



**Stock Code: 8075**

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**FIRST QUARTERLY RESULTS ANNOUNCEMENT  
For the three months ended 30th June 2004**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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*This announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement 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 30th June 2004 together with the comparative unaudited figures for the corresponding period in 2003.

	Note	Three months ended 30th June	
		2004 HK\$'000	2003 HK\$'000
Turnover	2	<b>40,064</b>	14,815
Other revenue	2	<b>89</b>	138
Total revenues		<b>40,153</b>	14,953
Cost of sales		<b>(22,302)</b>	(20,564)
Selling and distribution expenses		<b>(11,009)</b>	(4,103)
Other operating expenses		<b>(7,902)</b>	(7,467)
Amortisation of goodwill		<b>(1,370)</b>	(1,370)
Loss before taxation		<b>(2,430)</b>	(18,551)
Taxation	3	<b>(435)</b>	156
Loss after taxation		<b>(2,865)</b>	(18,395)
Minority interests		<b>(89)</b>	1,987
Loss attributable to shareholders		<b><u>(2,954)</u></b>	<u>(16,408)</u>
Basic loss per share	4	<b><u>(0.2 cents)</u></b>	<u>(1.1 cents)</u>

Notes:

### I. Basis of preparation

The Company was incorporated in the Cayman Islands on 29th February 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. Its shares were listed on GEM on 31st May 2001.

The unaudited accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. They have been prepared under the historical cost convention.

## 2. Turnover and revenue

The amounts of each significant category of revenue recognised during the three months ended 30th June 2004 are as follows:

	Three months ended 30th June	
	2004 HK\$'000	2003 HK\$'000
Turnover		
Record distribution	35,322	10,335
Music production	428	1,879
Music publishing	5	6
Discotheque	4,132	2,347
Event management	–	10
Merchandise sales	3	4
Banner advertising	174	234
	<u>40,064</u>	<u>14,815</u>
Other revenue		
Bank interest income	89	138
	<u>89</u>	<u>138</u>
Total revenues	<u><b>40,153</b></u>	<u><b>14,953</b></u>

## 3. Taxation

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 year. No provision for United States ("US") income tax has been made as the subsidiaries in US have no assessable profits for the current and prior year. No provision for Japanese corporate income tax has been made for the current and prior year as there is allowable tax loss brought forward from prior years. The People's Republic of China (the "PRC") taxation has been provided on the profit of the Group's subsidiary in the PRC and calculated at the applicable rates.

The amount of taxation charged/credited to the consolidated profit and loss account represents:

	2004 HK\$'000	2003 HK\$'000
Current taxation		
– PRC taxation	129	(156)
Deferred taxation	306	–
	<u>306</u>	<u>–</u>
Taxation charge/(credit)	<u><b>435</b></u>	<u><b>(156)</b></u>

## 4. Loss per share

The calculation of the basic loss per share is based on the Group's loss attributable to shareholders of HK\$2,954,000 (2003: HK\$16,408,000) and the weighted average number of 1,554,684,403 ordinary shares in issue during the period.

Diluted loss per share has not been presented for the three months ended 30th June 2004 and 2003 as the conversion of the potential ordinary shares would have anti-dilutive effect to the basic loss per share.

## 5. Interim dividend

The Board does not recommend the payment of an interim dividend for the three months ended 30th June 2004 (2003: Nil).

## 6. Reserves

	<b>Share premium</b> <i>HK\$'000</i>	<b>Exchange reserve</b> <i>HK\$'000</i>	<b>Accumulated losses</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1st April 2003	148,329	(6,312)	(72,451)	69,566
Loss for the period	–	–	(16,408)	(16,408)
Exchange adjustment on translation of the accounts of overseas subsidiaries	–	445	–	445
<b>At 30th June 2003</b>	<b><u>148,329</u></b>	<b><u>(5,867)</u></b>	<b><u>(88,859)</u></b>	<b><u>53,603</u></b>
At 1st April 2004	148,329	(7,317)	(65,159)	75,853
Loss for the period	–	–	(2,954)	(2,954)
Exchange adjustment on translation of the accounts of overseas subsidiaries	–	(2,124)	–	(2,124)
<b>At 30th June 2004</b>	<b><u>148,329</u></b>	<b><u>(9,441)</u></b>	<b><u>(68,113)</u></b>	<b><u>70,775</u></b>

## BUSINESS REVIEW AND PROSPECTS

### Financial Highlights

	<b>Current Quarter (Apr to Jun 2004)</b> <i>HK\$'M</i>	<b>Previous Quarter (Jan to Mar 2004)</b> <i>HK\$'M</i>	<b>First Quarter in 2003/2004 (Apr to Jun 2003)</b> <i>HK\$'M</i>
Turnover	40.1	63.4	14.8
Operating expenditures*	41.2	63.4	32.1
Loss from operations	(2.4)	(1.4)	(18.6)
(Loss)/profit attributable to shareholders	(3.0)	0.6	(16.4)

\* *Cost of sales, selling & other operating expenses*

## Sales by business segments

	Current Quarter (Apr to Jun 2004)			Previous Quarter (Jan to Mar 2004)			First Quarter in 2003/2004 (Apr to Jun 2003)		
	External HK\$'M	Inter- segment HK\$'M	%	External HK\$'M	Inter- segment HK\$'M	%	External HK\$'M	Inter- segment HK\$'M	%
Record Distribution	35.4	–	88	57.5	–	91	10.3	–	70
Music Production	0.4	1.4	1	1.3	11.5	2	1.9	0.9	13
Discotheque	4.1	–	10	4.3	–	7	2.3	–	16
Others	0.2	–	1	0.3	–	–	0.3	–	1
Group Total	<u>40.1</u>	<u>1.4</u>	<u>100</u>	<u>63.4</u>	<u>11.5</u>	<u>100</u>	<u>14.8</u>	<u>0.9</u>	<u>100</u>

## Financial Review

The first quarter was a challenge for the Group because of the seasonal characteristics of the record industry. In general, number of records being released in the first quarter was comparatively fewer than that in other quarters among the year. The Group recorded a turnover of HK\$40.1 million in the first quarter of the financial year 2004/2005, representing a decrease of 37% compared with the fourth quarter of 2003/2004 but an increase of 170% when compared with the first quarter of last year.

The main growth driver of the Group remains within the record distribution business. Of the total turnover, HK\$35.4 million or 88% was generated from the record distribution business, HK\$0.4 million or 1% was generated from the music production business and HK\$4.1 million or 10% was generated from the discotheque business.

The turnover from record distribution business dropped by 39% when compared to the previous quarter. Such decrease was mainly due to the decrease in number of records being released. The Group anticipated the low level of sales in the record industry and continued to release records throughout the quarter, resulting over 240% growth in the record distribution sales when compared to the corresponding period of last year. The drop in turnover from other businesses was primarily due to the decline of the Group's banner advertising income, reflecting the termination of the banner advertisement from its customer during the quarter.

The operating expenditures including the cost of sales increased by only 28% compared to the corresponding period of last year, despite the strong growth of the turnover. This was because the cost structure comprised a relatively higher portion of the fixed costs. The selling and distribution expenses increased by 168% to HK\$11.0 million as more promotional activities were arranged during this quarter in order to boost the sales. The sponsor agreement of the Company, which was entered to comply with the GEM Listing Rules, expired in the fourth quarter of 2003/2004. The Group intended not to appoint any sponsor thereafter, in which the Group can save HK\$0.6 million per annum.

The loss attributable to shareholders for the first quarter of the financial year 2004/2005 amounted to HK\$3.0 million, representing a significant improvement compared with the loss of HK\$16.4 million for the first quarter of the financial year 2003/2004 but a set-back compared with a profit of HK\$ 0.6 million for the fourth quarter of 2003/2004. In addition to the seasonal decrease in sales, the depreciation of the Japanese yen recorded an exchange loss in the accounts was also a cause of reduction of the profitability when compared to the previous quarter.

At 30th June 2004, the Group had a cash balance of approximately HK\$89.8 million, maintaining at nearly the same level of HK\$90.4 million as at 31st March 2004.

## **Operations Review**

### *Record distribution*

Turnover from the record distribution business for the first quarter of the financial year 2004/2005 amounted to HK\$35.4 million, representing a decrease of 39% when compared to the previous quarter and an increase of 241% when compared to the same period of last year.

R&C Japan Ltd. ("R&C Japan"), an 80% indirectly owned subsidiary of the Company, conducts the Group's record distribution business and engages principally in production and licensing of music master tapes. This business division accounted for approximately 88% of the total turnover of the Group in the first quarter.

The record distribution revenue fell short of the previous quarter's performance. Due to the effect of seasonality, record sales are in general lower in the first quarter than in other quarters of the financial year. In view of this low season in the industry, the Group increased the number of its releases in this year. During the quarter under review, R&C Japan produced and distributed 5 singles, 2 albums, 7 video tapes and 11 DVDs. The products released in the same quarter of last year were 3 singles, 1 album, 4 video tapes and 9 DVDs.

During the quarter, the Group secured additional reputable record distributors to expand its sales network in Japan. The Group continues to pursue a number of opportunities related to the new uses of its music and entertainment contents and discussions are underway with certain local media owners in Japan. Producing and distributing high quality of music and entertainment products in both physical and digital format continues to be the first priority of the Group.

### *Music production*

Turnover from the music production business including inter-segment sales amounted to HK\$1.8 million for the first quarter of 2004/2005, representing a decline of 86% and 35% when compared to the previous quarter and the first quarter of 2003/2004 respectively. The significant decrease in turnover compared to the previous quarter was resulted from the decrease in inter-segment sales, which was led by the drop in the record distribution sales. During the quarter, the Group produced 2 singles for Sony Music Entertainment Limited.

As most of the less profitable producer contracts gradually expired, coupled with the business opportunities brought about by the strategic investors, the performance of the music production business may be improved in short term. In the meantime, the Group is cautiously seeking further business contracts with potentially better margins which will bring in better returns.

#### *Rojam Disco*

Turnover from the discotheque business amounted to HK\$4.1 million for the first quarter, which was maintained at the same level of the previous quarter but an increase of 76% compared with the corresponding quarter in last year. The outbreak of SARS in the first half of 2003 caused the turnover of the first quarter of last year exceptionally low.

One of the biggest parties held in Rojam Disco during the first quarter was “Sony Network Walkman Xounz Music Party” held in April. World-renowned musicians had been invited to perform at that night, including Mike Maguire from the United Kingdom, who is one of the founders of TRANCE music; and REE.K, a famous Japanese female DJ. Other parties included “Super DJ Parties” hosting by well-known DJs around the world. These DJs included David Holmes, who made his name on the acid house and techno scenes; and JFK, a leading DJ in HARD TRANCE music. Rojam Disco has also introduced new elements to its repertoire, including Sichuan “face-changing” performance at every Friday’s night.

#### **Prospects**

The seasonal decrease in record sales in the industry led to the reduction in revenue of the Group in the first quarter. Management are nevertheless confident that, with the strength of the release schedule and consistent focus on the cost base, the Group will be able to report profits in the second and third quarter. Recent statistics show a rebound in the economy and a rise in the consumer confidence in Japan, one of the largest music markets in the world. With the well defined business strategy, the Group is assured of delivering consistent business growth in the financial year 2004/2005. The Group will become more pro-active in developing new markets so as to bring the business models of the Group to outside of Japan, creating more room for future growth.

As announced on 8th July 2004, the Group is undertaking some discussion regarding the intended consolidation of ownership of a subsidiary of the Company. The Group expects to finalise the details of the acquisition in the coming quarter. Since then, the Group can furthermore deliver continuous and consecutive profit growth on an enlarged platform.

Digital music and entertainment will move mainstream and become widespread among consumers in the future. In preparation to digitise its music and entertainment contents in the year, the Group is now carefully structuring and tightly managing its resources. Although the digital distribution business has yet to bring to the Group significant sales and profit contribution, it enriches the product range of the Group. The Group can maximise the value from its music and entertainment contents. The number and type of consumer offerings as well as the distribution channels will also proliferate. Last but not the least, the number and types of business models available for the Group will significant increase. The Group believes that the digital distribution business will enhance its revenue in the long run.

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

At 30th June 2004, 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 associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under section 352 of the SFO or as notified to the Company and the Stock Exchange were as follows:

### **(a) Ordinary shares of HK\$0.10 each in the Company**

<b>Name of Director</b>	<b>Capacity in which the shares are held</b>	<b>Personal interests</b>	<b>Total interests</b>	<b>Approximate shareholding in the Company</b>
Mr. Takeyasu Hashizume	Beneficial owner	1,730,000	1,730,000	0.11%
Mr. Arihito Yamada	Beneficial owner	8,913,600	8,913,600	0.57%
Mr. Yukitsugu Shimizu	Beneficial owner	430,000	430,000	0.03%
Mr. Hiroshi Osaki	Beneficial owner	1,300,000	1,300,000	0.08%

### **(b) Share options of the Company**

<b>Name of Director</b>	<b>Date of grant</b>	<b>Exercise price (HK\$)</b>	<b>Number of share options</b>		
			<b>Granted</b>	<b>Outstanding as at 1st April 2004</b>	<b>Outstanding as at 30th June 2004</b>
Mr. Arihito Yamada	12th July 2001	0.47	8,800,000	8,800,000	8,800,000

The share options granted, the exercise period for which expires 10 years from 12th July 2001, are fully vested as at 30th June 2004.

Save as disclosed above, at 30th June 2004, none of the Directors, chief executive 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 5.48 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 30th June 2004 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.



## **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES OR UNDERLYING SHARES OF THE COMPANY**

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30th June 2004, 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:

<b>Name of shareholder</b>	<b>Interests in the ordinary shares of HK\$0.10 each in the Company</b>	<b>Approximate shareholding in the Company</b>
Yoshimoto America, Inc. ( <i>Note 1</i> )	450,000,000	28.94%
Yoshimoto Kogyo Co., Ltd. ( <i>Note 1</i> )	450,000,000	28.94%
Faith, Inc.	265,133,334	17.05%
Mr. Kohei Matsuki	131,240,000	8.44%
Mr. Mamoru Taniya	131,240,000	8.44%
Softbank Entertainment Limited ( <i>Note 2</i> )	91,750,000	5.90%
Softbank Investment Corporation ( <i>Note 2</i> )	91,750,000	5.90%
Softbank Finance Corporation ( <i>Note 2</i> )	91,750,000	5.90%
Softbank Corp. ( <i>Note 2</i> )	91,750,000	5.90%

Notes:

1. Yoshimoto America Inc., a wholly-owned subsidiary of Yoshimoto Kogyo Co., Ltd., was the beneficial owner of 450,000,000 shares in the Company. Accordingly, Yoshimoto Kogyo Co., Ltd. was interested in 450,000,000 shares in the Company by attribution.
2. Softbank Entertainment Limited, controlled as to 100% by Softbank Investment Corporation, was the beneficial owner of 91,750,000 shares in the Company. Softbank Investment Corporation was controlled as to 65.20% by Softbank Finance Corporation, which was in turn controlled as to 100% by Softbank Corp. Accordingly, each of Softbank Investment Corporation, Softbank Finance Corporation and Softbank Corp. was interested in 91,750,000 shares in the Company by attribution.

Save as disclosed above, at 30th June 2004, 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**

Mr. Yukitsugu Shimizu and Mr. Hiroshi Osaki, executive Directors of the Company, are directors of Yoshimoto Kogyo Co., Ltd. ("Yoshimoto"), a substantial shareholder of the Company, and certain of its associates (as defined in the GEM Listing Rules). By two deeds of non-competition undertakings, both dated 10th October 2002 and entered into between Yoshimoto and each of (i) the Company and (ii) R&C Japan Ltd. ("R&C Japan"), Yoshimoto irrevocably and unconditionally undertakes to each of the Company and R&C Japan that, unless with the written consent of the Company or R&C Japan (as the case may be) or except for certain circumstances, it will not and will procure that its subsidiaries and associates will not, carry on or be engaged, concerned or interested directly or indirectly in the production of master tapes and licensing of such master tape rights. Details of the two deeds of non-competition undertakings are set out in the Company's circular dated 31st July 2002.

Save as disclosed above, during the three months ended 30th June 2004, none of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company 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.

## **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 30th June 2004.

By Order of the Board  
**Takeyasu Hashizume**  
President

Hong Kong, 12th August 2004

*As at the date of this announcement, the Board comprises seven executive directors, namely Mr. Takeyasu Hashizume, Mr. Tetsuo Mori, Mr. Osamu Nagashima, Mr. Mitsuo Sakauchi, Mr. Arihito Yamada, Mr. Yukitsugu Shimizu and Mr. Hiroshi Osaki; and two independent non-executive directors, namely Mr. Seiichi Nakaoda and Mr. Yeung Mui Kwan, David.*

*This announcement will remain on the GEM website on the "Latest Company Announcements" page for at least 7 days after its posting and the website of the Company at [www.rojam.com](http://www.rojam.com).*