

ROJAM ENTERTAINMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Interim Report 2004/2005



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 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 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.

HIGHLIGHTS



Revenue for the six months ended 30th September 2004 amounted to HK\$220.0 million, representing an increase of 85% from HK\$118.7 million in the corresponding period of last year.



Record distribution turnover reached HK\$209.9 million for the six months ended 30th September 2004, a 97% increase from HK\$106.3 million in the corresponding period of last year.



Profit before taxation amounted to HK\$22.9 million for the six months ended 30th September 2004, representing 45 times of HK\$0.5 million in the same period of previous year.



Profit attributable to shareholders amounted to HK\$3.7 million for the six months ended 30th September 2004, compared to loss of HK\$1.5 million in the same period of previous year.



Basic earnings per share for the six months ended 30th September 2004 was 0.2 HK cent, compared to the loss per share of 0.1 HK cent in last year.



The acquisition of a further 20% stake in R&C was completed in September 2004.



The Board does not recommend the payment of an interim dividend for the six months ended 30th September 2004.

INTERIM 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 six months ended 30th September 2004 together with the comparative unaudited figures for the corresponding periods in 2003.

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE THREE MONTHS AND SIX MONTHS ENDED 30TH SEPTEMBER 2004

	Note	Unaudited Three months ended 30th September		Unaudited Six months ended 30th September	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover	2	179,895	103,847	219,958	118,662
Other revenue	2	103	87	193	225
Total revenues		179,998	103,934	220,151	118,887
Cost of sales		(93,425)	(65,235)	(115,726)	(85,799)
Selling and distribution expenses		(42,274)	(15,696)	(53,283)	(19,799)
Other operating expenses		(17,566)	(2,570)	(25,468)	(10,037)
Amortisation of goodwill		(1,377)	(1,370)	(2,748)	(2,740)
Profit before taxation	3	25,356	19,063	22,926	512
Taxation	4	(16,155)	(146)	(16,590)	10
Profit after taxation		9,201	18,917	6,336	522
Minority interests		(2,526)	(4,030)	(2,615)	(2,043)
Profit/(loss) attributable to shareholders		6,675	14,887	3,721	(1,521)
Basic earnings/(loss) per share	6	0.4 cent	1.0 cent	0.2 cent	(0.1 cent)

**CONSOLIDATED BALANCE SHEET
AS AT 30TH SEPTEMBER 2004 AND 31ST MARCH 2004**

		Unaudited 30th September 2004 HK\$'000	Audited 31st March 2004 HK\$'000
	<i>Note</i>		
Non-current assets			
Intangible assets	7	132,982	107,943
Fixed assets	7	19,482	29,332
Current assets			
Record masters	7	19,033	14,785
Inventories		8,697	12,925
Trade receivables	8	97,764	13,100
Other receivables and prepayments		26,728	29,870
Cash and bank balances		54,750	90,428
		206,972	161,108
Current liabilities			
Trade payables	9	64,883	35,717
Accruals and other payables		44,648	28,383
Taxation payable		16,461	147
		125,992	64,247
Net current assets		80,980	96,861
Total assets less current liabilities		233,444	234,136
Financed by:			
Share capital	10	155,468	155,468
Reserves	11	76,407	75,853
Shareholders' funds		231,875	231,321
Minority interests		675	1,884
Non-current liabilities			
Deferred tax liabilities		894	931
		233,444	234,136

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2004**

		Unaudited Six months ended 30th September	
	<i>Note</i>	2004 HK\$'000	2003 HK\$'000
Total equity as at 1st April		231,321	225,034
Profit/(loss) attributable to shareholders		3,721	(1,521)
Exchange adjustment arising on translation of the accounts of overseas subsidiaries	11	(3,167)	(334)
Total equity as at 30th September		<u>231,875</u>	<u>223,179</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2004**

		Unaudited Six months ended 30th September	
		2004 HK\$'000	2003 HK\$'000
Net cash inflow/(outflow) from operating activities		8,072	(6,438)
Net cash outflow from investing activities		(41,556)	(10,914)
Decrease in cash and cash equivalents		(33,484)	(17,352)
Exchange difference		(2,194)	(2,899)
Cash and cash equivalents at 1st April		90,428	80,042
Cash and cash equivalents at 30th September		<u>54,750</u>	<u>59,791</u>
Analysis of balances of cash and cash equivalents			
Cash and bank balances		<u>54,750</u>	<u>59,791</u>

NOTES TO THE CONDENSED ACCOUNTS

1. Basis of preparation and accounting policies

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. The Company's shares were listed on GEM on 31st May 2001.

These unaudited consolidated condensed accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. These condensed accounts should be read in conjunction with the 2003/2004 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31st March 2004.

2. Turnover, revenue and segment information

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

	Three months ended		Six months ended	
	30th September		30th September	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Record distribution income	174,612	95,992	209,934	106,327
Music production income	673	3,694	1,101	5,573
Music publishing royalty	16	30	21	36
Discotheque income	4,587	3,882	8,718	6,229
Event management income	–	10	–	20
Merchandise sales	7	3	10	7
Banner advertising income	–	236	174	470
	179,895	103,847	219,958	118,662
Other revenue				
Bank interest income	103	87	193	225
Total revenues	179,998	103,934	220,151	118,887

The Group is principally engaged in three main business segments:

- Record distribution – distributing records under its own labels and records containing master sound recordings which have been licensed from third parties in Japan
- Music production – provision of encompassing producer services, master tape recordings, mixing services, re-mixing services, arranging services and advisory services in respect of selection of songs for records production
- Discotheque – operations of discotheque

An analysis of the Group's turnover and results for the period by business segment is as follows:

Six months ended 30th September 2004						
	Record distribution	Music production	Discotheque	Others	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover						
External sales	209,934	1,101	8,718	205	-	219,958
Inter-segment sales	304	4,607	-	-	(4,911)	-
Total	210,238	5,708	8,718	205	(4,911)	219,958
Segment results	35,415	(5,820)	1,967	230	(4,911)	26,881
Unallocated costs						(3,955)
Profit before taxation						22,926
Taxation						(16,590)
Profit after taxation						6,336
Minority interests						(2,615)
Profit attributable to shareholders						3,721

Six months ended 30th September 2003						
	Record distribution	Music production	Discotheque	Others	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover						
External sales	106,327	5,573	6,229	533	-	118,662
Inter-segment sales	-	819	-	-	(819)	-
Total	106,327	6,392	6,229	533	(819)	118,662
Segment results	4,469	(2,546)	(524)	549	(819)	1,129
Unallocated costs						(617)
Profit before taxation						512
Taxation						10
Profit after taxation						522
Minority interests						(2,043)
Loss attributable to shareholders						(1,521)

The Group's inter-segment transactions mainly consist of record distribution and music production between subsidiaries. The transactions were entered into on terms similar to those with independent third parties and were eliminated on consolidation. Unallocated costs represent corporate expenses.

3. Profit before taxation

Profit before taxation is stated after crediting and charging the following:

	Six months ended 30th September	
	2004	2003
	HK\$'000	HK\$'000
<i>Crediting</i>		
Net exchange gains	-	4,268
<i>Charging</i>		
Depreciation of fixed assets	4,062	4,704
Impairment of fixed assets	6,106	-
Net exchange losses	680	-
Management fee to the minority shareholder of Shanghai Rojam Entertainment Company Limited	282	282
Provision for bad and doubtful debts	-	8
Provision for inventories	3,538	-
Amortisation of record masters	9,413	2,720
Staff costs (excluding Directors' emoluments)	8,689	6,216

4. Taxation and overseas withholding taxation

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 period under review in 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 period under review in the current and prior year.

The Japanese corporate income tax and the People's Republic of China (the "PRC") taxation have been provided on the profit of the Group's subsidiaries in Japan and the PRC respectively and calculated at the applicable rates.

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

	Six months ended 30th September	
	2004	2003
	HK\$'000	HK\$'000
Current taxation		
– Japanese corporate income tax	16,324	-
– PRC taxation	266	10
Deferred taxation	-	-
Taxation charge	16,590	10

5. Interim dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30th September 2004 (2003: HK\$Nil).

6. Earnings/(loss) per share

The calculations of the basic earnings/(loss) per share for the three months and six months ended 30th September 2004 are based on the Group's profit attributable to shareholders of approximately HK\$6,675,000 and HK\$3,721,000 respectively (three months and six months ended 30th September 2003: HK\$14,887,000 and loss of HK\$1,521,000) and the weighted average number of ordinary shares of 1,554,684,403 shares.

Diluted earnings per share has not been presented for the three months and six months ended 30th September 2004 as there is no dilutive event as at 30th September 2004. Diluted earnings per share has not been presented for the three months ended 30th September 2003 as there is no material dilution effect arising from the share options granted by the Company. Diluted loss per share has not been presented for the six months ended 30th September 2003 as the conversion of potential ordinary shares to ordinary shares would have anti-dilutive effect to the basic loss per share.

7. Capital expenditure

	Goodwill	Record masters	Total intangible assets	Fixed assets
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening net book amount				
as at 1st April 2004	101,498	21,230	122,728	29,332
Additions	26,704	15,603	42,307	1,611
Disposals	–	–	–	(194)
Depreciation/amortisation charge	(2,747)	(9,413)	(12,160)	(4,062)
Impairment charge	–	–	–	(6,106)
Exchange differences	–	(860)	(860)	(1,099)
	<u>125,455</u>	<u>26,560</u>	<u>152,015</u>	<u>19,482</u>
Current portion included under current assets	–	(19,033)	(19,033)	–
	<u>125,455</u>	<u>7,527</u>	<u>132,982</u>	<u>19,482</u>

8. Trade receivables

The majority of the Group's turnover is on credit terms of sixty to ninety days except for the royalty income, of which credit terms are normally negotiable between the Group and its customers. At 30th September 2004, the ageing analysis of the trade receivables was as follows:

	30th September 2004	31st March 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	69,880	11,349
30-60 days	21,312	304
61-90 days	1,272	832
Over 90 days	7,016	2,444
	<u>99,480</u>	<u>14,929</u>
Provision for doubtful debts	(1,716)	(1,829)
	<u>97,764</u>	<u>13,100</u>

9. Trade payables

At 30th September 2004, the ageing analysis of the trade payables was as follows:

	30th September 2004 HK\$'000	31st March 2004 HK\$'000
Current	52,196	35,717
30-60 days	9,652	-
61-90 days	2,899	-
Over 90 days	136	-
	<u>64,883</u>	<u>35,717</u>

10. Share capital

	Number of shares	Authorised ordinary shares of HK\$0.1 each HK\$'000
At 31st March 2004 and 30th September 2004	<u>5,000,000,000</u>	<u>500,000</u>

	Number of shares	Issued and fully paid ordinary shares of HK\$0.1 each HK\$'000
At 31st March 2004 and 30th September 2004	<u>1,554,684,403</u>	<u>155,468</u>

11. Reserves

	Share premium HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st April 2003	148,329	(6,312)	(72,451)	69,566
Loss for the six months ended 30th September 2003	-	-	(1,521)	(1,521)
Exchange adjustment on translation of the accounts of overseas subsidiaries	-	(334)	-	(334)
At 30th September 2003	<u>148,329</u>	<u>(6,646)</u>	<u>(73,972)</u>	<u>67,711</u>
At 1st April 2004	148,329	(7,317)	(65,159)	75,853
Profit for the six months ended 30th September 2004	-	-	3,721	3,721
Exchange adjustment on translation of the accounts of overseas subsidiaries	-	(3,167)	-	(3,167)
At 30th September 2004	<u>148,329</u>	<u>(10,484)</u>	<u>(61,438)</u>	<u>(76,407)</u>

12. Contingent liabilities

The Group had no material contingent liabilities at 30th September 2004 and 31st March 2004.

13. Related party transactions

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

	Note	Six months ended 30th September	
		2004 HK\$'000	2003 HK\$'000
Operating expenses paid and payable to related parties:			
– rental payment and other charges to Yoshimoto Kogyo Co., Ltd. ("Yoshimoto")	(a)	815	612
– royalties to Yoshimoto	(b)	5,175	2,160
– music production cost to Yoshimoto	(c)	597	–
– homepage production service fee to Fandango, Inc. ("Fandango")	(d)	426	277
– business advisory fee to Fandango	(e)	959	–
– cost of inventories to Yoshimoto Club Co., Ltd. ("Yoshimoto Club")	(f)	1,934	–

- (a) The Group terminated its sub-lease agreements with Yoshimoto dated 29th March 2002 and 10th October 2002 and entered into a sub-lease agreement with Yoshimoto on 30th August 2004 to sub-let from Yoshimoto office premises for an aggregate monthly rental of JPY2,375,000 (approximately HK\$168,625), and other operating expenses, such as electricity and water charges, for a period from 20th July 2004 to 31st March 2006.
- (b) Pursuant to a master artist performance agreement ("Existing Master Royalty Agreement") dated 10th October 2002 between the Group and Yoshimoto, Yoshimoto will procure artists managed by Yoshimoto and nominated by the Group, to perform to enable the Group to reproduce and distribute the records or videogram of those artists. On 30th August 2004, the Group and Yoshimoto entered into a master royalty agreement ("Master Royalty Agreement") to extend the term of the Existing Master Royalty Agreement to expire on 31st March 2007 and the scope of the agreement to include promotional activities and copyright licensing in addition to the artist performance arrangements. Under the Master Royalty Agreement, Yoshimoto will also include the Group's visual and audio-visual recordings in certain television programs produced by Yoshimoto for promotion purpose and grant the Group the right to manufacture and sell audio-visual products containing the contents of the television programs for which Yoshimoto is the owner of the master rights. Royalties will be payable to Yoshimoto in this connection according to the rates as stipulated in the Master Royalty Agreement.
- (c) The music production cost paid and payable to Yoshimoto was conducted in the normal course of business at prices and terms which were mutually agreed by both parties.
- (d) Fandango is a company beneficially owned as to 90% by Yoshimoto. Pursuant to the web production agreements dated 1st April 2002 and 10th October 2002 between the Group and Fandango, Fandango will render production services for homepages of the Group for an aggregate monthly fee of JPY900,000 (approximately HK\$63,900) for a contract term up to 31st March 2005.
- (e) The business advisory fee paid to Fandango was conducted in the normal course of business at price and term which were mutually agreed by both parties.
- (f) Yoshimoto Club is a company beneficially owned as to approximately 81.8% by Yoshimoto. Pursuant to the master consignment agreement dated 30th August 2004 between the Group and Yoshimoto Club, Yoshimoto Club will produce and sell merchandise to the Group on an order by order basis, for a term ending on 31st March 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

	Second Quarter (Jul to Sept 2004)	First Quarter (Apr to Jun 2004)	Second Quarter in 2003/2004 (Jul to Sept 2003)
	HK\$'M	HK\$'M	HK\$'M
Turnover	179.9	40.1	103.8
Operating expenditures*	153.3	41.2	83.5
Profit/(loss) from operations	25.4	(2.4)	19.1
Profit/(loss) attributable to shareholders	6.7	(3.0)	14.9

* Cost of sales, selling & other operating expenses

Sales by business segment

	Second Quarter (Jul to Sept 2004)			First Quarter (Apr to Jun 2004)			Second Quarter in 2003/2004 (Jul to Sept 2003)	
	Inter-		%	Inter-		%	External	
	External	segment		External	segment		%	HK\$'M
	HK\$'M	HK\$'M		HK\$'M	HK\$'M		HK\$'M	
Record Distribution	174.6	0.3	95	35.4	-	88	96.0	92
Music Production	0.7	3.2	2	0.4	1.4	1	3.6	3
Discotheque	4.6	-	3	4.1	-	10	3.9	4
Others	-	-	-	0.2	-	1	0.3	1
Group Total	179.9	3.5	100	40.1	1.4	100	103.8	100

Financial Review

The turnover of the Group for the quarter under review was HK\$179.9 million, 4 times of the turnover of HK\$40.1 million recorded in the previous quarter. The profit attributable to shareholders for the three months ended 30th September 2004 was HK\$6.7 million, which showed a significant improvement compared to the loss of HK\$3.0 million recorded in the previous quarter. The improvement was mainly due to the fact that the revenue generated by the Group's business has significantly increased compared to the previous quarter. The record distribution revenue grew by 393% quarter-to-quarter to HK\$174.6 million, while music production revenue increased by 75% quarter-to-quarter to HK\$0.7 million and the discotheque revenue increased by 12% quarter-to-quarter to HK\$4.6 million.

Comparing overall financial performance to the same period of last year, turnover for the six months ended 30th September 2004 amounted to HK\$220.0 million, a 85% increase from HK\$118.7 million in the corresponding period in 2003. Profit attributable to shareholders in the first half of the financial year 2004/2005 was HK\$3.7 million, compared to the loss of HK\$1.5 million for the same period in the financial year of 2003/2004.

The acquisition of a further 20% stake in R and C Ltd. (“R&C”) was completed in September 2004. The Group was delighted to increase its ownership of this successful company. R&C has now been established as a wholly-owned subsidiary of the Group producing and distributing quality music products and contents in Japan. The additional goodwill arising from the acquisition amounted to HK\$26.7 million.

Throughout the quarter, the Group pursued cost rationalisation and undertook proactive measures to enhance operational efficiency. In parallel, the Group closed down the non-profitable studio management by sub-letting the studio to Fandango. This initiative necessitated the write-off of the fixed assets in the studio of around HK\$6.1 million. The Group has also written off some of the non-profitable project costs amounting to HK\$3.5 million after the recent assessment during the quarter.

Operation Review

Record Distribution

The record distribution reported healthy growth over the previous quarter. Revenue for this quarter increased by 4 times over the previous quarter to HK\$174.9 million. This division continued to be the main drivers of the Group’s profitability.

For the first six months of the financial year, the Group released a total of 20 music records and 32 DVDs and video tapes. R&C continued to release popular titles which are well received by the public and some of which have reached high ranking on the ORICON chart in Japan. These titles included Gorie’s debut single, “Mickey” which released in September and ranked No.1 on the ORICON chart on a single day. In addition, the popular dual men group, Downtown, released its DVD namely “ダウンタウンのガキの使いやあらへんで!!15周年記念DVD ①(罰)浜田チーム体育館で24時間鬼ごっこ!”(Downtown no Gaki no Tsukai ya arahende!! 15 Anniversary Memorial DVD (1) (Batsu) Hamada Team Plays Tag in Sport Museum for 24 Hours) in August, and its sequel entitled “ガキの使いやあらへんで(2)” (Downtown no Gaki no Tsukai ya arahende (2)) in September. Both the titles ranked No.2 on the ORICON chart.

A summary of the music records produced and distributed by R&C during the six months ended 30th September 2004 is set out below:

Title	Artist	Released date	Format
CALL	Yosuke Sakanoue 坂上 庸介	14/04/2004	Album
Tatta Hitotsu no Ai no Uta たったひとつの愛のうた	HOUND DOG	21/04/2004	Single
Goose Bumps I	Goose Bumps	19/05/2004	Album
Aishitemo Aishitarinai 愛しても愛し足りない	Fayray	26/05/2004	Single
Seasons (Special Edition)	Hiroshi Tamaki 玉木 宏	02/06/2004	Single+ DVD
Seasons	Hiroshi Tamaki 玉木 宏	02/06/2004	Single
Hizumi ヒズミ	Amy-N-Ryoo	23/06/2004	Single
Watashi no Aoi sora (Special Package) わたしの青い空 (初回限定盤)	Takashi Fujii 藤井 隆	08/07/2004	CD+DVD
Watashi no Aoi sora わたしの青い空 (通常盤)	Takashi Fujii 藤井 隆	08/07/2004	Single
BUBBLEGUN	Various Artists	28/07/2004	Mini album
Niji-iro Ceatre 虹色シアター	Yoshiyasu Ichikawa 市川 喜康	28/07/2004	Album
LET GO e.p.	Penpals	28/07/2004	Single
SUMMER TIME -PRIDE OF NIIGATA-	Penpals	28/07/2004	Single
All by myself オールバイマイセルフ	Takashi Fujii 藤井 隆	28/07/2004	Album
Kuu 空	TAKA	04/08/2004	Album
BELIEVE	RUN&GUN	18/08/2004	Single

Title	Artist	Released date	Format
Orange オレンジ	Amy-N-Ryoo	18/08/2004	Single
Mickey (special package)	Gorie ゴリエ	08/09/2004	CD+DVD
Mickey.	Gorie ゴリエ	08/09/2004	Single
Inoue Aoyama/HONEY 井上青山/HONEY	Amy-N-Ryoo	22/09/2004	Album

A summary of the audio-visual products produced and distributed by R&C for the six months ended 30th September 2004 is set out below.

Title	Artist	Released date	Format
A.F.O.K.2002-2003 TOUR "PLAY ROCKS" FINAL PARTY live at AKASAKA BLITZ	PENPALS	21/04/2004	DVD
Ranpo R Vol.2 乱歩R Vol.2	Various Artists	21/04/2004	DVD
Ranpo R Vol.2 乱歩R Vol.2	Various Artists	21/04/2004	VHS
Futari no Mito-Komon 二人の水戸黄門	Various Artists	21/04/2004	DVD
Futari no Mito-Komon 二人の水戸黄門	Various Artists	28/04/2004	VHS
Penalty Solo Live 2003 ペナルティ 単独 ライブ2003	Penalty ペナルティ	28/04/2004	DVD
Penalty Solo Live 2003 ペナルティ 単独 ライブ2003	Penalty ペナルティ	28/04/2004	VHS
Ranpo R Vol.3 乱歩R Vol.3	Various Artists	26/05/2004	DVD
Ranpo R Vol.3 乱歩R Vol.3	Various Artists	26/05/2004	VHS
Ranpo R Vol.4 乱歩R Vol.4	Various Artists	26/05/2004	DVD

Title	Artist	Released date	Format
Ranpo R Vol.4 乱歩R Vol.4	Various Artists	26/05/2004	VHS
Ranpo R DVD BOX 乱歩R DVD BOX	Various Artists	26/05/2004	DVD
Tora 040229 囚 040229	Chihara Hiroshi 千原 浩史	26/05/2004	DVD
Tora 040229 囚 040229	Chihara Hiroshi 千原 浩史	26/05/2004	VHS
Seasons (Special Edition)	Hiroshi Tamaki 玉木 宏	02/06/2004	Single+ DVD
Realize	Hiroshi Tamaki 玉木 宏	30/06/2004	DVD
Uchu Tarzan 宇宙ターザン	Various Artists	30/06/2004	DVD
Uchu Tarzan 宇宙ターザン	Various Artists	30/06/2004	VHS
Watashi no Aoi sora (Special Package) わたしの青い空 (初回限定盤)	Takashi Fujii 藤井 隆	08/07/2004	CD+DVD
M-1 Grand prix 2003 M-1グランプリ 2003	Various Artists	14/07/2004	DVD
Kyuukon 球根	Impulse インパルス	28/07/2004	DVD
Kyuukon 球根	Impulse インパルス	28/07/2004	VHS
Seireki 200X Nen, Kinsyu-hou wo sekou suru 西暦二〇〇X年、 禁酒法ヲ施行スル	The Plan 9	11/08/2004	DVD
Seireki 200X Nen, Kinsyu-hou wo sekou suru 西暦二〇〇X年、 禁酒法ヲ施行スル	The Plan 9	11/08/2004	VHS

Title	Artist	Released date	Format
NETA JIN	Tomonori Jinnnai 陣内 智則	11/08/2004	DVD
NETA JIN	Tomonori Jinnnai 陣内 智則	11/08/2004	VHS
Gaki-no Tsukaiya Arahende① ガキの使いやあらへんで①	Down Town ダウンタウン	24/08/2004	DVD
TM NETWORK DOUBLE- DECADE TOUR	TM NETWORK	01/09/2004	DVD
Mickey (special package)	Gorie ゴリエ	08/09/2004	CD+DVD
Gaki-no Tsukaiya Arahende② ガキの使いやあらへんで②	Down Town ダウンタウン	29/09/2004	DVD
Hyaku-shiki2004 百式 2004	2Cho-Kennju 2丁 拳銃	29/09/2004	DVD
Hyaku-shiki2004 百式 2004	2Cho-Kennju 2丁 拳銃	29/09/2004	VHS

Rojam Disco

The discotheque business reported revenue of HK\$4.6 million, representing an increase of 12.2% compared to HK\$4.1 million in the previous quarter. During the quarter, Rojam Disco has invited the world's top DJs namely Scott Bond, Anne Savage, The Thrillseekers, Agnelli and Nelson, Above & Beyond, Matt Hardwick and DJ Eva; as well as international artistes, including Chris Walker, a US vocalist and Michael Learns to Rock, top Rock Band in Denmark to perform live at the discotheque. The proven success in such international events has provided the Group with the competitive edge to maintain a stable revenue source.

Prospect

The Group's performance in the second quarter is keeping the Group on track to achieve its financial targets. The following six months would require the management to rise to the occasion in successfully executing all the intended strategic management initiatives which are essential for the Group's long term growth. These initiatives would take the form of an operation breakthrough in Japan targeting at a business turn-around; further fine-tuning the business models of the record distribution business; continuous business improvement of the discotheque operation in Shanghai; and stepping up on the development pace for the digital distribution business. The management reckoned that all these are formidable tasks to be dealt with in the coming months.

Liquidity and Financial Resources

The Group financed its operations with internally generated cash flows. At 30th September 2004, cash and bank balances amounted to HK\$54.8 million, which consists of 21% in Hong Kong dollars, 47% in Japanese yen, 17% in Renminbi, and 15% held in other currencies. The Renminbi denominated balances were placed with licensed banks in the PRC and the conversion of these balances into foreign currencies is subject to the rules and regulation of foreign exchange control promulgated by the PRC government. During the six months ended 30th September 2004, the Group has net cash inflow of HK\$8.1 million from its operating activities, and net cash outflow of HK\$41.6 million in the investing activities in particular in the acquisition of the 20% effective interest in R&C for a consideration of 400,000,000 Japanese Yen (equivalent to approximately HK\$28.4 million). At 30th September 2004, the Group has no borrowing. The gearing ratio of the Group, calculated as non-current liabilities to shareholders' funds, was 0.

Exposure to fluctuations in exchange rates and related hedges

The Group's exposure to foreign currencies is limited to its investment in foreign subsidiaries, which are financed internally. At 30th September 2004, the Group has no outstanding foreign currency hedge contract.

Charge on Group Assets

At 30th September 2004, the Group did not have any charge on its assets.

Material Acquisition/Disposal and Significant Investments

The acquisition of 20% of the issued share capital in Yoshimoto Music Holdings, Inc. was completed on 28th September 2004. The total consideration of this acquisition was 400,000,000 Japanese Yen (representing approximately HK\$28.4 million). Details of this acquisition are set out in the Company's circular dated 3rd September 2004. The Group did not have any plan for material investment and acquisition or disposal of material capital assets at 30th September 2004.

Contingent Liabilities

The Group had no material contingent liabilities at 30th September 2004.

Employee Information

At 30th September 2004, the Group had 97 (2003: 92) full-time employees. Staff costs, excluding Directors' emoluments, totalled HK\$8.7 million for the six months ended 30th September 2004 (2003: HK\$6.2 million). The Group's remuneration policy remained the same as detailed in the Annual Report for the year ended 31st March 2004.

Share Option Scheme

On 23rd September 2004, the Company passed an ordinary resolution regarding the termination of the share option scheme. Details of the termination of the share option scheme have been included in the Company's circular dated 1st September 2004.

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

At 30th September 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 of its 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 as follows:

Ordinary shares of HK\$0.10 each in the Company

Name of Director	Capacity in which the shares are held	Personal interests	Total interests	Approximate shareholding in the Company
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%

Save as disclosed above, at 30th September 2004, none of the Directors, chief executives 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 six months ended 30th September 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 September 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:

Name of shareholder	Interests in the ordinary shares of HK\$0.10 each in the Company	Approximate shareholding in the Company
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	131,241,000	8.44%
Mr. Mamoru Taniya	131,241,000	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 September 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). Pursuant to two deeds of non-competition undertakings, both dated 10th October 2002, as each amended by a supplemental deed dated 28th September 2004, and entered into between Yoshimoto and each of (i) the Company and (ii) R and C Ltd. ("R&C"), Yoshimoto irrevocably and unconditionally undertakes to each of the Company and R&C that, unless with the written consent of the Company or R&C (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 deeds of non-competition undertakings are set out in the Company's circulars dated 31st July 2002 and 3rd September 2004.

Save as disclosed above, during the six months ended 30th September 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.

AUDIT COMMITTEE

The Company established an audit committee on 21st 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 of the Company, namely Mr. Seiichi Nakaoda, Mr. Kwong Pui Kei and Mr. Law Kar Ping. The audit committee has reviewed the accounting principles and practices adopted by the Group and the unaudited consolidated condensed accounts for the six months ended 30th September 2004.

BOARD PRACTICES AND PROCEDURES

During the six months ended 30th September 2004, the Company has complied with board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th September 2004.

By Order of the Board
Takeyasu Hashizume
President

Japan, 10th November 2004

As at the date of this report, 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 three independent non-executive directors, namely Mr. Seiichi Nakaoda, Mr. Kwong Pui Kei and Mr. Law Kar Ping.