

ROJAM ENTERTAINMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

Stock Code: 8075

First Quarterly Report 2010/2011



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 (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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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 2010 together with the comparative unaudited figures for the corresponding period in 2009.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Three months ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Turnover	3	60	781
Cost of sales and service rendered		(95)	(350)
		<hr/>	<hr/>
Gross (loss)/profit		(35)	431
Other income		33	133
Operating expenses		(7,265)	(3,153)
Finance costs	4	(318)	–
		<hr/>	<hr/>
Loss before tax		(7,585)	(2,589)
Income tax credit	5	69	–
		<hr/>	<hr/>
Loss for the period attributable to owners of the Company		(7,516)	(2,589)
Other comprehensive income after tax:			
Exchange differences on translating foreign operations		150	3
		<hr/>	<hr/>
Other comprehensive income for the period, net of tax		150	3
		<hr/>	<hr/>
Total comprehensive income for the period attributable to owners of the Company		(7,366)	(2,586)
		<hr/>	<hr/>
Loss per share (expressed in HK cent)	6		
Basic and diluted		(0.33)	(0.13)
		<hr/>	<hr/>

Notes:

1. General information

The Company is a limited liability company incorporated in the Cayman Islands on 29 February 2000. The Company's domicile was changed to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda with effect from 3 December 2009. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Company's shares were listed on GEM on 31 May 2001.

The principal activity of the Company is investment holding. During the period under review, the Group is 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").

2. Basis of preparation and accounting policies

The unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, applicable disclosure requirements of the GEM Listing Rules and 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 2010. These unaudited condensed consolidated results should be read in conjunction with the Company's 2009/2010 annual report.

The unaudited condensed consolidated financial information has not been audited by the Company's auditors, but has been reviewed by the Company's audit committee.

3. Turnover

Turnover represents revenue from licensing of software and technology for use in connection with the provision of value-added telecommunication services in the PRC.

	Three months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover		
Licensing of software income	60	781
	<hr/>	<hr/>
	60	781
	<hr/>	<hr/>

4. Finance costs

A convertible bonds subscription agreement made on 30 September 2009 between the Company and Golden Coach Limited was completed and the convertible bonds in the principal amount of HK\$25,000,000 (the "Convertible Bond") was issued on 30 April 2010. The effective interest expenses for the period is as follows:

	Three months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Effective interest expenses on the Convertible Bonds	318	—
	<hr/>	<hr/>
	318	—
	<hr/>	<hr/>

5. Income tax

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 (2009: Nil).

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

	Three months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Current tax		
– PRC taxation	—	—
Deferred tax	69	—
	<hr/>	<hr/>
	69	—
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6. Loss per share

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

	Three months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (<i>HK\$'000</i>)	(7,516)	(2,589)
Weighted average number of ordinary shares in issue (<i>thousands</i>)	2,306,114	1,926,114
Basic loss per share (HK cent per share) (<i>Note</i>)	(0.33)	(0.13)

Note: No diluted loss per share has been presented for each of the period ended 30 June 2010 and 2009 as the exercise of options and conversion of all outstanding convertible bonds had anti-dilutive effects during the period ended 30 June 2010 and there were no dilutive potential ordinary shares during the period ended 30 June 2009.

7. Reserves

	Attributable to owners of the Company						Total
	Share premium	Contributed surplus	Convertible bonds reserve	Options fee received reserve	Exchange reserve	Accumulated losses	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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 (Unaudited)	2	-	-	-	4,785	(167,690)	(162,903)
Balance at 1 April 2010	2	44,475	-	-	4,625	(19,788)	29,314
Options fee received	-	-	-	2,500	-	-	2,500
Issue of convertible bonds	-	-	4,747	-	-	-	4,747
Total comprehensive loss for the period	-	-	-	-	150	(7,516)	(7,366)
Balance at 30 June 2010 (Unaudited)	2	44,475	4,747	2,500	4,775	(27,304)	29,195

8. Interim dividend

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2010 (2009: Nil).

FINANCIAL REVIEW

Turnover was dropped to approximately HK\$60,000 for the three months ended 30 June 2010 from approximately HK\$781,000 for the three months ended 30 June 2009. Loss attributable to owners of the Company for the three months ended 30 June 2010 was approximately HK\$7,516,000 compare to that of approximately HK\$2,589,000 for the three months ended 30 June 2009. Loss per share was approximately 0.33 HK cents. The increase in loss is mainly attributable to the drop in turnover due to fierce competition in the industry and increase in the operating expenses.

Cost of sales decreased by approximately 73% to approximately HK\$95,000 for the three months ended 30 June 2010 from approximately HK\$350,000 for the three months ended 30 June 2009. The Group's other income decreased by approximately 75% to approximately HK\$33,000 for the three months ended 30 June 2010 from approximately HK\$133,000 for the corresponding period of the last year. Operating expenses increased by approximately 130% to approximately HK\$7,265,000 for the three months ended 30 June 2010 from approximately HK\$3,153,000 for the three months ended 30 June 2009. Increase in operating expenses was mainly incurred for development of existing and potential new business. Finance costs which represents interest on the Convertible Bonds was approximately HK\$318,000 for the three months ended 30 June 2010.

At 30 June 2010, the Group had a cash balance of approximately HK\$59 million, representing approximately 37% increase from approximately HK\$43 million at 31 March 2010. The increase in cash during the first quarter was mainly attributed to completion of the issue of the Convertible Bonds and options. The gearing ratio was approximately 1.24% as at 30 June 2010 (2009: nil). Gearing ratio is calculated as current liabilities divided by total equity.

PROSPECTS

Due to fierce competition in the industry, turnover of the Group dropped further in the first quarter. Although the Board is of view that this reduction is in short term, it has taken effective measures to improve the operation which included appointment of an agent and manager for soliciting, referring and sourcing customers and managing, supervising and monitoring projects relating to entertainment business for the Group in Mainland China, Hong Kong, Macau and Taiwan. The Company considers that the appointment of the Agent is a cost-effective measure to operate and expand the entertainment business of the Group and expects that this will have positive effects on its operation, business and results. It is also expected that the operation results of the Group will be improved in the second quarter. The Board will continue to make every effort to enhance the existing business of the Group. Besides, the Group is in the process of exploring new business opportunities in order to broaden the Group's business with good prospect, to enhance the Group's income stream and the overall profitability.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

At 30 June 2010, none of the Directors, chief executives of the Company or their respective associates (as defined under 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 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 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 2010 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 2010, 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	Capacity in which the shares are held	Interest in shares	Interest in underlying shares	Approximate shareholding in the Company
Marvel Bonus Holdings Limited (<i>Note 1</i>)	Beneficial owner	562,490,000	Nil	24.39%
Integrated Asset Management (Asia) Limited (<i>Notes 1 and 2</i>)	Interest of a controlled corporation	562,490,000	Nil	24.39%

Name of shareholders	Capacity in which the shares are held	Interest in shares	Interest in underlying shares	Approximate shareholding in the Company
Shanghai Assets (BVI) Limited (Notes 1 and 3)	Interest of a controlled corporation	562,490,000	Nil	24.39%
Mr. Yam Tak Cheung (Note 2)	Interest of a controlled corporation	562,490,000	Nil	24.39%
Mr. Ting Pang Wan, Raymond (Note 3)	Interest of a controlled corporation	562,490,000	Nil	24.39%
Golden Coach Limited (Note 4)	Beneficial owner	Nil	750,000,000	32.52%
Mr. Chan Chun Kuen (Note 5)	Interest of a controlled corporation	Nil	750,000,000	32.52%

Notes:

1. Marvel Bonus Holdings Limited ("Marvel Bonus") is owned as to 50% each by Integrated Asset Management (Asia) Limited ("Integrated Asset") and Shanghai Assets (BVI) Limited ("Shanghai Assets"). Integrated Asset and Shanghai Assets were therefore deemed to be interested in 562,490,000 shares held by Marvel Bonus.
2. Integrated Asset is in turn wholly and beneficially owned by Mr. Yam Tak Cheung ("Mr. Yam"). Mr. Yam was therefore deemed to be interested in the 562,490,000 shares held by Marvel Bonus.
3. Shanghai Assets is in turn wholly and beneficially owned by Mr. Ting Pang Wan, Raymond ("Mr. Ting"). Mr. Ting was therefore deemed to be interested in the 562,490,000 shares held by Marvel Bonus.
4. Pursuant to the Convertible Bonds subscription agreement and the options subscription agreement dated 30 September 2009 respectively entered into between the Company and Golden Coach Limited ("Golden Coach"), Golden Coach agreed to subscribe for convertible bonds with an aggregate principal amount of HK\$25,000,000 which can be converted into 500,000,000 shares and the Company agreed to grant to Golden Coach options to subscribe for 250,000,000 shares in the Company. Golden Coach was therefore deemed to be interested in 750,000,000 underlying shares in total through its long position in the Company's convertible bonds and options. The Convertible Bonds subscription agreement and the options subscription agreement were completed on 30 April 2010.
5. Golden Coach is wholly and beneficially owned by Mr. Chan Chun Kuen ("Mr. Chan"). Mr. Chan was therefore deemed to be interested in Golden Coach's interest in 750,000,000 underlying shares.

Save as disclosed above, at 30 June 2010, 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.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 19 November 2009, pursuant to which the Directors of the Company may, at their discretion, invite any employee, director, non-executive director (including independent non-executive director), supplier, customer, advisor, consultant, agent, contractor, and any shareholder of any member of the Group or any invested entity or any holder of any securities issued by any member of the Group or any invested entity, to take up options to subscribe for Shares. As at 30 June 2010, no options had been granted under the Scheme.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 30 June 2010, none of the Directors or the management shareholders of the Company (as defined under the GEM Listing Rules) had an interest in a business, which competed or might compete with the business of the Group or had any other conflict of interests with the Group.

AUDIT COMMITTEE

The Company has 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 four members comprising the four independent non-executive Directors, namely Mr. Chan Chi Yuen, Mr. Zhang Xi, Mr. Yeung Wai Hung, Peter and Mr. Wong Kam Choi. The chairman of the audit committee is Mr. Chan Chi Yuen. The audit committee has reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial information for the three months ended 30 June 2010.

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 2010.

By order of the Board
Etsuko Hoshiyama
Executive Director

Hong Kong, 13 August 2010

As at the date of this report, the Board comprises three executive directors, namely Ms. Etsuko Hoshiyama, Mr. Chan Chi Ming, Alvin and Mr. Luk Hong Man, Hammond; and four independent non-executive directors, namely Mr. Chan Chi Yuen, Mr. Zhang Xi, Mr. Yeung Wai Hung, Peter and Mr. Wong Kam Choi.