

# ROJAM ENTERTAINMENT HOLDINGS LIMITED

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

Third 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.**

**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.**

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*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 GEM of The Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to Rojam Entertainment Holdings Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (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 2008 together with the comparative unaudited figures for the corresponding period in 2007.

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
<b>Continuing operations</b>					
Turnover	2	503	938	2,200	938
Cost of sales		(422)	(251)	(1,052)	(251)
Gross profit		81	687	1,148	687
Other operating expenses		(3,249)	(3,002)	(10,368)	(7,516)
Other loss, net		(4)	(21)	(11)	(2,199)
Operating loss		(3,172)	(2,336)	(9,231)	(9,028)
Other revenue		275	1,009	586	5,017
Loss before income tax		(2,897)	(1,327)	(8,645)	(4,011)
Income tax expenses	3	(4)	–	(12)	–
Loss for the period from continuing operations		(2,901)	(1,327)	(8,657)	(4,011)
<b>Discontinued operations</b>					
Loss for the period from discontinued operations		–	(7,449)	(4,659)	(13,874)
<b>Loss for the period</b>		<b>(2,901)</b>	<b>(8,776)</b>	<b>(13,316)</b>	<b>(17,885)</b>
Attributable to:					
Equity holders of the Company		(2,901)	(8,776)	(13,316)	(17,885)
<b>Loss per share (expressed in HK cent)</b>					
Basic and diluted	4				
– Continuing operations		(0.15)	(0.07)	(0.45)	(0.21)
– Discontinued operations		–	(0.39)	(0.24)	(0.72)
		(0.15)	(0.46)	(0.69)	(0.93)
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 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") during the nine months ended 31 December 2008. The discotheque business was ceased on 28 July 2008.

These unaudited consolidated results should be read in conjunction with the Company's 2007/2008 annual report.

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 and the 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 2008. 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 2008 are as follows:

	Unaudited Three months ended 31 December 2008		Unaudited Nine months ended 31 December 2008	
	HK\$'000	2007 HK\$'000	HK\$'000	2007 HK\$'000
Turnover				
Continuing operations				
Licensing of software income	501	938	2,187	938
Other income	2	—	13	—
	<u>503</u>	<u>938</u>	<u>2,200</u>	<u>938</u>
Discontinued operations				
Discotheque income	—	1,288	8	4,858
	<u>503</u>	<u>2,226</u>	<u>2,208</u>	<u>5,796</u>

### 3. Income tax expenses/(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 PRC enterprise income tax ("EIT") has been provided on the profit / loss of Shanghai Rojam Entertainment Company Limited, 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 an approval from Shenzhen State Tax Bureau on 9 July 2004, AnyMusic Limited ("AnyMusic"), which the Group acquired in October in 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 charged/(credited) to the unaudited condensed consolidated income statement represents:

	<b>Unaudited</b>		<b>Unaudited</b>	
	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Current income tax				
– PRC taxation	–	–	–	(10)
Deferred income tax	<b>4</b>	–	<b>12</b>	–
	<b>4</b>	–	<b>12</b>	(10)
Representing:				
– Continuing operations	<b>4</b>	–	<b>12</b>	–
– Discontinued operations	–	–	–	(10)
	<b>4</b>	–	<b>12</b>	(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 weighted average number of ordinary shares in issue during the period.

	Unaudited Three months ended 31 December 2008		Unaudited Nine months ended 31 December 2008	
	2008	2007	2008	2007
<b>Continuing operations</b>				
Loss attributable to the equity holders of the Company (HK\$'000)	<u>(2,901)</u>	<u>(1,327)</u>	<u>(8,657)</u>	<u>(4,011)</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>1,926,114</u>
Basic and diluted loss per share (HK cent per share) (Note)	<u>(0.15)</u>	<u>(0.07)</u>	<u>(0.45)</u>	<u>(0.21)</u>
<b>Discontinued operations</b>				
Loss attributable to the equity holders of the Company (HK\$'000)	<u>-</u>	<u>(7,449)</u>	<u>(4,659)</u>	<u>(13,874)</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>1,926,114</u>
Basic and diluted loss per share (HK cent per share) (Note)	<u>-</u>	<u>(0.39)</u>	<u>(0.24)</u>	<u>(0.72)</u>
<b>Total</b>				
Loss attributable to the equity holders of the Company (HK\$'000)	<u>(2,901)</u>	<u>(8,776)</u>	<u>(13,316)</u>	<u>(17,885)</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>1,926,114</u>
Basic and diluted loss per share (HK cent per share) (Note)	<u>(0.15)</u>	<u>(0.46)</u>	<u>(0.69)</u>	<u>(0.93)</u>

Note: There was no dilutive potential ordinary share during the period ended 31 December 2008 and 2007.

5. Reserves

	Unaudited			
	Attributable to equity holders of the Company			
	Share premium <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
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 period	-	-	(17,885)	(17,885)
Balance at 31 December 2007	<u>2</u>	<u>1,566</u>	<u>(71,959)</u>	<u>(70,391)</u>
Balance at 1 April 2008	2	3,669	(117,279)	(113,608)
Exchange adjustment on translation of financial statements of overseas subsidiaries	-	1,097	-	1,097
Loss for the period	-	-	(13,316)	(13,316)
Balance at 31 December 2008	<u>2</u>	<u>4,766</u>	<u>(130,595)</u>	<u>(125,827)</u>

6. Interim dividend

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2008 (2007: Nil).

## REVIEW AND PROSPECTS

### Financial Highlights

	<b>Third Quarter (Oct to Dec 2008)</b> HK\$'000	<b>Second Quarter (Jul to Sep 2008)</b> HK\$'000	<b>First Quarter (Apr to Jun 2008)</b> HK\$'000	<b>Third Quarter in 2007/2008 (Oct to Dec 2007)</b> HK\$'000
<b>Continuing operations</b>				
Turnover	<b>503</b>	772	925	938
Cost of sales	<b>(422)</b>	(327)	(303)	(251)
Gross profit	<b>81</b>	445	622	687
Operating expenditures*	<b>(3,253)</b>	(4,366)	(2,760)	(3,023)
Other revenue	<b>275</b>	115	196	1,009
Loss before income tax	<b>(2,897)</b>	(3,806)	(1,942)	(1,327)
Income tax expenses	<b>(4)</b>	(8)	–	–
Loss attributable to the equity holders	<b>(2,901)</b>	(3,814)	(1,942)	(1,327)
<b>Discontinued operations</b>				
Turnover	–	–	8	1,288
Cost of sales and operating expenditures*	–	(2,226)	(2,441)	(8,737)
Other revenue	–	–	–	–
Loss before income tax	–	(2,226)	(2,433)	(7,449)
Income tax credit	–	–	–	–
Loss attributable to the equity holders	–	(2,226)	(2,433)	(7,449)

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

### Financial Review

The Group recorded a turnover of approximately HK\$2,200,000 for the nine months ended 31 December 2008, representing an increase of approximately 135% when compared to a turnover from the continuing operations of approximately HK\$938,000 for the corresponding period in the last financial year. The software licensing business, which was acquired by the Group on 31 October 2007, contributed approximately HK\$2,187,000 or 99% of the total turnover for the nine months ended 31 December 2008. The Group ceased the discotheque operations on 28 July 2008. Loss attributable to the equity holders of the Company for the nine months ended 31 December 2008 was approximately HK\$13,316,000, compared to a loss of approximately HK\$17,885,000 in the same period of the last year. Loss per share was approximately 0.69 HK cent for the nine months ended 31 December 2008, compared to loss per share of approximately 0.93 HK cent for the corresponding period of the last financial year.



Cost of sales for the nine months ended 31 December 2008 was approximately HK\$1,052,000, compared to cost of sales of the continuing operations of approximately HK\$251,000 for the same period in 2007. Other operating expenses of approximately HK\$10,368,000 for the nine months ended 31 December 2008, compared to other operating expenses of the continuing operations of approximately HK\$7,516,000 for the nine months ended 31 December 2007. Other loss of approximately HK\$11,000 for the nine months ended 31 December 2008 represents the exchange loss arising during the period under review compared to other loss of approximately HK\$2,199,000 in the same period of the last year. The Group's other revenue decreased by approximately 88% to approximately HK\$586,000 for the nine months ended 31 December 2008 from approximately HK\$5,017,000 for the corresponding period of the last year.

At 31 December 2008, the Group had a cash balance of approximately HK\$24.4 million, representing approximately 45% decrease from approximately HK\$44.1 million at 31 March 2008. The decrease in cash during the third quarter was mainly attributed to the cash used for the operating activities. The Group has no long-term borrowing during the period under review and the gearing ratio is zero, the same as for the past years.

### **Prospects**

The Ministry of Industry and Information Technology of the People's Republic of China issued the long-awaited third-generation mobile phone licenses to three mobile operators in January 2009, marking China's formal entry into the 3G era. It is generally expected that the demand for mobile music and entertainment will grow substantially following the issuance of 3G licenses. But simultaneously the mobile entertainment market will get increasingly competitive with more industry players entering this market. This will be a great challenge to the management. The Group will actively pursue new business potential arising from the upcoming 3G market in China through its wholly owned subsidiary, AnyMusic Limited. The Group will also further strengthen its digital content business by sourcing more domestic and international content that are well suited to the Chinese customers' demands, so as to capture more business opportunities as they quickly emerge in the PRC market.

## **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 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:

### **Long position in ordinary shares of the Company**

<b>Name of Director</b>	<b>Capacity in which the shares are held</b>	<b>Number of shares</b>	<b>Approximate shareholding in the Company</b>
Mr. Takeyasu Hashizume	Beneficial owner	6,658,000	0.35%

Save as disclosed above, at 31 December 2008, 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 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**

So far as is known to any Director or chief executive of the Company, as at 31 December 2008, shareholders of the Company (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shareholders of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

### **Long position in ordinary shares of the Company**

<b>Name of shareholders</b>	<b>Capacity in which the shares are held</b>	<b>Number of shares</b>	<b>Approximate shareholding in the Company</b>
Yoshimoto Fandango Co., Ltd.	Beneficial owner	866,522,167	44.99%
Yoshimoto Kogyo Co., Ltd.	Interest of a controlled corporation	866,522,167 (Note)	44.99%
Faith, Inc.	Beneficial owner	558,574,000	29.00%

Note: Yoshimoto Fandango Co., Ltd. is a wholly owned subsidiary of Yoshimoto Kogyo Co., Ltd. Accordingly, Yoshimoto Kogyo Co., Ltd. is interested in 866,522,167 shares in the Company by attribution.

Save as disclosed above, at 31 December 2008, the Company has not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

As at 31 December 2008, 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 nine months ended 31 December 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 nine months ended 31 December 2008.

By order of the Board  
**Hidenori Nakai**  
*Chairman*

Hong Kong, 13 February 2009

*As at the date of this report, the Board comprises six executive directors, namely Mr. Hidenori Nakai, Mr. Wang Kefei, Mr. Etsuro Tojo, Mr. Takeyasu Hashizume, 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.*