

# ROJAM ENTERTAINMENT HOLDINGS LIMITED

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

Stock Code: 8075

First Quarterly Report 2007/2008



# ROJAM

Entertainment Network Asia

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

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*This report, for which the directors of Rojam Entertainment Holdings Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to Rojam Entertainment Holdings Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## RESULTS

The board of directors (the "Board") of Rojam Entertainment Holdings Limited (the "Company", together with its subsidiaries, the "Group") is pleased to present the unaudited consolidated results of the Group for the three months ended 30 June 2007 together with the comparative unaudited figures for the corresponding period in 2006.

		<b>Unaudited</b>	
		<b>Three months ended 30 June</b>	
	<i>Note</i>	<b>2007</b>	2006
		<b>HK\$'000</b>	HK\$'000
<b>Continuing operations</b>			
Turnover	2	<b>2,086</b>	3,081
Cost of sales		<b>(5,292)</b>	(2,815)
Gross (loss)/profit		<b>(3,206)</b>	266
Other operating expenses		<b>(1,816)</b>	(1,185)
Other loss, net		<b>(2,212)</b>	(29)
Operating loss		<b>(7,234)</b>	(948)
Finance income		<b>2,751</b>	325
Loss before income tax		<b>(4,483)</b>	(623)
Income tax credit/(expenses)	3	<b>10</b>	(14)
Loss for the period from continuing operations		<b>(4,473)</b>	(637)
<b>Discontinued operations</b>			
Profit for the period from discontinued operations		-	1,142
(Loss)/profit for the period		<b>(4,473)</b>	505
Attributable to:			
Equity holders of the Company		<b>(4,473)</b>	505
Loss per share for loss from continuing operations attributable to the equity holders of the Company during the period (expressed in HK cent per share)			
- basic and diluted	4	<b>(0.23)</b>	(0.04)
Earnings per share for profit from discontinued operations attributable to the equity holders of the Company during the period (expressed in HK cent per share)			
- basic and diluted	4	-	0.07
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the period (expressed in HK cent per share)			
- basic and diluted	4	<b>(0.23)</b>	0.03
Dividends	6	-	-

Notes:

### 1. General information, basis of preparation and accounting policies

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

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK\$'000), unless otherwise stated.

The unaudited consolidated accounts have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS) issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies and methods of computation used in the preparation of the unaudited consolidated accounts are consistent with those used in the annual financial statements for the year ended 31 March 2007. These unaudited consolidated results should be read in conjunction with the Company's 2006/2007 annual report. The unaudited consolidated accounts have not been audited by the Company's auditor, but have been reviewed by the Company's audit committee.

### 2. Turnover and revenue

The amounts of each significant category of revenue recognised during the three months ended 30 June 2007 are as follows:

	Unaudited Three months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Turnover		
Continuing operations		
Discotheque income	2,086	3,081
Discontinued operations		
Record production and distribution income	-	56,844
Digital distribution income	-	4,929
Others	-	254
	<u>2,086</u>	<u>65,108</u>

### 3. Income tax credit

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 current and prior period.

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

The Japanese corporate income tax has been provided on the profits of the Group's subsidiaries in Japan and is calculated at the applicable rates, ranging from 6.2% to 30%, for the three months ended 30 June 2007.

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

	<b>Unaudited</b>	
	<b>Three months ended 30 June</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Current income tax		
– PRC taxation	<b>(10)</b>	14
Under-provision in prior years		
– Japanese corporate income tax	–	297
Deferred income tax	–	(554)
	<u>          </u>	<u>          </u>
Income tax credit	<b>(10)</b>	(243)
	<u>          </u>	<u>          </u>

#### 4. (Loss)/earnings per share

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

	<b>Unaudited</b>	
	<b>Three months ended 30 June</b>	
	<b>2007</b>	2006
<b>Continuing operations</b>		
Loss attributable to the equity holders of the Company (HK\$'000)	<b>(4,473)</b>	(637)
	<u>          </u>	<u>          </u>
Weighted average number of ordinary shares in issue (thousands)	<b>1,926,114</b>	1,701,624
	<u>          </u>	<u>          </u>
Basic and diluted loss per share (HK cent per share) (Note)	<b>(0.23)</b>	(0.04)
	<u>          </u>	<u>          </u>
<b>Discontinued operations</b>		
Profit attributable to the equity holders of the Company (HK\$'000)	–	1,142
	<u>          </u>	<u>          </u>
Weighted average number of ordinary shares in issue (thousands)	<b>1,926,114</b>	1,701,624
	<u>          </u>	<u>          </u>
Basic and diluted earnings per share (HK cent per share) (Note)	–	0.07
	<u>          </u>	<u>          </u>
<b>Total</b>		
(Loss)/profit attributable to the equity holders of the Company (HK\$'000)	<b>(4,473)</b>	505
	<u>          </u>	<u>          </u>
Weighted average number of ordinary shares in issue (thousands)	<b>1,926,114</b>	1,701,624
	<u>          </u>	<u>          </u>
Basic and diluted (loss)/earnings per share (HK cent per share) (Note)	<b>(0.23)</b>	0.03
	<u>          </u>	<u>          </u>

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

5. Reserves

	Attributable to equity holders of the Company			
	Share premium	Exchange reserve	(Accumulated losses)/ retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2006	148,329	(18,212)	14,175	144,292
Premium on issue of shares	79,857	-	-	79,857
Share issue expenses	(908)	-	-	(908)
Exchange adjustment on translation of financial statements of overseas subsidiaries	-	3,969	-	3,969
Profit for the period	-	-	505	505
<b>Balance at 30 June 2006</b>	<b>227,278</b>	<b>(14,243)</b>	<b>14,680</b>	<b>227,715</b>
Balance at 1 April 2007	227,283	319	(54,074)	173,528
Special dividends	(227,281)	-	-	(227,281)
Exchange adjustment on translation of financial statements of overseas subsidiary	-	368	-	368
Loss for the period	-	-	(4,473)	(4,473)
<b>Balance at 30 June 2007</b>	<b>2</b>	<b>687</b>	<b>58,547</b>	<b>(57,858)</b>

6. Interim dividend

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2007 (2006: Nil).

## REVIEW AND PROSPECTS

### Financial Highlights

	Current Quarter (Apr to Jun 2007) HK\$'M	Previous Quarter (Jan to Mar 2007) HK\$'M	First Quarter in 2006/2007 (Apr to Jun 2006) HK\$'M
<b>Continuing operations</b>			
<b>- Discotheque operations</b>			
Turnover	2.1	3.0	3.1
Cost of sales	(5.3)	(3.8)	(2.8)
Gross (loss)/profit	(3.2)	(0.8)	0.3
Operating expenditures*	(4.0)	(3.1)	(1.2)
Loss before income tax	(4.5)	(3.4)	(0.6)
Income tax expenses	-	-	-
Loss attributable to the equity holders	(4.5)	(3.4)	(0.6)
<b>Discontinued operations</b>			
<b>- record production and distribution</b>			
Turnover	-	172.0	62.0
Cost of sales	-	(46.0)	(35.6)
Gross profit	-	126.0	26.4
Operating expenditures*	-	(72.2)	(25.6)
Profit before income tax	-	53.8	0.9
Income tax (expenses)/credit	-	(85.6)	0.2
Loss on disposal of a discontinued operation	-	(28.4)	-
(Loss)/profit attributable to the equity holders	-	(60.2)	1.1

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

### Financial Review

After the Group's record production and distribution business has been disposed of on 31 March 2007, during the three months ended 30 June 2007, the Group continued to work on the development of its discotheques and entertainment related business in China. Turnover from the discotheque business amounted to approximately HK\$2.1 million, representing a decline of approximately 32% when compared to the corresponding quarter in the last financial year. The decrease in revenue from the discotheque was mainly attributable to the reduction of admission in Shanghai Rojam Disco during the quarter. In view of the continual decrease of the admission, the management considered that the Rojam Disco could not meet the ever-changing demand of its customers and planned to carry out partial renovation to refresh the shop image. The new Rojam Club in Suzhou was soft-opened in April 2007, which provides a completely different entertainment experience to our customers. The Rojam Club has not yet contributed any significant revenue to the Group. After the first-month operation, the management reviewed the market position of the Rojam Club and have made some modifications to its fittings. The Rojam Club was re-open in early August. The Group has also taken more promotion and marketing initiatives in order to boost the revenue of the Rojam Club.

Cost of sales increased by approximately 88% to approximately HK\$5.3 million for the three months ended 30 June 2007 from approximately HK\$2.8 million for the three months ended 30 June 2006. Other operating expenses increased by approximately 53% to approximately HK\$1.8 million for the three months ended 30 June 2007 from approximately HK\$1.2 million for the three months ended 30 June 2006. The increases of expenses were mainly attributable to the launch of the Rojam Club in Suzhou and the professional fees incurred for the payment of special dividend during the quarter. Other loss of approximately HK\$2.2 million mainly represents the exchange loss arising from the depreciation of Japanese Yen against Hong Kong dollars since March.

The Group's finance income has risen by approximately 746% to approximately HK\$2.8 million for the three months ended 30 June 2007 from approximately HK\$0.3 million for the corresponding period of the last year. This was mainly caused by the surge in average cash balance during the quarter.

For the three months ended 30 June 2007, loss attributable to the equity holders of the Company amounted to approximately HK\$4.5 million. Loss per share was approximately 0.23 HK cent.

At 30 June 2007, the Group had a cash balance of approximately HK\$110.9 million, representing approximately 53% decrease from approximately HK\$234.9 million at 31 March 2007. The decrease in cash during the first quarter was mainly attributed to the payment of the special dividend in May 2007 and partly set off by the settlement of the assignment of loan and certain accounts receivable from Fandango, Inc. The Group has no long-term borrowing during the quarter and the gearing ratio is zero, the same as for the past years.

## **Prospects**

The management expected that the Group's turnover would be significantly reduced as a result of the disposal of its record production and distribution business. The Group is now concentrating its efforts on developing its discotheque business. In addition, the Group is also actively pursuing any business opportunities that will allow it to expand its entertainment related business in China. The Group is evaluating the opportunities to acquire a suitable platform to enter into the content distribution business in China. The management will also maintain commitment to cost management and margin improvements.

To cope with the China business, the composition of the Board has been changed. With effect from 25 July 2007, Ms. Etsuko Hoshiyama, Mr. Etsuro Tojo and Ms. Cheng Kit Sum, Clara have been appointed as executive directors of the Company and Mr. Osamu Nagashima, Mr. Mitsuo Sakauchi and Mr. Yukitsugu Shimizu have resigned from the Board.



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

At 30 June 2007, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### **Interests in the shares of the Company**

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of shares</b> <i>(Note 1)</i>	<b>Approximate percentage of the Company's total issued share capital</b>
Mr. Takeyasu Hashizume	Beneficial owner	6,658,000 (L)	0.35%
Mr. Hiroshi Osaki	Beneficial owner	3,442,000 (L)	0.18%
Mr. Yukitsugu Shimizu <i>(Note 2)</i>	Beneficial owner	430,000 (L)	0.02%

#### *Notes:*

1. The letter "L" denotes Director's long position in the shares of the Company.
2. Mr. Yukitsugu Shimizu resigned as Director on 25 July 2007.

Save as disclosed above, at 30 June 2007, none of the Directors, chief executive of the Company or their respective associates (as defined in the GEM Listing Rules) was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or which, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

Save as disclosed above, at no time during the three months ended 30 June 2007 was the Company, its holding companies or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or its associated corporation.

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

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30 June 2007, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital:

### **Interests in the shares of the Company**

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

Notes:

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

Save as disclosed above, at 30 June 2007, the Directors or chief executives of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company under Section 336 of the SFO.

### **DIRECTORS' INTEREST IN COMPETING BUSINESS**

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

### **AUDIT COMMITTEE**

The Company established an audit committee on 21 May 2001 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The audit committee has three members comprising the three independent non-executive Directors, namely Mr. Seiichi Nakaoda, Mr. Kwong Pui Kei and Mr. Law Kar Ping. The audit committee has reviewed the accounting principles and practices adopted by the Group and the unaudited consolidated financial information for the three months ended 30 June 2007.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 30 June 2007.

By Order of the Board  
**Takeyasu Hashizume**  
President

Hong Kong, 14 August 2007

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

