

ROJAM ENTERTAINMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8075

Third Quarterly Report 2007/2008



ROJAM

Entertainment Network Asia

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This report, for which the directors of Rojam Entertainment Holdings Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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 and nine months ended 31 December 2007 together with the comparative unaudited figures for the corresponding periods in 2006.

	Note	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Continuing operations					
Turnover	2	2,226	2,880	5,796	8,984
Cost of sales		(5,329)	(3,450)	(15,342)	(9,203)
Gross loss		(3,103)	(570)	(9,546)	(219)
Other operating expenses		(6,660)	(6,455)	(11,174)	(9,193)
Other gain/(loss), net		(21)	(57)	(2,199)	(97)
Operating loss		(9,784)	(7,082)	(22,919)	(9,509)
Finance income		1,008	516	5,024	1,414
Loss before income tax		(8,776)	(6,566)	(17,895)	(8,095)
Income tax credit/(expenses)	3	-	-	10	(14)
Loss for the period from continuing operations		(8,776)	(6,566)	(17,885)	(8,109)
Discontinued operations					
(Loss)/profit for the period from discontinued operations		-	(4,350)	-	3,503
Loss for the period		(8,776)	(10,916)	(17,885)	(4,606)
Attributable to:					
Equity holders of the Company		(8,776)	(10,916)	(17,885)	(4,606)
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	(0.46)	(0.34)	(0.93)	(0.44)
(Loss)/earnings per share for (loss)/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	-	(0.23)	-	0.19
Loss per share for loss attributable to the equity holders of the Company during the period (expressed in HK cent per share) - basic and diluted	4	(0.46)	(0.57)	(0.93)	(0.25)
Dividends	6	-	-	-	-

Notes:

1. Basis of preparation and accounting policies

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

These unaudited consolidated results should be read in conjunction with the Company's 2006/2007 annual report.

These unaudited consolidated accounts have been prepared in accordance with Hong Kong Financial Reporting Standard (HKFRS) issued by the Hong Kong Institute of Certified Public Accountants and applicable disclosure requirements of the GEM Listing Rules. The accounting policies and methods of computation used in the preparation of the unaudited consolidated accounts are consistent with those used in the annual financial statements for the year ended 31 March 2007. The unaudited consolidated accounts have not been audited by the Company's auditors, 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 and nine months ended 31 December 2007 are as follows:

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Turnover				
Continuing operations				
Discotheque income	1,288	2,880	4,858	8,984
License income	938	-	938	-
Discontinued operations				
Record production and distribution income	-	152,801	-	331,296
Digital distribution income	-	754	-	7,008
Others	-	1,223	-	2,327
	<u>2,226</u>	<u>157,658</u>	<u>5,796</u>	<u>349,615</u>

3. Income tax credit

No provisions for Hong Kong profits tax has been made as the Company and its subsidiaries in Hong Kong have no assessable profits for the current and prior period.

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

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

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Current income tax				
– Japanese corporate income tax	-	16	-	788
– PRC taxation	-	-	(10)	14
Deferred income tax	-	(6,940)	-	(4,092)
	<u>-</u>	<u>(6,924)</u>	<u>(10)</u>	<u>(3,290)</u>

4. (Loss)/earnings per share

Basic

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.

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2007	2006	2007	2006
Continuing operations				
Loss attributable to the equity holders of the Company (HK\$'000)	<u>(8,776)</u>	<u>(6,566)</u>	<u>(17,885)</u>	<u>(8,109)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,926,114</u>	<u>1,926,114</u>	<u>1,926,114</u>	<u>1,851,828</u>
Basic and diluted loss per share (HK cent per share) (Note)	<u>(0.46)</u>	<u>(0.34)</u>	<u>(0.93)</u>	<u>(0.44)</u>
Discontinued operations				
(Loss)/profit attributable to the equity holders of the Company (HK\$'000)	<u>-</u>	<u>(4,350)</u>	<u>-</u>	<u>3,503</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,926,114</u>	<u>1,926,114</u>	<u>1,926,114</u>	<u>1,851,828</u>
Basic and diluted (loss)/earnings per share (HK cent per share) (Note)	<u>-</u>	<u>(0.23)</u>	<u>-</u>	<u>0.19</u>
Total				
Loss attributable to the equity holders of the Company (HK\$'000)	<u>(8,776)</u>	<u>(10,916)</u>	<u>(17,885)</u>	<u>(4,606)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,926,114</u>	<u>1,926,114</u>	<u>1,926,114</u>	<u>1,851,828</u>
Basic and diluted loss per share (HK cent per share) (Note)	<u>(0.46)</u>	<u>(0.57)</u>	<u>(0.93)</u>	<u>(0.25)</u>

Note: There was no dilutive potential ordinary share during the period ended 31 December 2007 and 2006.

5. Reserves

	Unaudited			
	Attributable to equity holders of the Company			
	Share premium <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	(Accumulated losses)/ retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
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	-	(1,683)	-	(1,683)
Loss for the nine months ended 31 December 2006	-	-	(4,606)	(4,606)
	<u>227,278</u>	<u>(19,895)</u>	<u>9,569</u>	<u>216,952</u>
Balance at 31 December 2006				
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 subsidiaries	-	1,247	-	1,247
Loss for the nine months ended 31 December 2007	-	-	(17,885)	(17,885)
	<u>-</u>	<u>-</u>	<u>(17,885)</u>	<u>(17,885)</u>
Balance at 31 December 2007	<u>2</u>	<u>1,566</u>	<u>(71,959)</u>	<u>(70,391)</u>

6. Interim dividend

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2007 (2006: Nil).

BUSINESS REVIEW AND PROSPECT

Financial Highlights

	Third Quarter (Oct to Dec 2007) HK\$'M	Second Quarter (Jul to Sep 2007) HK\$'M	First Quarter (Apr to Jun 2007) HK\$'M	Third Quarter in 2006/2007 (Oct to Dec 2006) HK\$'M
Continuing operations				
Turnover	2.2	1.5	2.1	2.9
Cost of sales	(5.3)	(4.7)	(5.3)	(3.4)
Gross loss	(3.1)	(3.2)	(3.2)	(0.5)
Operating expenditures*	(6.7)	(2.7)	(4.0)	(6.5)
Finance income	1.0	1.2	2.8	0.5
Loss before income tax	(8.8)	(4.7)	(4.4)	(6.5)
Income tax expenses	-	-	-	-
Loss attributable to the equity holders	(8.8)	(4.7)	(4.4)	(6.5)
Discontinued operations				
Turnover	-	-	-	154.7
Cost of sales	-	-	-	(124.2)
Gross profit	-	-	-	30.5
Operating expenditures*	-	-	-	(41.8)
Loss before income tax	-	-	-	(11.3)
Income tax credit	-	-	-	6.9
Loss attributable to the equity holders	-	-	-	(4.4)

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

Financial Review

Turnover for the nine months ended 31 December 2007 amounted to approximately HK\$5.8 million, an approximately 35% decrease from HK\$9.0 million for the corresponding period of last year. The loss attributable to the equity holders of the Company for the nine months ended 31 December 2007 was approximately HK\$17.9 million, compared to the loss attributable to the equity holders for the nine months ended 31 December 2006 amounted to approximately HK\$4.6 million.

Cost of sales increased by approximately 67% to approximately HK\$15.3 million for the nine months ended 31 December 2007 from approximately HK\$9.2 million for the corresponding period of last year. Other operating expenses increased by approximately 22% to approximately HK\$11.2 million for the nine months ended 31 December 2007 from approximately HK\$9.2 million for the corresponding period of last year. Other loss of approximately HK\$2.2 million mainly represents the exchange loss arising from the depreciation of Japanese Yen against Hong Kong dollars in the first quarter.

The Group's finance income has risen by approximately 255% to approximately HK\$5.0 million for the nine months ended 31 December 2007 from approximately HK\$1.4 million for the corresponding period of the last year. This was mainly caused by the surge in average cash deposits compared to that of the last year.

At 31 December 2007, the Group had a cash balance of approximately HK\$54.3 million, an approximately 34.9% decline compared to approximately HK\$83.4 million at 31 December 2006. The decrease in cash during the third quarter was mainly attributable to the acquisition of the new subsidiary and the cash used in operating activities.

Operation Review and Prospect

The decrease in turnover of the Group was mainly attributable to the drop of admission income of the Rojam Disco in Shanghai. Due to the increasing competition in Shanghai and the change of marketing strategy of the landlord on existing leaseholders of the building, the Directors anticipate that the profitability of the Rojam Disco would be minimal in the near future. In the best interests of the Company and its shareholders, the Company therefore determined to cease the operations of the Rojam Disco on 24 December 2007. Details of the Closure of Rojam Disco are set out in the announcement of the Company dated 28 December 2007.

The Company acquired a business of digital distribution of music, Anymusic Ltd, on 31 October 2007. The Directors anticipate the newly acquired business will make contribution to the Group since fourth quarter of current fiscal year. The newly acquired business will make a significant contribution to the Group's revenue and will be the principal revenue driver of the Group in the future.

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.

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

At 31 December 2007, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying share and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Interests in the shares of the Company

Name of Director	Capacity in which the shares are held	Number of shares (Note)	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 Director's long position in the shares of the Company.

Save as disclosed above, at 31 December 2007, none of the Directors, chief executives 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 nine months ended 31 December 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 31 December 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

Name of shareholder	Nature of interest	Number of shares (Note 1)	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. (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 the shareholder's long position in the shares of the Company.
2. Yoshimoto Fandango Co., Ltd. is a wholly owned subsidiary of Yoshimoto Kogyo Co., Ltd. ("Yoshimoto"). Accordingly, Yoshimoto is interested in 866,522,167 shares in the Company by attribution.

Save as disclosed above, at 31 December 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 of the Company, 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 nine months ended 31 December 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 nine months ended 31 December 2007.

By Order of the Board
Takeyasu Hashizume
Chairman

Hong Kong, 14 February 2008

As at the date of this report, the Board comprises six executive Directors, namely Mr. Takeyasu Hashizume, Mr. Wang Kefei, Mr. Etsuro Tojo, Mr. Tetsuo Mori, Ms. Etsuko Hoshiyama and Mr. Hiroshige Tonomura; and three independent non-executive Directors, namely Mr. Seiichi Nakaoda, Mr. Kwong Pui Kei and Mr. Law Kar Ping.