

ROJAM ENTERTAINMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

First Quarterly Report 2008/2009

Stock Code: 8075



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 positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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.

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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 2008 together with the comparative unaudited figures for the corresponding period in 2007.

| | | Unaudited | |
|--|-------------|-----------------------------------|-----------------|
| | | Three months ended 30 June | |
| | <i>Note</i> | 2008 | 2007 |
| | | HK\$'000 | <i>HK\$'000</i> |
| Turnover | 2 | 933 | 2,086 |
| Cost of sales | | (1,764) | (5,292) |
| | | <hr/> | <hr/> |
| Gross loss | | (831) | (3,206) |
| Other operating expenses | | (3,739) | (1,816) |
| Other loss, net | | (1) | (2,212) |
| | | <hr/> | <hr/> |
| Operating loss | | (4,571) | (7,234) |
| Finance income | | 196 | 2,751 |
| | | <hr/> | <hr/> |
| Loss before income tax | | (4,375) | (4,483) |
| Income tax credit | 3 | - | 10 |
| | | <hr/> | <hr/> |
| Loss for the period | | (4,375) | (4,473) |
| | | <hr/> | <hr/> |
| Attributable to: | | | |
| Equity holders of the Company | | (4,375) | (4,473) |
| | | <hr/> | <hr/> |
| 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 | (0.23) | (0.23) |
| | | <hr/> | <hr/> |
| Dividends | 6 | - | - |
| | | <hr/> | <hr/> |

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 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") and discotheque management during the three months ended 30 June 2008. The discotheque business was ceased on 28 July 2008.

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 2008. These unaudited consolidated results should be read in conjunction with the Company's 2007/2008 annual report. 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 ended 30 June 2008 are as follows:

| | Unaudited | |
|------------------------------|-----------------------------------|----------|
| | Three months ended 30 June | |
| | 2008 | 2007 |
| | HK\$'000 | HK\$'000 |
| Turnover | | |
| Licensing of software income | 918 | – |
| Discotheque income | 8 | 2,079 |
| Other income | 7 | 7 |
| | <hr/> | <hr/> |
| | 933 | 2,086 |
| | <hr/> | <hr/> |

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 PRC enterprise income tax ("EIT") has been provided on the profit/loss of the Group's subsidiary in the PRC and calculated at the applicable rate of 15% for the prior period.

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 EIT 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.

Pursuant to approval from Shenzhen State Tax Bureau on 9 July 2004, AnyMusic Limited ("AnyMusic"), which the Group acquired in October 2007, 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.

The amount of income tax credited to the consolidated income statement represents:

| | Unaudited | |
|--------------------|----------------------------|----------|
| | Three months ended 30 June | |
| | 2008 | 2007 |
| | HK\$'000 | HK\$'000 |
| Current income tax | | |
| – PRC taxation | – | (10) |
| Income tax credit | – | (10) |

4. Loss per share

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

| | Unaudited | |
|---|----------------------------|-----------|
| | Three months ended 30 June | |
| | 2008 | 2007 |
| Loss attributable to the equity holders of the Company (HK\$'000) | (4,375) | (4,473) |
| Weighted average number of ordinary shares in issue (thousands) | 1,926,114 | 1,926,114 |
| Basic and diluted loss per share (HK cent per share) (Note) | (0.23) | (0.23) |

Note: There was no dilutive potential ordinary share during the periods ended 30 June 2008 and 2007.

5. Reserves

| | Attributable to equity holders of the Company | | | |
|---|---|------------------------------|--------------------------------|-------------------|
| | Share premium HK\$'000 | Exchange reserve HK\$'000 | Accumulated losses HK\$'000 | Total HK\$'000 |
| 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) |
| Balance at 30 June 2007 | 2 | 687 | (58,547) | (57,858) |
| Balance at 1 April 2008 | 2 | 3,669 | (117,279) | (113,608) |
| Exchange adjustment on translation of financial statements of overseas subsidiary | - | 707 | - | 707 |
| Loss for the period | - | - | (4,375) | (4,375) |
| Balance at 30 June 2008 | 2 | 4,376 | (121,654) | (117,276) |

6. Interim dividend

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2008 (2007: Nil).

REVIEW AND PROSPECTS

Financial Highlights

| | Current Quarter (Apr to Jun 2008) HK\$'000 | Previous Quarter (Jan to Mar 2008) HK\$'000 | First Quarter in 2007/2008 (Apr to Jun 2007) HK\$'000 |
|---|--|---|--|
| Turnover | 933 | 880 | 2,086 |
| Cost of sales | (1,764) | (3,483) | (5,292) |
| Gross loss | (831) | (2,603) | (3,206) |
| Operating expenditures* | (3,740) | (43,042) | (4,028) |
| Other revenue | 196 | 745 | 2,751 |
| Loss before income tax | (4,375) | (44,900) | (4,483) |
| Income tax (expenses)/credit | - | (421) | 10 |
| Loss attributable to the equity holders | (4,375) | (45,321) | (4,473) |

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

Financial Review

The Group recorded a turnover of approximately HK\$933,000 in the first quarter of the financial year 2008/2009, representing a decline of approximately 55% when compared to the first quarter of the financial year 2007/2008. Of the total turnover, approximately HK\$918,000 or 98% was generated from the licensing of software business, which was acquired by the Company on 31 October 2007. The revenue from the discotheque business was significantly decreased compare to the corresponding quarter in the last financial year. The decrease was mainly attributable to the termination of the operations of Rojam Disco in Shanghai and the drop of income in Rojam Club in Suzhou. Loss attributable to the equity holders of the Company for the three months ended 30 June 2008 was approximately HK\$4,375,000. Loss per share was approximately 0.23 HK cents.

Cost of sales decreased by approximately 67% to approximately HK\$1,764,000 for the three months ended 30 June 2008 from approximately HK\$5,292,000 for the three months ended 30 June 2007. Other operating expenses of approximately HK\$3,739,000 for the three months ended 30 June 2008, compared to other operating expenses of approximately HK\$1,816,000 for the three months ended 30 June 2007. Other loss of approximately HK\$1,000 for the three months ended 30 June 2008 represents the exchange loss since 31 March 2008, compared to other loss of approximately HK\$2,212,000 for the three months ended 30 June 2007. The Group's finance income decreased by approximately 93% to approximately HK\$196,000 for the three months ended 30 June 2008 from approximately HK\$2,751,000 for the corresponding period of the last year.

At 30 June 2008, the Group had a cash balance of approximately HK\$41.0 million, representing approximately 7% decrease from approximately HK\$44.1 million at 31 March 2008. The decrease in cash during the first quarter was mainly attributed to the cash used for the operating activities. The Group has no long-term borrowing during the quarter and the gearing ratio is zero, the same as for the past years.

Prospects

Looking forward, following cessation of operation of the Suzhou Club on 28 July 2008, the Group will principally focus on the business of digital distribution of music through AnyMusic, which the Group acquired in October 2007, and the newly set-up Taiwan branch of Rojam Entertainment Limited, a wholly owned subsidiary of the Company. The Group believes that both AnyMusic and Taiwan branch businesses will provide a steady source of income to the Group. The Directors further anticipate that as the Group refocuses its operations on the music industry in the PRC as well as that of Taiwan, this business will make a significant contribution to the Group's revenue in the future and will be the principal revenue driver of the Group. In particular, the Directors anticipate that the closure of the loss-making Suzhou Club will free up management time to focus on the expansion of this business. Details of the closure of Rojam Club in Suzhou are set out in the announcement of the Company dated 18 July 2008.

The Group will continue to strengthen its digital content business and 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 30 June 2008, 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

| Name of Director | Capacity | 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 Director's long position in the shares of the Company.

Save as disclosed above, at 30 June 2008, 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 2008 was the Company, 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 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:

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. | 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 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 30 June 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.

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. Chan Hing Keung, Wilson. 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 2008.

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 2008.

By order of the Board
Hidenori Nakai
Chairman

Hong Kong, 14 August 2008

As at the date of this report, the Board comprises six executive directors, namely Mr. Hidenori Nakai, Mr. Takeyasu Hashizume, Mr. Wang Kefei, Mr. Etsuro Tojo, Ms. Etsuko Hoshiyama, and Mr. Hiroshige Tonomura; and three independent non-executive directors, namely Mr. Seiichi Nakaoda, Mr. Kwong Pui Kei and Mr. Chan Hing Keung, Wilson.