

ROJAM ENTERTAINMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

First Quarterly Report 2009/2010

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”)

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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 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”) announces the unaudited consolidated results of the Group for the three months ended 30 June 2009 together with the comparative unaudited figures for the corresponding period in 2008.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Three months ended	
		30 June	
	<i>Note</i>	2009	2008
		HK\$'000	<i>HK\$'000</i>
			(restated)
Turnover	2	781	925
Cost of sales and service rendered		<u>(350)</u>	<u>(303)</u>
Gross profit		431	622
Other income		133	196
Operating expenses		<u>(3,153)</u>	<u>(2,760)</u>
Loss before tax		(2,589)	(1,942)
Income tax expenses	3	<u>-</u>	<u>-</u>
Loss for the period from continuing operations		(2,589)	(1,942)
Loss for the period from discontinued operations		<u>-</u>	<u>(2,433)</u>
LOSS FOR THE PERIOD		(2,589)	(4,375)
Other comprehensive income for the period:			
Exchange differences on translating foreign operations		<u>3</u>	<u>707</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		<u>(2,586)</u>	<u>(3,668)</u>
Loss attributable to equity holders		<u>(2,589)</u>	<u>(4,375)</u>
Total comprehensive loss attributable to equity holders		<u>(2,586)</u>	<u>(3,668)</u>
Basic loss per share (expressed in HK cent)	4		
Loss from continuing and discontinued operations		<u>(0.13)</u>	<u>(0.23)</u>
Loss from continuing operations		<u>(0.13)</u>	<u>(0.10)</u>

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 three months ended 30 June 2009.

The unaudited consolidated accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

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 2009. These unaudited consolidated results should be read in conjunction with the Company's 2008/2009 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.

In the current year, the Group has adopted the new and revised HKFRSs that are relevant to its operations and effective for its accounting year beginning on 1 April 2009. The adoption of the new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current and prior periods.

2. Turnover and revenue

The amounts of each significant category of revenue recognised during the three months ended 30 June 2009 are as follows:

	Unaudited	
	Three months ended	
	30 June	
	2009	2008
	HK\$'000	HK\$'000
Turnover		
Continuing operations		
Licensing of software income	781	925
Discontinued operations		
Discotheque income	-	8
	781	933

3. Income tax expenses

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 period (2008: Nil).

No provision for PRC Enterprise Income Tax ("EIT") has been made for the period as the subsidiaries in the PRC have no assessable profits for the period (2008: Nil).

The new PRC enterprise income 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. On 6 December 2007, the State Council of the PRC issued implementation regulation of the new tax law to change EIT rate from 33% to 25%. The new tax law was effective from 1 January 2008.

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 30 June	
	2009	2008
Continuing operations		
Loss attributable to the equity holders of the Company (HK\$'000)	<u>(2,589)</u>	<u>(1,942)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,926,114</u>	<u>1,926,114</u>
Basic loss per share (HK cent per share) (Note)	<u>(0.13)</u>	<u>(0.10)</u>
Discontinued operations		
Loss attributable to the equity holders of the Company (HK\$'000)	<u>-</u>	<u>(2,433)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,926,114</u>	<u>1,926,114</u>
Basic loss per share (HK cent per share) (Note)	<u>-</u>	<u>(0.13)</u>
Total		
Loss attributable to the equity holders of the Company (HK\$'000)	<u>(2,589)</u>	<u>(4,375)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,926,114</u>	<u>1,926,114</u>
Basic loss per share (HK cent per share) (Note)	<u>(0.13)</u>	<u>(0.23)</u>

Note: No diluted loss per share has been presented as there were no dilutive potential ordinary shares during the periods ended 30 June 2009 and 2008.

5. Reserves

	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 2008	2	3,669	(117,279)	(113,608)
Total comprehensive loss for the period	—	707	(4,375)	(3,668)
Balance at 30 June 2008	<u>2</u>	<u>4,376</u>	<u>(121,654)</u>	<u>(117,276)</u>
Balance at 1 April 2009	2	4,782	(165,101)	(160,317)
Total comprehensive loss for the period	—	3	(2,589)	(2,586)
Balance at 30 June 2009	<u>2</u>	<u>4,785</u>	<u>(167,690)</u>	<u>(162,903)</u>

6. Interim dividend

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2009 (2008: Nil).

REVIEW AND PROSPECTS

Financial Highlights

	Current Quarter (Apr to Jun 2009) HK\$'000	Previous Quarter (Jan to Mar 2009) HK\$'000	First Quarter in 2008/2009 (Apr to Jun 2008) HK\$'000
Continuing operations			
Turnover	781	506	925
Cost of sales and service rendered	(350)	(343)	(303)
Gross profit	431	163	622
Operating expenditures*	(3,153)	(36,179)	(2,760)
Other income	133	343	196
Loss before tax	(2,589)	(35,673)	(1,942)
Income tax credit	-	1,167	-
Loss attributable to the equity holders	(2,589)	(34,506)	(1,942)
Discontinued operations			
Turnover	-	-	8
Cost of sales and operating expenditures*	-	-	(2,441)
Other income	-	-	-
Loss before tax	-	-	(2,433)
Income tax expenses	-	-	-
Loss attributable to the equity holders	-	-	(2,433)

* Selling, administrative and other operating expenses

Financial Review

Turnover decreased by approximately 16% to approximately HK\$781,000 for the three months ended 30 June 2009 from approximately HK\$925,000 for the three months ended 30 June 2008. Loss attributable to the equity holders of the Company for the three months ended 30 June 2009 was approximately HK\$2,589,000. Loss per share was approximately 0.13 HK cents.

Cost of sales increased by approximately 16% to approximately HK\$350,000 for the three months ended 30 June 2009 from approximately HK\$303,000 for the three months ended 30 June 2008. Operating expenditures increased by approximately 14% to approximately HK\$3,153,000 for the three months ended 30 June 2009 from approximately HK\$2,760,000 for the three months ended 30 June 2008. The Group's other income decreased by approximately 32% to approximately HK\$133,000 for the three months ended 30 June 2009 from approximately HK\$196,000 for the corresponding period of the last year.

At 30 June 2009, the Group had a cash balance of approximately HK\$19 million, representing approximately 14% decrease from approximately HK\$22 million at 31 March 2009. 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

With the downturn of the global economy and the deterioration of the operating environment, it is expected that the Group's business will be inevitably affected. To cope with the current difficulties and challenges, the management continues its consistent strategy to keep tight cost control and broaden its revenue, so as to increase its ability to endure risks. While stabilizing its existing operations, the Group will also seek for new business opportunities and 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 new markets.

On 5 August 2009, Yoshimoto Fandango Co., Ltd., the controlling shareholder of the Company and Faith, Inc., the substantial shareholder of the Company, entered into a conditional agreement with Marvel Bonus Holdings Limited, an independent third party in relation to the sale and purchase of shares in the Company (the "Transaction"). Details of the Transaction are set out in the joint announcement of the Company dated 11 August 2009.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

At 30 June 2009, the interests or 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 corporations (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

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

Save as disclosed above, at 30 June 2009, none of the Directors, chief executive 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 corporations (within the meaning of Part XV of the SFO) which were notified to the Company and 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 three months ended 30 June 2009 was the Company, or any of its 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' AND OTHER PERSONS' INTERESTS IN SECURITIES

So far as is known to any Director or chief executive of the Company, as at 30 June 2009, shareholders of the Company (other than Directors or chief executive 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 were as follows:

Long position in ordinary shares of the Company

Name of shareholders	Nature of interest	Number of shares	Approximate percentage of the Company's total issued share capital
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. ("Yoshimoto"). Accordingly, Yoshimoto is interested in 866,522,167 shares in the Company by attribution.

Save as disclosed above, at 30 June 2009, the Company had not been notified by any persons (other than the 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

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 2009.

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 2009.

By order of the Board
Hidenori Nakai
Chairman

Hong Kong, 14 August 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.