



**Stock Code: 8075**

Website: [www.rojam.com](http://www.rojam.com)

## **RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST MARCH 2005**

### **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 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.*

## HIGHLIGHTS



Profit attributable to shareholders rose 8 times to HK\$57.8 million from HK\$7.3 million in the previous year.



Revenue for the year doubled to HK\$535.7 million from HK\$249.3 million in the previous year.



Record distribution turnover increased by 1.3 times to HK\$514.8 million from HK\$224.5 million in the last year.



Positive cash flow of HK\$120.1 million was achieved for the year.



Basic earnings per share was 3.7 HK cents, 6.4 times increased when compared to 0.5 HK cent of last year.



The Board recommends a dividend per share of 1.2 HK cents.

## PRESIDENT'S STATEMENT

I am delighted to be reporting on another exhilarating year for the Group. This year represented a dramatic turn-around for the Group. We have demonstrated our ability to drive good revenue growth and continue our strong profit momentum.

### Financial Results

The turnover in the financial year of 2004/2005 was double that in last year, an increase from HK\$249.3 million to HK\$535.7 million. Profit before taxation for the year amounted to HK\$70.8 million, representing 6 times from HK\$11.1 million of the last year. Profit attributable to shareholders was HK\$57.8 million, 8 times of HK\$7.3 million for the previous year. Positive cash flow of HK\$120.1 million was achieved for the year. Basic earnings per share was 3.7 HK cents, compared to 0.5 HK cent of last year.

### Dividend

In view of the strong performance of the financial year and the cash flow position and requirements to ensure the sustainable future growth of the Group's business, the Board recommends a final dividend of 1.2 HK cents per share payable on or before 24th June 2005. This translates into a 32% dividend payout ratio for the current year profit. The Group will endeavour to achieve a sustainable and steadily increasing dividend over the longer term, with a view to generating the best possible return for shareholders.

## **Business Review**

The Group's businesses developed well in the financial year 2004/2005. Its market position in the distribution of music and entertainment content was further entrenched. The Group maintained its focus on its core record distribution business, implemented brand enhancement, continued to expand its client portfolio. Its clientele during the year was further expanded by our new distribution contracts, further reinforcing our market position in this specialized sector in the music and entertainment scene in Japan.

On 28th September 2004, the Group completed its acquisition of a further 20% stake in R&C. The Group was delighted to increase its ownership of this successful company. R&C has now been established as a wholly-owned record label of the Group producing and distributing quality music products and content in Japan.

Following the completion of the voluntary conditional securities exchange offer made by Fandango in December 2004, Fandango and Yoshimoto became the controlling shareholders of the Company. This change further enhanced the position of the Group as the largest production arm of audio and audio-visual products of Yoshimoto's content in Japan and extended its presence in the digital distribution business by leverage on Fandango's experience and industry network.

On another front, Rojam Disco delivered stable returns in every quarter. The discotheque business continued with its process of business development. In this year, we are also embarking on a more aggressive shop development program in mainland China.

## **Outlook**

At present, the Group is financially strong and in a net cash status. The Group is proactively looking for good investment opportunities that will create long-term values to its business portfolio and expand its presence in the entertainment market.

There is a Chinese saying that goes "live in peace and think of turmoil". Despite the encouraging results being delivered in the second and third quarter, the need for a clear understanding of the future becomes all the more important in the fourth quarter to allow the Group's management to focus their energies and to face the various future challenges and opportunities presented to the Group. As such, the Group has strategically positioned itself, both operationally and financially, to leap forward for a greater share of the entertainment business in the domestic and international markets. Our vision is to become a prominent entertainment business group in Asia in the years ahead.

I would like to extend a warm welcome to Mr. Kwong Pui Kei and Mr. Law Kar Ping who joined the Board as Independent Non-executive Directors with effect from 14th September 2004. Mr. Yeung Mui Kwan, David resigned as Independent Non-executive Director with effect from 20th September 2004.

I would like to close by thanking the management team and all my colleagues for their dedication and commitment over the past years, our business partners and our shareholders for their long-standing trust and support.

**Takeyasu Hashizume**  
*President*

Hong Kong, 27th May 2005

## 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 audited consolidated results of the Group for the year ended 31st March 2005 together with the comparative audited figures for the preceding year ended 31st March 2004 as set out below. The annual results have also been reviewed by the audit committee.

	Note	2005 HK\$'000	2004 HK\$'000
Turnover	2	<b>535,716</b>	249,349
Other revenue	2	<b>405</b>	297
Total revenues		<b>536,121</b>	249,646
Cost of sales		<b>(293,168)</b>	(137,472)
Selling and distribution expenses		<b>(133,491)</b>	(70,527)
Other operating expenses		<b>(38,647)</b>	(25,021)
Amortisation of goodwill		<b>–</b>	(5,480)
Profit before taxation		<b>70,815</b>	11,146
Taxation	3	<b>(11,825)</b>	(1,162)
Profit after taxation		<b>58,990</b>	9,984
Minority interests		<b>(1,166)</b>	(2,692)
Profit attributable to shareholders		<b>57,824</b>	7,292
Basic earnings per share	4	<b>3.7 cents</b>	0.5 cent
Dividend			
Final dividend proposed after the balance sheet date	5	<b>18,656</b>	–

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 accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They have been prepared under the historical cost convention.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") (collectively referred as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005. With effect from 1st April 2004, the Group has early adopted HKFRS 3 "Business Combinations", HKAS 36 "Impairment of Assets" and HKAS 38 "Intangible Assets".

The Group has not early adopted other new HKFRSs except for those mentioned above in the accounts for the year ended 31st March 2005. The Group has already commenced an assessment of the impact of other new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

## 2. Turnover, revenue and segment information

The Group is principally engaged in record distribution, music production and discotheque operation. Revenues recognised during the year are as follows:

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Turnover		
Record distribution income (note below)	<b>514,785</b>	224,505
Music production income	<b>2,636</b>	8,991
Discotheque income	<b>18,070</b>	14,786
Music publishing royalty	<b>36</b>	49
Event management income	<b>–</b>	21
Merchandise sales	<b>15</b>	12
Banner advertising income	<b>174</b>	985
	<b>535,716</b>	249,349
Other revenue		
Bank interest income	<b>405</b>	297
Total revenues	<b><u>536,121</u></b>	<b><u>249,646</u></b>

Note:

During the year, a subsidiary of the Company, R and C Ltd. ("R&C"), entered into a transaction to produce a program for distribution under DVD format and the content of which was extracted from a TV program produced by a third party company (the "Third Party"), which is established and operated in Japan. The artist featured in this TV program was a contracted artist of the ultimate holding company of R&C. Under the terms of this agreement, R&C owns the right to the master tapes for this program and bears all costs of production and distribution of the DVDs.

In return for the use of the content of the TV program for producing the DVDs, R&C agreed to share a fixed percentage of the profits realised from the sales of the DVDs with the Third Party and was required to pay a commission to the Third Party based on the sales of the DVDs to ultimate customers as part of the business transactions described below. The profit shared by the Third Party and the commission charges have been included in the cost of sales in the profit and loss account of the Group for the year ended 31st March 2005.

Furthermore, in accordance with the terms of the abovementioned agreement, R&C sold the completed DVDs produced from the master tapes to the Third Party and subsequently bought back these DVDs from the Third Party through an outside distributor (the "Transactions"). These DVDs were then sold by R&C to outside individual customers through the outside distributor using normal distribution terms and arrangements. The total sales to the Third Party amounting to over HK\$240 million and the total purchases from the outside distributor in the same amount resulting from the Transactions have been recorded on a net basis in order to reflect the substance of the Transactions.

The Directors consider that the Transactions are only incidental to the Group's core business transactions and had no impact on the profit and loss account of the Group for the year ended 31st March 2005 as other than the commission charges included in the cost of sales, no revenue or purchases related to the Transactions were effectively recognised by the Group.

The Directors have also obtained an independent legal opinion to confirm that the Transactions are considered normal trading transactions and such transactions are not disallowed under the present legal regime in the jurisdiction in which R&C operates. The Directors are also of the view that the Transactions would not have any material legal and tax implications to the Group.

### Primary reporting format – business segments

The Group is principally engaged in three main business segments:

- Record distribution – distributing records and audio-visual products under its own labels and records containing master sound recordings which have been licensed from third parties
- 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

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)/income represent corporate (expenses)/income.

	<b>2005</b>					
	<b>Record distribution</b> <i>HK\$'000</i>	<b>Music production</b> <i>HK\$'000</i>	<b>Discotheque</b> <i>HK\$'000</i>	<b>Others (note below)</b> <i>HK\$'000</i>	<b>Elimination</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Turnover						
External sales	<b>514,785</b>	<b>2,636</b>	<b>18,070</b>	<b>225</b>	<b>-</b>	<b>535,716</b>
Inter-segment sales	<b>65</b>	<b>4,607</b>	<b>-</b>	<b>-</b>	<b>(4,672)</b>	<b>-</b>
<b>Total</b>	<b><u>514,850</u></b>	<b><u>7,243</u></b>	<b><u>18,070</u></b>	<b><u>225</u></b>	<b><u>(4,672)</u></b>	<b><u>535,716</u></b>
<b>Segment results</b>	<b><u>88,474</u></b>	<b><u>(7,547)</u></b>	<b><u>1,296</u></b>	<b><u>440</u></b>	<b><u>(4,672)</u></b>	<b><u>77,991</u></b>
Unallocated costs						<b><u>(7,176)</u></b>
Profit before taxation						<b><u>70,815</u></b>
Taxation						<b><u>(11,825)</u></b>
Profit after taxation						<b><u>58,990</u></b>
Minority interests						<b><u>(1,166)</u></b>
Profit attributable to shareholders						<b><u>57,824</u></b>

Note:

Others include music publishing, event management and merchandise sales which were separately disclosed in the 2004 accounts. Nevertheless, they are now all grouped under others as the accounts involved are insignificant for separate disclosure. Accordingly, the comparative figures have been reclassified to conform with the current year's presentations.

	<b>2004</b>					
	Record distribution HK\$'000	Music production HK\$'000	Discotheque HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000
Turnover						
External sales	224,505	8,991	14,786	1,067	–	249,349
Inter-segment sales	52	13,201	–	–	(13,253)	–
	<u>224,557</u>	<u>22,192</u>	<u>14,786</u>	<u>1,067</u>	<u>(13,253)</u>	<u>249,349</u>
Total	<u>224,557</u>	<u>22,192</u>	<u>14,786</u>	<u>1,067</u>	<u>(13,253)</u>	<u>249,349</u>
Segment results	<u>26,243</u>	<u>(4,928)</u>	<u>825</u>	<u>1,102</u>	<u>(13,253)</u>	9,989
Unallocated income						<u>1,157</u>
Profit before taxation						11,146
Taxation						<u>(1,162)</u>
Profit after taxation						9,984
Minority interests						<u>(2,692)</u>
Profit attributable to shareholders						<u><u>7,292</u></u>

### Secondary reporting format – geographical segments

Although the Group's business segments are managed on a worldwide basis, they operate in three main geographical areas:

Hong Kong	–	record distribution
Japan	–	record distribution and music production
Mainland China	–	operations of discotheque

There are no sales between the geographical segments.

	<b>Turnover 2005 HK\$'000</b>	<b>Segment results 2005 HK\$'000</b>	Turnover 2004 HK\$'000	Segment results 2004 HK\$'000
Hong Kong	210	125	1,034	1,216
Japan	517,436	76,452	233,529	7,833
Mainland China	18,070	1,407	14,786	878
Other countries	-	7	-	62
	<u>535,716</u>	<u>77,991</u>	<u>249,349</u>	9,989
Unallocated (costs)/income		<u>(7,176)</u>		<u>1,157</u>
Profit before taxation		<u>70,815</u>		<u>11,146</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 income tax has been made as the subsidiaries in the United States of America (the "USA") have no assessable profits for the current and prior year.

The Japanese corporate income tax has been provided on the profit of the Group's subsidiaries in Japan and calculated at the applicable rates.

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 to the consolidated profit and loss account represents:

	<b>2005 HK\$'000</b>	2004 HK\$'000
Current taxation:		
– Japanese corporate income tax	16,815	-
– PRC taxation	-	294
Over-provision in prior years:		
– PRC taxation	(16)	-
Deferred taxation	<u>(4,974)</u>	<u>868</u>
Taxation charge	<u>11,825</u>	<u>1,162</u>

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Profit before taxation	<b>70,815</b>	11,146
Calculated at a taxation rate of 17.5% (2004: 17.5%)	<b>12,393</b>	1,951
Effect of different taxation rates in other countries	<b>22,048</b>	3,882
Income not subject to taxation	<b>(5,970)</b>	(3,150)
Expenses not deductible for taxation purposes	<b>4,982</b>	969
Utilisation of previously unrecognised tax losses	<b>(21,854)</b>	–
Recognition of temporary differences previously not recognised	–	(5,197)
Tax losses unrecognised	<b>242</b>	2,707
Over-provision in prior years	<b>(16)</b>	–
Taxation charge	<b>11,825</b>	1,162

#### 4. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$57,824,000 (2004: HK\$7,292,000) and 1,554,684,403 ordinary shares in issue during the year (2004: 1,554,684,403).

Diluted earnings per share has not been presented for the year ended 31st March 2005 as there was no material dilutive effect arising from the share options granted by the Company. Diluted earnings per share has not been presented for the year ended 31st March 2004 as the conversion of potential ordinary shares would have anti-dilutive effect to the basic earnings per share.

#### 5. Dividend

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Final, proposed, of 1.2 HK cents (2004: Nil) per share	<b>18,656</b>	–

At a meeting held on 27th May 2005, the Board proposed a final dividend of 1.2 HK cents per share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of distributable reserve for the year ending 31st March 2006.

## 6. Movement of 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
Profit for the year	–	–	7,292	7,292
Exchange adjustment on translation of accounts of overseas subsidiaries	–	(1,005)	–	(1,005)
	<u>148,329</u>	<u>(7,317)</u>	<u>(65,159)</u>	<u>75,853</u>
At 31st March 2004				
Representing:				
Reserves				75,853
Proposed dividend				–
At 31st March 2004				<u>75,853</u>
At 1st April 2004	148,329	(7,317)	(65,159)	75,853
Profit for the year	–	–	57,824	57,824
Exchange adjustment on translation of accounts of overseas subsidiaries	–	(985)	–	(985)
	<u>148,329</u>	<u>(8,302)</u>	<u>(7,335)</u>	<u>132,692</u>
<b>At 31st March 2005</b>				
Representing:				
Reserves				114,036
Proposed dividend				18,656
<b>At 31st March 2005</b>				<u>132,692</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

	<b>Fourth Quarter</b> <b>(Jan to Mar 2005)</b> <i>HK\$'M</i>	<b>Third Quarter</b> <b>(Oct to Dec 2004)</b> <i>HK\$'M</i>	<b>Second Quarter</b> <b>(Jul to Sept 2004)</b> <i>HK\$'M</i>	<b>First Quarter</b> <b>(Apr to Jun 2004)</b> <i>HK\$'M</i>	<b>Total</b> <i>HK\$'M</i>
Turnover	61.1	254.6	179.9	40.1	535.7
Operating expenditures*	78.6	192.2	153.3	41.2	465.3
(Loss)/profit from operations	(17.5)	65.3	25.4	(2.4)	70.8
(Loss)/profit attributable to shareholders	(22.6)	76.7	6.7	(3.0)	57.8

\* Cost of sales, selling & other operating expenses

## Sales by Business Segments

	Fourth Quarter (Jan to Mar 2005)		Third Quarter (Oct to Dec 2004)		Second Quarter (Jul to Sept 2004)		First Quarter (Apr to Jun 2004)		Total	
	HK\$'M	%	HK\$'M	%	HK\$'M	%	HK\$'M	%	HK\$'M	%
Record distribution	56.5	93	248.4	98	174.6	97	35.3	88	514.8	96
Music Production	0.3	–	1.2	–	0.7	–	0.4	1	2.6	1
Discotheque	4.3	7	5.0	2	4.6	3	4.2	10	18.1	3
Others	–	–	–	–	–	–	0.2	1	0.2	–
Group Total	<u>61.1</u>	<u>100</u>	<u>254.6</u>	<u>100</u>	<u>179.9</u>	<u>100</u>	<u>40.1</u>	<u>100</u>	<u>535.7</u>	<u>100</u>

## Overall performance

The Group has achieved a double in turnover and sevenfold growth in net profit during the year under review. With the established policy of seeking stable growth while exercising stringent risk control, the Group not only has achieved significant growths in both turnover and net profit, but has also achieved great improvements in risk control and cash flow management.

The Group recorded a profit before taxation of HK\$70.8 million for the year ended 31st March 2005, sixfold from HK\$11.1 million for the year ended 31st March 2004. Profit attributable to shareholders for the year was HK\$57.8 million, representing 8 times of HK\$7.3 million. Improvement in net profit of the Group was entirely driven by R&C and the phasing of its release schedule.

The acquisition of a further 20% stake in R&C was completed in September 2004. The additional goodwill arising from the acquisition amounted to HK\$28.2 million. In view of the new financial reporting standards in Hong Kong, the Board has duly considered their benefit and approved the early adoption of the relevant reporting standards in the current financial year. The Group ceased the amortisation of goodwill from the beginning of the financial year.

In view of the strong performance of the financial year 2004/2005, the Board recommends a dividend of 1.2 HK cents per share.

## Turnover and other revenue

The group recorded a total turnover and other revenue of approximately HK\$536.1 million for the year ended 31st March 2005, representing a growth of 115% from HK\$249.6 million in the previous year. The record distribution business was the largest revenue contributor at 96% (2004: 90%), with discotheque business and music production business each contributing 3% (2004: 6%) and 1% (2004: 4%) respectively. Revenue generated in Japan represented 97% (2004: 94%) of total revenue, while operations in mainland China contributed 3% (2004: 6%).

## **Segment results**

The organic growth of the record distribution business continued to be strong in this year as the Group kept producing higher margin products, such as comedian audio-visual products. Turnover reached HK\$514.8 million, over 129% increase from HK\$224.5 million of the last year. The significant increase was mainly due to the strong sales of the new release of the audio and audio-visual products. Segment profit amounted to HK\$88.5 million, a 238% increase from HK\$26.2 million. The increase in the segment profit was due to the increase in sales during the year.

Despite strong operating performance in the record distribution sector, a continual drop in music production income had an unfavourable effect on the Group's results. Due to the downward trend in music production, the Group's music production income declined to HK\$2.6 million, a 71% decrease from HK\$9.0 million in last year. Segment loss of HK\$7.5 million was recorded, compared to HK\$4.9 million in last year.

The revenue generated from the discotheque business was HK\$18.1 million, over 22% increase from HK\$14.8 million in last year. Segment profit amounted to HK\$1.3 million, 63% increase from HK\$0.8 million in last year.

## **Cost of sales and operating expenses**

Cost of sales increased by 113% to HK\$293.2 million from HK\$137.5 million. Selling and distribution expenses increased by 89% to HK\$133.5 million from HK\$70.5 million. The operating expenses increased by 54% to HK\$38.6 million from HK\$25.0 million. The higher costs are reflected in the corresponding increases in record sales and higher operating revenue.

The Group's operating expenses as a percentage of revenue was reduced from 10% to 7%, reflecting the Group's continuous efforts in cost rationalisation. A well-managed and competitive cost base has been established ready to promote further revenue growth.

## **FINAL DIVIDEND**

The Board recommends the payment of a final dividend of 1.2 HK cents per share for the year ended 31st March 2005 (2004: Nil).

The dividend will be payable on or before Friday, 24th June 2005 to shareholders whose names appear on the Register of Members of the Company on Monday, 20th June 2005, following approval at the annual general meeting.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed between Friday, 17th June 2005 and Monday, 20th June 2005 (both days inclusive) during which period no transfer of the Company's shares will be effected. To qualify for the aforesaid final dividend, all completed transfer forms, accompanied by the relevant share certificates, must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Thursday, 16th June 2005.

## **LIQUIDITY AND FINANCIAL RESOURCES**

At 31st March 2005, the Group's shareholders' funds increased to approximately HK\$288.2 million as compared to HK\$231.3 million as at 31st March 2004. Total assets amounted to approximately HK\$460.5 million (2004: HK\$298.4 million), of which current assets amounted to HK\$273.0 million (2004: HK\$161.1 million). At 31st March 2005, the Group had current liabilities, non-current liabilities and minority interests of approximately HK\$170.6 million (2004: HK\$64.2 million), HK\$1.0 million (2004: HK\$0.9 million) and HK\$0.7 million (2004: HK\$1.9 million) respectively. Net asset value per share was HK\$0.19 (2004: HK\$0.15). Current ratio was 1.6 (2004: 2.5).

The Group financed its operations with internally generated cash flows. At 31st March 2005, cash and bank balances increased to HK\$209.8 million (2004: HK\$90.4 million), which consists of 12% in Hong Kong dollars, 78% in Japanese yen, 6% in Renminbi and 4% 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 year ended 31st March 2005, the Group had net cash inflow of HK\$208.7 million from its operations and net cash outflow of HK\$87.8 million from its investing activities.

At 31st March 2005, the Group has no long-term borrowing, the same as for the past years. The gearing ratio of the Group, calculated as non-current liabilities to shareholders' funds, was zero.

## **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 31st March 2005, the Group has no outstanding foreign currency hedge contracts (2004: Nil).

## **CHARGE ON GROUP ASSETS**

At 31st March 2005, the Group did not have any charge on its assets (2004: Nil).

## **MATERIAL ACQUISITION/DISPOSAL AND SIGNIFICANT INVESTMENTS**

The acquisition of 20% of the issued share capital in Yoshimoto Music Holdings, Inc. ("Yoshimoto Music") was completed on 28th September 2004. The total consideration of this acquisition was Japanese Yen 400,000,000 (representing approximately HK\$28,400,000). After the completion of the acquisition, Yoshimoto Music became a wholly-owned subsidiary of the Group. Details of this acquisition are set out in the circular issued by the Company dated 3rd September 2004.

During the year ended 31st March 2005, a subsidiary of the Company has paid a deposit of US\$3,000,000 (approximately HK\$23,400,000) to an independent third party company established in the USA (the "US Company") whose principal focus is to engage in the production and distribution of digital entertainment content through multi-media platforms such as the internet and mobile phones in Japan and the USA, to subscribe for 30,000 shares of Series A Convertible Preferred Stocks (the "Stocks") of the US Company. Up to the approval date of these accounts, the allotment of the Stocks has not been done as the Series A Convertible Preferred Stock Purchase Agreement has not been completed.

Save as disclosed, the Group did not have any other plan for material investment, acquisition or disposal of material capital assets at 31st March 2005.

## **CONTINGENT LIABILITIES**

The Group had no material contingent liabilities at 31st March 2005 (2004: Nil).

## **EMPLOYEE INFORMATION**

At 31st March 2005, the Group had 100 (2004: 89) full-time employees in Hong Kong, Japan and Shanghai. Staff costs, excluding Directors' emoluments, totalled HK\$18.9 million (2004: HK\$17.3 million). The Group's remuneration policy is basically determined by the performance of individual employee. In general, salary review is conducted annually. Staff benefits, including medical coverage and provident funds, are also provided to employees.

## **OPERATIONS REVIEW**

### **Record distribution**

The record distribution business reported revenue of HK\$514.8 million, more than 129% increase over the turnover of HK\$224.5 million recorded in last year. The increase was attributable to the strong sales from new releases as well as previously released products. The record distribution business contributed 96% of the total revenue, being the largest revenue generator of the Group. As a result of the higher sales recorded, segment profit was HK\$88.5 million, a 238% increase from HK\$26.2 million in last year.

R&C conducts the Group's record distribution business and engages principally in production and licensing of music master tapes. The acquisition of a further 20% stake in R&C was completed in September 2004. R&C has now been established as a wholly-owned subsidiary of the Group producing and distributing quality music products and contents in Japan.

During the year, 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. For the year under review, the Group released a total of 53 music records and 54 audio-visual products, compared to 30 music records and 51 audio-visual products in the last year. The second and third quarter recorded the highest sales over the year. The titles released were well received by the public and some of which had reached high rankings on the ORICON chart in Japan. These titles included a debut single from Gorie; the popular dual men group, Downtown, released a series of DVDs namely “ダウンタウンのガキの使いやあらへんで!!” (Downtown no Gaki-no Tsukai ya Arahende!!); a hit single from Masatoshi Hamada & Noriyuki Makihara and singles and albums from Fayray.

During the fourth quarter, the Group was not keen on releasing new titles. It has adopted a more conservative approach in rolling out its product release plans. It also re-examined its sales direction and reviewed its technology development of its digital distribution business. Sales revenue from the Group hence decreased substantially in the fourth quarter when compared to the previous two quarters.

However, after two years of collaboration with Yoshimoto Kogyo Co., Ltd. (“Yoshimoto”), R&C has set up a content library and accumulated a number of audio and audio-visual products previously released which are still marketable. The Group believed that as long as it continues to strengthen its release schedules, the sales will grow healthily year on year.

A summary of the music records produced and distributed by the Group for the year ended 31st March 2005 is set out below.

<b>Title</b>	<b>Artist</b>	<b>Released date</b>	<b>Format</b>
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	Single+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 Theatre 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

<b>Title</b>	<b>Artist</b>	<b>Released date</b>	<b>Format</b>
BELIEVE	RUN&GUN	18/08/2004	Single
Orange オレンジ	Amy-N-Ryoo	18/08/2004	Single
Mickey (special package)	Gorie ゴリエ	08/09/2004	Single+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
Yaritai youni やりたいように	Zamagi ザマギ	06/10/2004	Single
Kuchi duke 口づけ	Fayray	13/10/2004	Single
HOURGLASS (Limited Edition)	Fayray	27/10/2004	Album
HOURGLASS	Fayray	27/10/2004	Album
Overtone	Takashi Utsunomiya 宇都宮隆	03/11/2004	Album
Emotion (Limited Edition)	Hiroshi Tamaki 玉木宏	10/11/2004	Single
Emotion	Hiroshi Tamaki 玉木宏	10/11/2004	Single
RazzoodocK	LONG SHOT PARTY	10/11/2004	Album
NATIVE	Kotani kinnya	12/11/2004	Mini Album
Tokyo	Tomo-Chika 友近	17/11/2004	Single
Chicken Rice チキンライス	Masatoshi Hamada & Noriyuki Makihara 浜田雅功と槇原敬之	17/11/2004	Single

Title	Artist	Released date	Format
Ai no Sorea -Soundtrack- 愛のソレア サウンドトラック	Various Artists	25/11/2004	Album
machi "町"	Ikuro Fujiwara 藤原いくろう	25/11/2004	Album
enemy of life	2am	25/11/2004	Album
I miss you アイミスユー	Goose Bumps	25/11/2004	Single
Mirai ga nakutemo dakishimete 未来がなくても抱きしめて	Nikkyu 8000 yen 日給8000円	25/11/2004	Single
Tamani ha naitemo iidesuka? たまには泣いてもいいですか?	Jikyuu 800 yen 時給800円	25/11/2004	Single
Magical Death マジカル Death	Zamagi ザマギ	08/12/2004	Single
RIPPLE (Limited Edition)	Hiroshi Tamaki 玉木宏	15/12/2004	Album+DVD
RIPPLE	Hiroshi Tamaki 玉木宏	15/12/2004	Album
Brack Jack ブラックジャック	RUN & GUN	19/01/2005	Single
ALL BONUS TRACKS	ZAMAGI ザマギ	19/01/2005	Album
ZOID Original Sound Track	Various Artists (2a.m.)	19/01/2005	Album
V.A. ~REGGAE E? WOMEN~ V.A. ~REGGAE えっ? WOMEN~	Amy-N-Ryoo	09/02/2005	Album
Hadakann-bo はだかん帽	Minna no uta みんなのうた	23/02/2005	Single+DVD

<b>Title</b>	<b>Artist</b>	<b>Released date</b>	<b>Format</b>
Time Capsule タイムカプセル	As	23/02/2005	Single
Hateshinai tabi no naka de... 果てしない旅の中で...	RUN&GUN	23/02/2005	Album
Kinou no Kaze 昨日の風	Tsubaki つばき	23/02/2005	Single
TAKASHI UTSUNOMIYA THE BEST 2000-2004	Takashi Utsunomiya 宇都宮隆	23/03/2005	Album
Seisyun Destroy 青春デストロイ	2Cho Kenju	10/03/2005	Mini Album
GB3rd GB3RD～太陽の子～	GB	10/03/2005	Album
Syonen Butterfly 少年バタフライ	SBPF	10/03/2005	Single
SONGS	HOUND DOG	30/03/2005	Single

A summary of the audio-visual products produced and distributed by the Group for the year ended 31st March 2005 is set out below.

<b>Title</b>	<b>Artist</b>	<b>Released date</b>	<b>Format</b>
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	28/04/2004	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
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

Title	Artist	Released date	Format
Tora 040229 ☐ 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	Single+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
NETA JIN	Tomonori Jinnai 陣内智則	11/08/2004	DVD
NETA JIN	Tomonori Jinnai 陣内智則	11/08/2004	VHS

Title	Artist	Released date	Format
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	Single+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	24/08/2004	DVD
Hyaku-shiki2004 百式2004	2Cho-Kennju 2丁拳銃	24/08/2004	DVD
Hyaku-shiki2004 百式2004	2Cho-Kennju 2丁拳銃	24/08/2004	VHS
Gaki-no Tsukaiya Arahende③ ガキの使いやあらへんで③	Down Town ダウンタウン	27/10/2004	DVD
Kigeki-oh Shinbeesu 喜劇王しんべえす	Various Artists	05/11/2004	DVD
Kigeki-oh Shinbeesu 喜劇王しんべえす	Various Artists	05/11/2004	VHS
Kirin! Kirin! Kirin! 麒麟!麒麟!麒麟!	Kirin 麒麟	25/11/2004	DVD
Gaki-no Tsukaiya Arahende④ ガキの使いやあらへんで④	Down Town ダウンタウン	25/11/2004	DVD
A.F.O.K. 2004 TOUR FINAL "ROCK'EM ALL" live at Zeep Tokyo	PENPALS	01/12/2004	DVD
Wakkie no Chimei shiritori Vol.1 ワッキーの地名しりとり	Wakkie ワッキー	10/12/2004	DVD
RIPPLE (Limited Edition)	Hiroshi Tamaki 玉木宏	15/12/2004	Album+DVD

Title	Artist	Released date	Format
Shin-pu Base Neta to Uta 新風baseネタトウタ	Various Artists	15/12/2004	DVD
Jetball Hour 04 ジェットボールアワー04	Football hour フットボールアワー	22/12/2004	DVD
Zero ゼロ	Child Machine チャイルドマシーン	22/12/2004	DVD
King of Live	Dainoji ダイノジ	22/12/2004	DVD
RED BOX	HOUND DOG	19/01/2005	DVD
The Ten Show	The Plan 9	26/01/2005	DVD
Wakkie no Chimei Shiritori Vol.2 ワッキーの地名しりとり②	Wakkie ワッキー	26/01/2005	DVD
Penalty's Solo Live 2004 ペナルティ単独ライブ2004	Penalty ペナルティ	26/01/2005	DVD
Wakkie no Chimei Shiritori Vol.3 ワッキーの地名しりとり③	Wakkie ワッキー	23/02/2005	DVD
POINT ~点~	Shinagawa Syoji 品川庄司	23/02/2005	DVD
Hadakann-bo はだかん帽	Minnna no uta みんなのうた	23/02/2005	Single + DVD
5-6-7 more & Live	Yukari Oonishi to Shinsekai 大西ユカリと新世界	23/02/2005	DVD
Wakkie no Chimei Shiritori Vol.4 ワッキーの地名しりとり④	Wakkie ワッキー	23/03/2005	DVD
Manzai Fashion Show ~Manpuku~ 漫才ファッションショー ~漫服~	Various Artists	30/03/2005	DVD

## **Music production**

Revenue from the music production business dropped by 71% from HK\$9.0 million to HK\$2.6 million. Segment loss was HK\$7.5 million, compared to HK\$4.9 million in last year. As most of the producer contracts expired during the year, the music production division was merged into record distribution division. Since then, the Group could focus exclusively on revenue-generating business and maintain a more cost-effective operating structure as it goes forward.

## **Rojam Disco**

The discotheque business reported revenue of HK\$18.1 million with a segment profit of HK\$1.3 million, representing a 22% and 63% rise in turnover and segment profit respectively, when compared to revenue of HK\$14.8 million and a segment profit of HK\$0.8 million in previous year.

The average daily customer flow for the year at Rojam Disco reached 730, a jump of 14% over the figure of 640 recorded during the previous year. The average spending level also increased by 7% over the previous year. Over the years, Rojam Disco has become not only a magnet for local disco-goers, but also an attractive destination for tourists from Asia and around the world. The competition in the entertainment industry in Shanghai has grown more intense as more players emerged in recent years. Rojam Disco has been taking advantage of the Group's resources, the introduction of the performance of the Japanese artists in the discotheque could make itself outperform other competitors in the local market.

Regular events such as dance competition and "face-changing" performance further added to the excitement and innovation for which Rojam Disco has long been renowned. Other successful events held during the year included the international DJ parties. Since the second quarter, Rojam Disco has invited the world's top DJs namely Scott Bond, Anne Savage, The Thrillseekers, Agnelli and Nelson, Above & Beyond, Matt Hardwick, DJ Eva and DJ John Kelly; as well as international artists, 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.

Additional factors which helped to drive the discotheque's business forward included the introduction of the VIP privilege programme. The programme offers loyal patrons multifarious services. Regular renovation work and theme decorations are carried out to make customers feel fresh and exciting towards the discotheque.

## **PROSPECTS**

Looking forward, the Group will continue to face tremendous challenges. The record distribution business remains the focus of the Group. Whilst maintaining a stable growth in its core business revenue, the Group shall also develop and identify new uses for its music content.

The Group will endeavour to enhance its core competitiveness and will make use of its competitive advantages in terms of its access of Yoshimoto's pool of talents and larger scale of operation, to implement on a continued basis a differentiated sales strategy, to promote rational competition and to entrench its market position in its record distribution business. The Group will put emphasis on innovation and business promotion to procure greater development in its discotheque business.

At the same time, the Group will fully utilize its existing competitive advantages in terms of its network, technology and resources and its market experience in its digital distribution business. The Group shall preserve its sound fundamentals, enhance its sustainable development capability, accurately seize investment opportunities, and achieve the maximization of enterprise value whilst providing premium music content. With the well defined business strategy, the Group is assured of delivering consistent business growth in the coming financial years.

## **BOARD PRACTICES AND PROCEDURES**

The Company has complied with Rules 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures throughout the year.

## **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 year ended 31st March 2005.

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

Hong Kong, 27th May 2005

*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. Akihito 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.*

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