

**ROJAM ENTERTAINMENT HOLDINGS LTD :**  
**IT SEEMS TO BE A VERY EXPENSIVE SHARE**

Well, it does have quite a bit of money behind it, to be sure, and it does enjoy an interesting following, at least in Asia -- Japan, especially -- but whether or not it will make any money in the immediate future from its core business -- the production and sales of music in various forms -- it is difficult to speculate.

The 'it' is Rojam Entertainment Holdings Ltd, the producer of music in Japan, headed by Mr Tetsuya Komuro.

It is the latest candidate for a listing on The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd, to be designated, Stock Code 8075.

Rojam brought out its Prospectus, last Thursday, in an effort to land about \$HK70 million, gross, coming down to \$HK53 million, net, after all expenses have been paid to various parties, such as lawyers, accountants, etc.

In addition to the Company, Offering 70 million, 10-cent shares, at a Premium of 90 cents per share, Billion Moment Ltd, a private company, is selling 20 million of its shares in Rojam on the same basis as the Public Offer.

Billion Moment is a 6.87-percent shareholder of the Company -- after the Placing, that is -- and is owned, according to Page 7 of the Prospectus, by Mr Kebo Wu, an Executive Director of Rojam, and Ms Aouda Cheng Wing Ki.

Ms Aouda Cheung Wing Ki is the wife of Mr Daniel Wong Ho Yan, another Executive Director of Rojam.

Boiled down, therefore, a couple of the Executive Directors of Rojam, between them, will take home about \$HK20 million, gross, while the Company will have \$HK53 million, net, with which to play.

The money, raised in this flotation, is said to be marked for the following purposes:

1. \$HK10 million for the acquisition of hardware and software for its Tokyo, Japan, studio;
2. \$HK16 million for the recruitment of producers;
3. \$HK18 million for engaging in sponsorship and artiste promotional activities in Asia;
4. \$HK2 million for training and development of artistes in Asia;
5. \$HK2 million for establishing an online and offline music learning centre; and,
6. \$HK5 million for General Working Capital.

The trading record of this Company does not, entirely, inspire one to sing Rojam's praises, as the following table, lifted from Page 125 of the Prospectus, indicates:

	Financial Year ended March 31		Nine Months to December 31, 2000
	1999	2000	2000
All Figures are Denominated in \$HK'000			
Turnover	4,662	1,506	94,012
Other Revenue	441	23	2,893

<b>Total Revenue</b>	<b>5,103</b>	<b>1,529</b>	<b>96,905</b>
<u>Less:</u>			
Overseas Withholdings Tax	<b>Nil</b>	<b>(164)</b>	<b>(7,914)</b>
	<b>5,103</b>	<b>1,365</b>	<b>88,991</b>
Cost of Music Production and Record Sales	(3,718)	(127)	(13,608)
Selling and Distribution Expenses	(848)	(431)	(13,141)
Other Operating Expenses	(1,839)	(1,723)	(44,489)
Profit/(Loss) before Taxation	(1,302)	(916)	17,753
Taxation	Nil	Nil	Nil
Minority Interests	Nil	Nil	1
Net Profit/(Loss) for the Year/period	(1,302)	(916)	17,754

For anybody, who knows anything about accounting and accounting practices, the above figures may seem odd due to the jump in the Turnover in the 9 months to December 31, 2000 and the requirement for '*Overseas Withholdings Tax*'.

The answer is that, in the period to December 31, 2000, the Company received a \$HK73-million Signing Bonus '*from a record company in consideration for the (Rojam) Group entering into a production agreement with this record company*'. (Page 126)

A Signing Bonus is defined at Page 26 of the Prospectus as being: '*Fees payable to the producer or the production company by the record company as an inducement to enter into a service agreement. Such sum is typically not subject to recoupment and is non-refundable and payable upfront upon signing of the service agreement between the producer or the production company and the record company.*'

Therefore, it becomes clear that the 9-month income, to December 31, 2000, was, to the extent of about 78 percent of the Turnover, all one-off income.

On the other hand, however, TARGET notes that Rojam did record, within that same 9-month period, about \$HK11.32 million in '*Record Distribution Income*'.

In the previous 2 Financial Years, to March 31, 2000, the total amount of income from that source of income aggregated just \$HK151,000. (Page 147)

If one subtracted the Signing Bonus from the Turnover for the 9 months to December 31, 2000, the resultant figure is about \$HK21 million – which is, still, a huge improvement over the \$HK1.51 million, recorded for the 12-month period, ended March 31, 2000.

For the Financial Year, ended March 31, 2001, Management is forecasting a Net Profit of about \$HK19 million.

But, again, that forecast Net Profit must be seen as being the result, almost entirely, of the one-off Signing Bonus.

Whether or not such a result can be repeated is unknown.

### **The Backing**

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