

FIRST QUARTERLY RESULTS ANNOUNCEMENT **For the three months ended 30th June, 2001**

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This announcement, for which the directors of Rojam Entertainment Holdings Limited 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 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 announce the unaudited consolidated results of the Group for the three months ended 30th June, 2001 together with the comparative unaudited figures for the corresponding period in 2000.

		Three months ended 30th June,	
		2001	2000
	Note	HK\$'000	HK\$'000
Turnover	2	9,647	713
Other revenue	2	776	80
Total revenue		10,423	793
Less: overseas withholding taxation	3	(85)	(62)
		10,338	731
Cost of music production and record sales		(5,582)	(285)
Selling and distribution expenses		(9,049)	(2,050)
Other operating expenses		(14,960)	(8,523)
Loss before taxation		(19,253)	(10,127)
Taxation	3	—	—
Loss after taxation		(19,253)	(10,127)
Minority interests		1	—
Loss for the period		(19,252)	(10,127)
Basic loss per share	4	(1.8 cents)	(2.8 cents)

Notes:

I. Group reorganisation and 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.
- Pursuant to a group reorganisation (the “Reorganisation”), which was completed on 19th September, 2000, to rationalise the structure of the Company and its subsidiaries in preparation for the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM”), the Company became the holding company of the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 24th May, 2001.

- (c) The Company's shares were listed on GEM on 31st May, 2001.
- (d) The Reorganisation is accounted for using merger accounting as permitted by the Hong Kong Statement of Standard Accounting Practice 2.127 "Accounting for group restructuring". The unaudited consolidated results of the Group for the three months ended 30th June, 2001, including the comparative unaudited figures, are prepared as if the Company had been the holding company of the Group from the beginning of the earliest period presented.

The unaudited accounts have been prepared under the historical cost convention, in accordance with accounting principles generally accepted in Hong Kong.

2. Turnover and revenue

The amounts of each significant category of revenue recognised during the three months ended 30th June, 2001 are as follows:

	Three months ended	
	30th June,	
	2001	2000
	HK\$'000	HK\$'000
Turnover		
Music production income		
– Production service fees	3,915	–
Music publishing fee		
– Royalty income	3	–
Record distribution income	378	2
Event management income	3,560	–
Trademark licensing income	427	308
Merchandise sales	938	–
Banner advertising income	426	403
	9,647	713
Other revenue		
Interest income	776	80
Total revenues	10,423	793

3. Taxation and overseas withholding taxation

No provisions for Hong Kong profits tax and Japanese corporate income tax have been made as the companies comprising the Group have no assessable profits for the three months ended 30th June, 2001 and 2000. Overseas withholding taxation represents Japan and the People's Republic of China withholding taxes on the income subject to withholding taxes and is calculated at the applicable rates.

4. Loss per share

The calculation of basic loss per share is based on the unaudited consolidated loss of the Group for the three months ended 30th June, 2001 of approximately HK\$19,252,000 (2000: loss of approximately HK\$10,127,000) and the weighted average number of 1,058,530,557 shares of the Company in issue during the three months ended 30th June, 2001 (2000: 356,491,350 shares).

No diluted loss per share is presented for the three months ended 30th June, 2001 as the exercise of the share options granted by the Company would have no dilutive effect. There was no dilutive event for the three months ended 30th June, 2000.

5. Interim dividend

The Board does not recommend the payment of an interim dividend for the three months ended 30th June, 2001 (2000: Nil).

6. Reserves

	Share premium <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained earnings/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2001	103,279	(3,118)	7,158	107,319
Issue of shares pursuant to placing	63,000	–	–	63,000
Share issuing expenses	(17,950)	–	–	(17,950)
Loss for the period	–	–	(19,252)	(19,252)
Exchange adjustments on the translation of accounts of overseas subsidiaries	–	2,125	–	2,125
At 30th June, 2001	148,329	(993)	(12,094)	135,242

There was no movement in reserves except the loss for the three months ended 30th June, 2000.

BUSINESS REVIEW AND PROSPECTS

Financial Review

The Company's shares were listed on GEM on 31st May, 2001 by way of placing of 70 million new shares and 20 million existing shares, at an issue price of HK\$1.00 per share. The net proceeds from the placing, after deducting related expenses, are approximately HK\$52 million. For the three months ended 30th June, 2001, the Group recorded total revenues (comprising turnover of approximately HK\$9.6 million and interest income of approximately HK\$0.8 million) of approximately HK\$10.4 million, being around 13 times of those for the corresponding period in 2000.

During the period under review, the Group has focused on strengthening its music production capacity by embarking on a structural extension and hardware and software enhancement project at its Tokyo studio. The project was completed on schedule in late July 2001, as a result of which the quality and capacity of the Tokyo studio have been significantly enhanced. Despite the numerous benefits brought in by the enhancement project, the renovation works have inevitably impeded on the Group's music production activities during the period under review. Hence, music production income, the Group's major source of revenue, accounted for only around 41% of total turnover for the three months ended 30th June, 2001.

The Group has been actively involved in a series of negotiation with record companies and other potential customers in the music and entertainment industry to secure new music production contracts. To raise the level of recognition and publicity of the Group and its label, the Group has also been actively participating

in a number of marketing and promotional activities. During the period under review, the Group directed a significant amount of financial and human resources at its corporate activities on top of its music production and related business. Music production and record sales, selling and distribution expenses, and other operating expenses amounted to approximately HK\$5.6 million, HK\$9.0 million and HK\$15.0 million respectively for the three months ended 30th June, 2001. Loss for the three months ended 30th June, 2001 amounted to approximately HK\$19.3 million, compared with a loss of approximately HK\$10.1 million for the corresponding period in 2000.

Operation Review

Music production

During the period under review, the Group produced one album and one single for Kiss Destination under its producer service contract with Pony Canyon Inc., and undertook other order-by-order music production projects, generating a music production income of approximately HK\$3.9 million for the three months ended 30th June, 2001.

The structural extension, and hardware and software enhancement project at the Group's Tokyo studio was completed in late July 2001. The Tokyo studio has a gross floor area of about 1,344 square metres and is made up of quality equipment rooms, sound-proof studio rooms, and other supporting amenities and peripherals. The facilities can accommodate at least nine music producers or engineers each working at a different music production project at the same time. The well-equipped studio is situated in a warehouse district in Tokyo and capable of, at full capacity, running around-the-clock operations.

Event management

An event management project undertaken by the Group since April 2001, for the provision of event management services to a music production company in Japan, generated turnover of approximately HK\$3.6 million for the three months ended 30th June, 2001.

Merchandise sales

Following the success of "First Impression", a photo book released in March 2001 featuring TM Network's "Major-Turn-Round" concert tour held across Japan from December 2000 to January 2001, the Group released its sequel entitled "Second Impression" in May 2001. "Second Impression", together with other merchandise items such as T-shirts and novelties, generated merchandise sales of approximately HK\$0.9 million during the three months ended 30th June, 2001.

Promotional activities

The Group has been sponsoring, in Japan, two television programmes, namely "club TK" on BS Fuji, and "radio TK" on Fuji Television Network, and a radio programme named "mix in KD – produced by Rojam", since April 2001, and incurred expenses amounting to approximately HK\$5.8 million on such promotional activities during the three months ended 30th June, 2001. "club TK" is an artiste audition programme for teenagers of around 10 to 13 years of age, and is packed with music, entertainment and fun; while "radio TK" is a talk show hosted by Mr. Tetsuya Komuro and Mr. Naoto Kine, both being producers of the Group, and is targeted at a more mature audience. "mix in KD – produced by Rojam" is a promotion medium for

the music of the Group on radio. All such television and radio programmes provide excellent platforms for the Group to promote its music, producers and artistes to audiences of all ages.

Prospects

A number of exciting projects are under way. For the coming periods, the Group will release a series of music records and feature products under the Group's label as well as music recordings for the contracted record companies.

The Group is the organizer of the concert for Ms. Namie Amuro, one of the top female Japanese artistes, to be held in Taiwan in late September 2001. In the past months, the Group produced several music recordings for Ms. Amuro under its producer service contract with Avex Inc. The Group expects such event management project to generate revenue as well as other intangible benefits as reputation and brand recognition for the Group.

In terms of geographical expansion, while the Group currently focuses on the Japan market, it has been exploring different business opportunities in Taiwan, South Korea and the PRC. The Group has teamed up with local partners in Taiwan and the PRC, and has been undertaking feasibility studies regarding the establishment of music learning centres in Taiwan and the PRC respectively. Negotiations with record companies in Taiwan and South Korea in relation to music production contracts are also taking place.

Looking ahead, the Group will, with its team of experienced music producers and engineers, and state-of-the-art music production facilities, continue to procure more music production and related businesses, in terms of both the number of projects and the variety of projects, with a view to spreading its name and music across different parts of Asia.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30th June, 2001, the interests of the directors and chief executives in the shares and options of the Company, as recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as notified to the Company and the Stock Exchange were as follows:

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

Name of director	Personal interests	Family interests	Corporate interests
Mr. Tetsuya Komuro (Note 1)	467,892,667	1,100,000	—
Mr. Kebo Wu (Note 2)	—	—	75,883,333
Mr. Tomohiko Domen	27,022,000	—	—
Mr. Arihito Yamada	8,913,600	—	—
Mr. Wong Ho Yan, Daniel (Note 3)	—	5,306,000	—

Notes:

1. As at 30th June, 2001, Mr. Tetsuya Komuro personally held 467,892,667 shares. Ms. Asami Yoshida, the spouse of Mr. Tetsuya Komuro personally held 1,100,000 shares as at 30th June, 2001. Mr. Tetsuya Komuro was accordingly taken to be interested in 468,992,667 shares as at 30th June, 2001.
2. As at 30th June, 2001, Billion Moment Limited ("Billion Moment") held 75,883,333 shares. Billion Moment is held as to 90% and 10% by Mr. Kebo Wu and Ms. Cheng Wing Ki, Aouda, respectively. Mr. Kebo Wu was accordingly taken to be interested in 75,883,333 shares as at 30th June, 2001.
3. As at 30th June, 2001, Ms. Cheng Wing Ki, Aouda, the spouse of Mr. Wong Ho Yan, Daniel personally held 5,306,000 shares. Mr. Wong Ho Yan, Daniel was accordingly taken to be interested in 5,306,000 shares as at 30th June, 2001.

(b) Share options of the Company

Mr. Tetsuya Komuro has been granted an option entitling him to subscribe for up to a maximum of 41,387,376 shares at an exercise price of HK\$0.10 pursuant to a service agreement dated 21st May, 2001 as consideration given by the Company to engage Mr. Tetsuya Komuro for the provision of the music producer services to Rojam International Limited. Details in relation to the grant and exercise of such option together with the period of exercise are briefly summarised in the section headed "Outstanding Share Options – Pre-IPO Grant of Options" of this report.

Save as disclosed above, as at 30th June, 2001, none of the directors or their associates (as defined in the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules")) had any personal, family, corporate or other interests in the securities of the Company and its associated corporations (as defined in the SDI Ordinance) as recorded in the register required to be maintained by the Company under Section 29 of the SDI Ordinance or which, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, are required to be notified to the Company and the Stock Exchange.

Save as disclosed above, at no time during the three months ended 30th June, 2001 was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefit by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2001, the register of substantial shareholders maintained by the Company under Section 16(1) of the SDI Ordinance showed that the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital:

Name of shareholder	Number of ordinary shares held
Mr. Tetsuya Komuro	468,992,667

OUTSTANDING SHARE OPTIONS – PRE-IPO GRANT OF OPTIONS

Options to subscribe for up to an aggregate of 51,734,220 shares in the Company were conditionally granted on 21st May, 2001 to the following grantees as an inducement to engage them for the provision of producer services to the Group pursuant to the terms of certain producer service agreements (“Agreements”). Details of which are set out as follows:

Grantee	Exercise price (HK\$)	Number of shares to be issued under the granted options	Approximate percentage of the issued share capital of the Company
Mr. Tetsuya Komuro	0.1	41,387,376	3.74%
Mr. Naoto Kine	0.8	5,173,422	0.47%
Mr. Koji Kubo	0.8	5,173,422	0.47%
Total		<u>51,734,220</u>	<u>4.68%</u>

Such options may be exercised in accordance with the following schedule but shall lapse where the grantee ceases to be a producer by reason of the termination of his service under the relevant Agreement:

Period since date on which shares of the Company are listed on GEM	Total percentage of shares comprised in the options which become exercisable
Year 1	Zero
Year 2	Up to 30%
Year 3	Up to 60%
Year 4 and thereafter	Up to 100%

As at 30th June, 2001, all such options granted remain outstanding. A brief summary of the other principal terms of the Pre-IPO Grant of Options is set out in the prospectus of the Company dated 24th May, 2001.

COMPETING INTERESTS

As at 30th June, 2001, Mr. Tetsuya Komuro, an executive director and the controlling shareholder of the Company, is interested in approximately 24% of M-Tres Ltd. (“M-Tres”) which is the management company of Mr. Takashi Utsunomiya, a producer of the Group. Rojam Entertainment Limited, a wholly-owned subsidiary of the Company, has entered into an exclusive recording artiste agreement with Mr. Takashi Utsunomiya and M-Tres in July 2000. The principal business of M-Tres is event production and management business.

Save as disclosed above, during the three months ended 30th June, 2001, 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.

SPONSOR'S INTERESTS

As notified by the Company's sponsor, Core Pacific-Yamaichi Capital Limited ("CPY"), as at 30th June, 2001, neither CPY nor its directors or employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interest in the share capital of the Company.

Pursuant to the sponsor agreement dated 31st May, 2001 made between CPY as sponsor and the Company, CPY received, and will receive, fees for acting as the Company's retained sponsor for the period from 31st May, 2001 to 31st March, 2004.

AUDIT COMMITTEE

The Company established an audit committee on 21st May, 2001 with written terms of reference in compliance with Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group. The audit committee has two members comprising the two independent non-executive directors, namely Mr. Seiichi Nakaoda and Mr. Yeung Mui Kwan, David.

PURCHASE, SALE AND 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, 2001.

By Order of the Board
Tetsuya Komuro
Chairman

Hong Kong, 13th August, 2001

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