

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") identified according to the business segment that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Discotheque operation		
– Shanghai Rojam	–	23,519
Licensing of software		
– AnyMusic	<u>17,571</u>	–
	<u><u>17,571</u></u>	<u><u>23,519</u></u>

The impairment loss recognised during the year solely relates to the Group's discotheque operation.



16. GOODWILL *(Continued)*

Licensing of software operation – AnyMusic

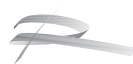
The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 8%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's licensing of software operation is 19.6%.

Discotheque operation – Shanghai Rojam

The goodwill associated with Shanghai Rojam arose when the business was acquired by the Group in 2002. From financial year 2002 to 2007, Shanghai Rojam only operate Rojam Disco. At the date of acquisition of Shanghai Rojam by the Group, Shanghai Rojam operated one disco in Shanghai, the PRC (the "Rojam Disco"). Due to change in market condition, the Group revised its business plan and ceased operations of Rojam Disco on 24 December 2007. The goodwill allocated has therefore fully impaired during the year.



17. OTHER INTANGIBLE ASSETS

	Group				
	Record masters	Computer software	Club debentures	Customer contracts	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost					
At 1 April 2006	123,021	–	–	–	123,021
Acquired of a subsidiary (note 27(b))	18	–	–	–	18
Additions	127,680	–	–	–	127,680
Exchange differences	1,864	–	–	–	1,864
Disposal of subsidiaries (note 27(c))	(252,583)	–	–	–	(252,583)
At 31 March 2007 and 1 April 2007	–	–	–	–	–
Acquired of a subsidiary (note 27(a))	–	34	527	16,907	17,468
Exchange difference	–	2	35	1,113	1,150
At 31 March 2008	–	36	562	18,020	18,618
Accumulated amortisation and impairment loss					
At 1 April 2006	67,900	–	–	–	67,900
Amortisation expense for discontinued operations	49,023	–	–	–	49,023
Impairment expenses for discontinued operations	13,346	–	–	–	13,346
Disposal of subsidiaries (note 27(c))	(131,298)	–	–	–	(131,298)
Exchange differences	1,029	–	–	–	1,029
At 31 March 2007 and 1 April 2007	–	–	–	–	–
Amortisation for the year	–	1	6	1,421	1,428
Impairment loss	–	–	–	710	710
Exchange difference	–	–	–	121	121
At 31 March 2008	–	1	6	2,252	2,259
Carrying amount					
At 31 March 2008	–	35	556	15,768	16,359
At 31 March 2007	–	–	–	–	–

**17. OTHER INTANGIBLE ASSETS** *(Continued)***Computer software**

Computer software represents acquired computer software licenses that are used in the operation of provision of value added telecommunication services. As at 31 March 2008, the computer software has a remaining amortisation period of 6 years.

Club debenture

Club debenture represents acquired membership in a golf club. As at 31 March 2008, the club debenture has a remaining amortisation period of 33 years.

Customer contracts

Customer contract represents the software licence contracts with telecommunication service providers who possess Value-Added Telecommunication Operation Licenses to provide value-added telecommunication services and have established cooperative arrangements with leading communications operators in the PRC. As at 31 March 2008, the customer contracts have a remaining amortisation period of 4.6 years.

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2008	2007
	HK\$'000	HK\$'000
Unlisted investments, at cost	81,485	81,485
Less: Impairment losses	(51,778)	(100)
	<u>29,707</u>	<u>81,385</u>

Particulars of the subsidiaries as at 31 March 2008 are as follows:

Name	Country/place and date of incorporation/ establishment and kind of legal entity	Issued and fully paid up share capital/ registered capital	Attributable equity interest		Principal activities and place of operation
			Direct	Indirect	
Rojam Entertainment Limited	Hong Kong, 5 November 1997, limited liability company	100,001 ordinary shares of HK\$1 each	100%	–	Intellectual property holding and provision of general administration and management services to group companies in Hong Kong and the PRC.
Rojam Investment Limited	The British Virgin Islands, 15 November 2000, limited liability company	1 registered share of US\$1	100%	–	Investment holding in the PRC.



18. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Country/place and date of incorporation/ establishment and kind of legal entity	Issued and fully paid up share capital/ registered capital	Attributable equity interest		Principal activities and place of operation
			Direct	Indirect	
Shanghai Rojam Entertainment Company Limited ("Shanghai Rojam") (Note)	The PRC, 13 November 1993 limited liability company	Registered capital of US\$1,000,000	–	90%	Operation of discotheque business in the PRC.
AnyMusic Limited ("AnyMusic")	The PRC, 24 December 2002, limited liability company	Registered capital of US\$3,620,000	–	100%	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.

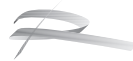
Note:

On 18 September 2002, the Group entered into a Chinese-foreign cooperative joint venture contract with the minority shareholder of Shanghai Rojam. By virtue of the said contract, the minority shareholder has agreed to accept a pre-fixed amount as its return on investment and services rendered, whereas the Group will be entitled to/responsible for any or all operating profit or loss. The pre-fixed amount paid or payable to the minority shareholder is recognised as management fee paid or payable to the minority shareholder in the consolidated income statement.

According to the terms of the said contract, the minority shareholder is entitled to a pre-fixed amount of RMB600,000 for the year ended 31 December 2002, and of RMB500,000 per annum from the year beginning 1 January 2003. Such amount covers payment for management services rendered by the minority shareholder and is subject to further negotiation should the business encounter significant changes.

19. INVENTORIES

	Group	
	2008	2007
	HK\$'000	HK\$'000
Merchandise	17	117



20. AMOUNTS DUE FROM/(TO) SUBSIDIARIES AND A SHAREHOLDER

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment. As at 31 March 2008, an allowance was made for estimated irrecoverable amount due from subsidiaries of approximately HK\$92,117,000 (2007: HK\$67,533,000).

The amount due from a shareholder represents inter-company receivables assigned to a shareholder under the disposal arrangement (note 27(c)). The balance is unsecured and repayable on 31 May 2007. Except for a balance of HK\$81,385,000 which bears interest at 5.38% per annum, the amount due is interest-free. This amount is settled during the year.

21. TRADE RECEIVABLES

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

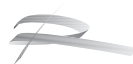
The ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	Group	
	2008	2007
	HK\$'000	HK\$'000
0 – 30 days	1,566	–
31 – 90 days	93	–
91 – 180 days	218	–
181 – 365 days	540	–
Over 1 year	2,891	–
	5,308	–

The trade receivables are denominated in Renminbi, which is the functional currency of the operating subsidiary.

As of 31 March 2008, trade receivables of HK\$3,742,000 (2007: Nil) were past due but not impaired. These relate to two independent customers that have a good repayment history with the Group. Base 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:

	Group	
	2008	2007
	HK\$'000	HK\$'000
31 – 90 days	93	–
91 – 180 days	218	–
Over 180 days	3,431	–
	3,742	–



22. BANK AND CASH BALANCES

As at 31 March 2008, bank and cash balances of the Group are denominated in the following currencies:

	2008 HK\$'000	2007 HK\$'000
Hong Kong Dollars	10,155	1,578
Renminbi	13,499	7,566
US Dollars	20,201	41,074
Japanese Yen	34	184,676
New Taiwan Dollar	258	–
	44,147	234,894

Conversion of Renminbi into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

As at 31 March 2008, deposit in a bank account in the PRC amounted to RMB500,000 equivalent to HK\$555,000 (2007: Nil) was restricted for use.

23. TRADE PAYABLES

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

	Group 2008 HK\$'000	2007 HK\$'000
0 to 90 days	231	118



24. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group.

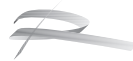
	Decelerated tax depreciation <i>HK\$'000</i>	Other intangible assets <i>HK\$'000</i>	Provision <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2006	474	268	8,254	–	3,060	12,056
Exchange differences	7	4	140	–	46	197
Acquisition of subsidiaries (note 27(b))	–	–	–	47	–	47
Credit/(charged) to consolidated income statement for discontinued operation	513	2,366	7,908	(47)	(57,578)	(46,838)
Disposal of subsidiaries (note 27(c))	(994)	(2,638)	(15,765)	–	54,472	35,075
At 31 March 2006 and 1 April 2007	–	–	537	–	–	537
Exchange difference	–	(157)	71	–	–	(86)
Credit/(charge) to income statement for the year (note 9)	–	187	(608)	–	–	(421)
Acquisition of a subsidiary (note 27(a))	–	(1,999)	–	–	–	(1,999)
At 31 March 2008	–	(1,969)	–	–	–	(1,969)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income tax relate to the same fiscal authority.

At the balance sheet date the Group has unused tax losses of HK\$26,335,000 (2007: HK\$15,772,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses (2007: Nil) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$4,269,000 and HK\$870,000 (2007: Nil) that will expire in 2009 and 2012 respectively. Other tax losses may be carried forward indefinitely.

25. SHARE CAPITAL

	<i>Note</i>	Number of Shares	Amount <i>HK\$'000</i>
<i>Authorised:</i>			
Ordinary shares of HK\$0.1 (2007: HK\$0.1) each			
At 1 April 2006, 31 March 2007 and 31 March 2008		5,000,000,000	500,000
<i>Issued and fully paid:</i>			
Ordinary shares of HK\$0.1 (2007: HK\$0.1) each			
At 1 April 2006		1,554,684,403	155,468
Issue of new shares	(a)	371,430,000	37,143
At 31 March 2007 and 2008		1,926,114,403	192,611



25. SHARE CAPITAL *(Continued)*

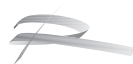
Notes:

- (a) On 18 April 2006, the Company entered into an agreement ("Subscription Agreement") with Yoshimoto Fandango Co., Ltd. ("Fandango", formerly known as Fandango, Inc.), a shareholder, whereby Fandango subscribed for 371,430,000 new shares ("Subscription Shares") of the Company at HK\$0.315 per share (the "Subscription"). The aggregate subscription price for the Subscription Shares was approximately HK\$117 million, which was settled in cash upon completion of the Subscription. The Subscription Shares ranked, when fully paid and issued, *pari passu* in all respects with the existing issued shares. The net proceeds of the Subscription would be applied towards the Group's future investment in entertainment related projects, other potential investments and the general working capital of the Group as thought fit by the Directors for such purposes. The ordinary resolution in relation to the Subscription was passed by the independent shareholders on 22 May 2006 and the Subscription was completed on 25 May 2006.
- (b) The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, return capital to shareholders and issue new shares.

The Group monitors capital by maintaining a net cash position throughout the year.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 18.20% of its shares. The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 18.20% limit throughout the year. As at 31 March 2008, 25.66% (2007: 25.46%) of the shares were in public hands.



26. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

(b) Company

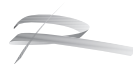
	Share premium account <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2006	148,329	(140,786)	7,543
Issue of shares	79,857	–	79,857
Share issue expenses	(903)	–	(903)
Profit for the year	–	113,150	113,150
At 31 March 2007 and at 1 April 2007	227,283	(27,636)	199,647
Loss for the year	–	(77,842)	(77,842)
2007 special dividend paid	(227,281)	–	(227,281)
At 31 March 2008	<u>2</u>	<u>(105,478)</u>	<u>(105,476)</u>

(c) Nature and purpose of reserves*(i) Share premium account*

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(c) to the financial statements.



27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of a subsidiary – AnyMusic

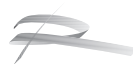
On 4 September 2007, Rojam Entertainment Limited, a wholly-owned subsidiary of the Group entered into a conditional Sale and Purchase Agreement with a shareholder of the Company, Faith, Inc. to acquire the entire issued capital of AnyMusic for a cash consideration of JPY700,000,000 equivalent to HK\$47,916,000. AnyMusic was 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 year. This transaction constitutes a connected transaction for the Company under the GEM Listing Rules and the details are included in the circular of the Company dated 27 September 2007. The transaction was completed on 31 October 2007.

The net assets acquired in the transaction and the goodwill arising are as follows:

	Carrying amount	Fair value
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	534	534
Other intangible assets	562	17,468
Trade receivables	6,300	6,300
Prepayments, deposits and other receivables	7,517	7,517
Bank and cash balances	7,242	7,242
Trade and other payables	(552)	(552)
Deferred tax liabilities	(799)	(799) [#]
		37,710
Goodwill		16,485
Less: Recognition of deferred tax liabilities on business combination		(1,200) [#]
Satisfied by:		
Cash		<u>52,995[*]</u>
Net cash outflow arising on acquisition:		
Cash consideration paid		(52,995)
Cash and cash equivalents acquired		<u>7,242</u>
		<u>(45,753)</u>

* Including professional fees of HK\$5,079,000 directly attributable to the business combination.

[#] Total deferred tax liabilities arising from the acquisition of AnyMusic amounted to HK\$1,999,000 (Note 24).



27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(a) Acquisition of a subsidiary – AnyMusic (Continued)

The goodwill arising on the acquisition of AnyMusic is attributable to the anticipated profitability of the licensing of software operation and the anticipated future operating synergies from the combination.

AnyMusic contributed approximately HK\$1,667,000 to the Group's turnover and approximately profit of HK\$274,000 to the Group's loss before income tax, for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 April 2007, total Group turnover for the year would have been HK\$8,868,000, and loss for the year would have been HK\$62,853,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2007, nor is intended to be a projection of future results.

(b) Acquisition of subsidiaries – Karinto and Jacobetty

On 8 June 2006, Yoshimoto R and C Co., Ltd. (formerly known as R and C Ltd, "R&C", a wholly-owned subsidiary of the Company and has been disposed of on 31 March 2007 (note 27(c)), entered into agreements with independent third parties, collectively the "Sellers", to acquire from the Sellers 100% equity interests in KARINTO FACTORY INC. ("Karinto") and Jacobetty Inc. ("Jacobetty"), together the "Investee Companies". The purchase considerations for the acquisition of Karinto and Jacobetty are JPY74.8 million (approximately HK\$5.1 million) and JPY15 million (approximately HK\$1 million) respectively, and were settled in cash. The Investee Companies are principally engaged in master-tape production and records promotion, master-tape right licensing, as well as music copyright management in Japan. The transaction was completed on 12 June 2006. The Investee Companies are subsequently disposed of on 31 March 2007 (Note 27(c)).

	Karinto	Jacobetty	
	Carrying amount and fair value	Carrying amount and fair value	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other intangible assets	18	–	
Property, plant and equipment	135	–	
Deferred tax assets	47	–	
Inventories	94	–	
Trade receivables	971	206	
Prepayments, deposit and other receivables	908	5	
Bank and cash balances	363	81	
Tax recoverable	424	–	
Short-term loan	–	(408)	
Trade payables	(784)	(107)	
Accruals and other payables	(294)	(36)	
Current tax liabilities	–	(5)	
	<u>1,882</u>	<u>(264)</u>	1,618
Goodwill			<u>4,488</u>
Satisfied by cash			<u>6,106</u>
Net cash outflow arising on acquisition:			
Cash consideration paid			6,106
Cash and cash equivalent acquired			<u>(444)</u>
			<u>5,662</u>

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)***(c) Disposal of subsidiaries**

On 30 January 2007, the Company and Fandango, (a shareholder company, "the Purchaser") entered into a conditional Sale and Purchase Agreement (the "Agreement") whereby the Company agreed to sell its equity interest in Fandango U.S.A., Inc. ("Fandango USA"), R&C, Karinto and Jacobetty, Inc. (collectively the "Fandango USA Group" or the "Disposal Group") to the Purchaser at a consideration of JPY2,743 million (approximately HK\$184 million) for the disposal of business. In addition, the Company assigned to the Purchaser certain inter-company receivables due to the Company by the Fandango USA Group. This transaction constitutes a connected transaction under the GEM Listing Rules and the details are included in the circular of the Company dated 15 March 2007. The transaction was completed on 31 March 2007.

	<i>HK\$'000</i>
Sales proceeds	183,781
Net book value of net assets disposed of	(196,437)
Exchange reserves	<u>(15,766)</u>
Loss on disposal of the Fandango USA Group	<u><u>(28,422)</u></u>

The assets and liabilities disposed of at the date of disposal were as follows:

	<i>HK\$'000</i>
Goodwill	110,622
Other intangible assets	121,285
Property, plant and equipment	9,234
Available-for-sale financial asset	19,030
Deferred tax assets	22,583
Inventories	20,185
Trade receivables	102,498
Other receivables and prepayments	10,368
Bank and cash balances	176,894
Trade payable	(273,779)
Accruals and other payables	(29,988)
Current tax liabilities	(34,837)
Deferred tax liabilities	<u>(57,658)</u>

	<u><u>196,437</u></u>
Net cash inflow arising on disposal:	
Cash consideration	183,781
Bank and cash balances disposed of	<u>(176,894)</u>
	<u><u>6,887</u></u>

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)***(c) Disposal of subsidiaries** *(Continued)*

The financial information of Fandango USA Group, which constitutes a discontinued operation, is as follows:

(i) Analysis of the results of discontinued operations

	2007
	<i>HK\$'000</i>
Turnover <i>(note 6)</i>	512,722
Cost of sales	<u>(280,967)</u>
Gross profit	231,755
Selling and distribution expenses	(109,727)
Other operating expenses	<u>(68,018)</u>
Operating profit	54,010
Other income <i>(note 7)</i>	<u>36</u>
Profit before tax	54,046
Income tax expense <i>(note 9)</i>	<u>(82,414)</u>
Loss after tax	(28,368)
Loss on disposal of subsidiaries, net of tax	<u>(28,422)</u>
Loss for the year from discontinued operations	<u><u>(56,790)</u></u>

(ii) Analysis of the cash flows from discontinued operations

	2007
	<i>HK\$'000</i>
Operating cash flows	149,618
Investing cash flows	(135,753)
Financing cash flows <i>(Note)</i>	<u>(408)</u>
Total cash flows	<u><u>13,457</u></u>

Note: The net financing outflow excludes the inter-company loan due to the Company of US\$10 million (approximately HK\$81 million). The loan is assigned to the Purchaser upon the disposal of Fandango USA Group.



27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Disposal of subsidiaries (Continued)

(iii) Expenses by nature

	2007
	<i>HK\$'000</i>
Auditors' remuneration	1,500
Cost of inventories sold	249,255
Depreciation (note 15)	4,140
Operating leases charge – land and buildings	2,752
Record masters (note 17)	
– Amortisation	49,023
– Impairment charges	13,346
Write down of inventories	12,922
Impairment on available-for-sale financial asset	4,370
Impairment on trade receivables	115
Employee benefit expense (excluding directors' emoluments)	24,844
Promotion and advertising expenses	56,615
Others	39,830
	<hr/>
Total cost of sales, selling and distribution and other operating expenses	458,712
	<hr/> <hr/>

(iv) Income tax expense

No provision for United States income tax has been made as the subsidiaries in the United States of America (the "USA") have no assessable profits for the year.

The Japanese corporate income tax has been provided on the taxable of the Group's subsidiaries in Japan and is calculated at the applicable rates, ranging from 6.2% to 30%.

	2007
	<i>HK\$'000</i>
Overseas taxation	
– Current tax	35,576
– Deferred tax (note 24)	46,838
	<hr/>
	82,414
	<hr/> <hr/>

As approved by the board of directors of the Company on 2 January 2007, Fandango U.S.A., Inc. would be liquidated. In order to complete the liquidation procedures, retained earnings of R&C would be distributed to Fandango USA. As a result, the exemption criteria for recognition of deferred tax liability arising from undistributed retained earnings under HKAS 12 "Income taxes" could no longer be met. The deferred tax liability and income tax expense arising from such temporary difference amounted to HK\$57,658,000 recognised in the income statement for the year ended 31 March 2007.

**27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT** *(Continued)***(d) Major non-cash transaction**

During the year, an amount due from a shareholder of approximately HK\$112,076,000 was settled by setting off with the special dividend payable to the shareholder (2007: Nil).

28 LEASE COMMITMENTS

At 31 March 2008 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

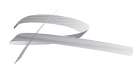
	Group	
	2008	2007
	HK\$'000	HK\$'000
Within one year	2,489	4,103
In the second to fifth years inclusive	7,605	8,896
After five years	<u>–</u>	<u>975</u>
	<u>10,094</u>	<u>13,974</u>

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for an average term of 5 years and rentals are fixed over the lease terms and do not include contingent rentals.

29. RELATED PARTY TRANSACTIONS

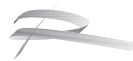
The Company's substantial shareholders (as defined in GEM Listing Rules) are Yoshimoto Fandango Co., Ltd. ("Fandango", formerly known as Fandango, Inc., a company incorporated in Japan) and Faith, Inc. ("Faith" a company incorporated in Japan).

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

29. RELATED PARTY TRANSACTIONS *(Continued)*

- (a) Save as disclosed in other notes to the consolidated financial statements, the Group has carried out the following material transactions with related parties during the year:

	Note	2008 HK\$'000	2007 HK\$'000
A shareholder:			
Yoshimoto Kogyo Co., Ltd.			
– sales of records and audio-visual products	(i)	–	10
– rental payment and other charges	(ii)	–	(1,819)
– artistes royalties	(iii)	–	(21,507)
– promotion costs	(viii)	–	(601)
– production costs	(i)	–	(701)
– reimbursement of operating expense	(v)	(156)	–
A shareholder:			
Yoshimoto Fandango Co., Ltd.			
– sales of records and audio-visual products	(i)	–	188
– digital distribution revenue, net	(iv)	–	715
– production costs	(i)	–	(391)
– reimbursement of operating expense	(v)	(30)	(140)
– loan interest income received	(x)	732	–
A shareholder:			
Faith, Inc.			
– reimbursement of operating expense	(v)	(945)	–
Other related parties:			
Bellrock Media, K.K.			
– sales of records and audio-visual products	(i)	–	253,647
– distribution costs	(vi)	–	(48,395)
Yoshimoto Club Co., Ltd			
– sales of records and audio visual products	(i)	–	614
– production costs	(vii)	–	(852)
International Television System, Inc.			
– master video production costs	(ix)	–	(80)
		–	(80)



29. RELATED PARTY TRANSACTIONS *(Continued)*

- (i) Sales of records and audio-visual products and production costs paid to related parties were entered in the normal course of business of the Group at terms mutually agreed by relevant parties.
- (ii) Pursuant to the sub-lease agreements dated 29 March 2002 and 10 October 2002 and entered into between the Group and Yoshimoto, the Group sub-let office premises from Yoshimoto for an aggregate monthly rental payment of JPY1,430,000 (approximately HK\$100,000), and electricity and water charges, for a lease term up to 31 March 2005. On 19 July 2004, the Group had terminated the sub-lease agreements with Yoshimoto.

Pursuant to a sub-lease agreement dated 20 July 2004 and entered into between the Group and Yoshimoto, the Group sub-let office premises from Yoshimoto for an aggregate monthly rental payment of JPY1,687,618 (approximately HK\$113,000), and electricity, gas and water charges. The term of this agreement is from 20 July 2004 to 31 March 2006. The Group has entered into a renewal agreement with Yoshimoto on 19 June 2006 to extend the term of this agreement for a period from 1 April 2006 to 31 March 2009.

- (iii) Pursuant to a master royalty agreement dated 10 October 2002 between the Group and Yoshimoto ("Master Royalty Agreement 2002"), Yoshimoto will procure artistes or groups of artistes managed by Yoshimoto and nominated by the Group, to perform to enable the Group to reproduce and distribute the records or videogram of those artistes. Artiste royalties in connection with the sales of such audio and audio-visual recordings are payable to Yoshimoto by the Group according to the rates as stipulated in the agreement. The terms of this agreement is from 10 October 2002 to 31 March 2005. On 30 August 2004, the Group and Yoshimoto entered into another master royalty agreement (see below) below to supersede the Master Royalty Agreement 2002.

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

- (iv) Pursuant to a master digital distribution agreement dated 30 August 2004 and entered into between the Group and Fandango, Fandango will distribute the Group's audio and audio-visual recordings through the internet, mobile telephones, or other digital media on an order by order basis. Under this agreement, Fandango is liable to pay to the Group in connection with the distribution of the Group's content a commission of 50% of the revenue for distributing the Group's content after subtracting external cost. The Group will pay Fandango the development cost for the new digital content distribution system. The term of this agreement is from 30 August 2004 to 31 March 2007.
- (v) Reimbursement of operating expenses is recharged on an actual basis.
- (vi) Pursuant to a sales consignment agreement dated 24 June 2005 between the Group and Bellrock Media K.K., a wholly-owned subsidiary of Bellrock, Bellrock Media K.K. will render distribution services to the Group at a percentage of the selling price of the records and audio-visual products for a contract term from 1 July 2005 to 31 March 2006.

**29. RELATED PARTY TRANSACTIONS** *(Continued)*

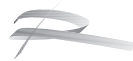
- (vii) Pursuant to a master consignment agreement dated 30 August 2004 and entered into between the Group and Yoshimoto Club Co., Ltd. ("Yoshimoto Club"), a subsidiary of Yoshimoto, the Group will engage Yoshimoto Club to produce and sell merchandise to the Group on an order by order basis. The term of this agreement is from 30 August 2004 to 31 March 2007. Under this agreement, the Group is liable to pay Yoshimoto Club production costs of the merchandise, being Yoshimoto Club's out-of-pocket expenses relating to the production plus administration cost which is fixed at 10% of such out-of-pocket expenses.
- (viii) Pursuant to a master promotion agreement dated 30 August 2004 and entered into between the Group and Yoshimoto, Yoshimoto will promote the Group's audio and audiovisual recordings through television and radio programs, magazines, or any other advertisements produced by Yoshimoto and local television stations for the Group on an order by order basis. Under this agreement, the Group is liable to pay to Yoshimoto in connection with the promotion of the Group's contents a fee based on Yoshimoto's out-of-pocket expenses relating to the production plus administration costs which is fixed at 10% of such out-of-pocket expenses. The term of this agreement is from 30 August 2004 to 31 March 2007.
- (ix) Pursuant to a master video production agreement dated 30 August 2004 and entered into between the Group and International Television System, Inc. ("ITS"), a subsidiary of Yoshimoto, the Group will engage ITS to produce videos, containing visual or audio-visual recordings in accordance with requirements and specifications of and in such form specified by the Group. Under this agreement, the Group is liable to pay ITS production costs of the videos, containing visual or audio-visual recordings, being ITS's out-of-pocket expenses relating to the production plus administration costs which is fixed at 10% of such out-of-pocket expenses. The term of this agreement is from 30 August 2004 to 31 March 2007.
- (x) The loan interest represent interest charged on inter-company receivable assigned to Fandango under the disposal arrangement (Note 27(c)). The balance is unsecured and repaid on 31 May 2007. Except for a balance of HK\$81,385,000 which bears interest at 5.38% per annum, the amount due is interest-free.

In the opinion of the Directors of the Company, the above related party transactions were carried out in the ordinary and usual course of business and on terms mutually agreed between the Group and the respective related parties.

- (b)** Balances at the end of the year arising from related party transactions as disclosed in Note 29(a) above were as follows:

	2008 HK\$'000	2007 HK\$'000
Balance with a shareholder – Fandango	<u>–</u>	<u>112,076</u>

The balance is unsecured and repayable on 31 May 2007. Except for a balance of HK\$81,385,000 which bears interest at 5.38% per annum.

29. RELATED PARTY TRANSACTIONS *(Continued)***(c) Key management compensation**

	2008 HK\$'000	2007 HK\$'000
Fees, salaries and other short-term employee benefits	3,866	6,273
Pension costs – defined contribution plans	35	126
	<u>3,901</u>	<u>6,399</u>

30. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 26 June 2008.