ROJAM ENTERTAINMENT HOLDINGS LIMITED
Incorporated in the Cayman Islands with limited liability

Stock code: 8075
Website: www.rojam.com

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2007

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

This announcement, for which the directors of Rojam Entertainment Holdings Limited (the "Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of giving information with regard to Rojam Entertainment Holdings Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- The operations in Japan were disposed of on 31 March 2007. The loss resulted from the disposal was approximately HK$28.4 million.
- Turnover (continuing operations and discontinued operations) amounted to approximately HK$524.6 million, being approximately 4% increase from approximately HK$505.4 million in the previous financial year.
- Profit before income tax (continuing operations and discontinued operations) amounted to approximately HK$42.6 million, being approximately 42% decrease from approximately HK$74.0 million in the last financial year.
- Loss attributable to equity holders (continuing operations and discontinued operations) amounted to approximately HK$68.2 million, compared to profit of approximately HK$40.2 million in the last financial year.
- Basic loss per share (continuing operations and discontinued operations) were approximately 3.6 HK cents, compared to earnings per share of approximately 2.6 HK cents in last financial year.
- A special dividend of 11.8 HK cents per share, amounting to a total dividend of approximately HK$227.3 million, was paid on 31 May 2007. The Board does not recommend the payment of a final dividend.

PRESIDENT'S STATEMENT

FINANCIAL RESULTS

Turnover (continuing operations and discontinued operations) was approximately HK$524.6 million in the financial year of 2006/2007, a slight 4% increase from approximately HK$505.4 million in the previous financial year. Profit before income tax (continuing operations and discontinued operations) for the financial year amounted to approximately HK$42.6 million, representing a decrease of 42% from approximately HK$74.0 million of the last financial year. Loss attributable to equity holders (continuing operations and discontinued operations) was approximately HK$68.2 million, compared to profit of approximately HK$40.2 million for the previous financial year. Basic loss per share (continuing operations and discontinued operations) were approximately 3.6 HK cents, compared to earnings per share of approximately 2.6 HK cents of last financial year.

BUSINESS REVIEW

The financial year of 2006/2007 was a year of consolidation and reorganisation. Much effort was put into reorganising the Group to build a sustainable business. In June 2006, the Company applied to the Stock Exchange for migrating its listing status from GEM to the Main Board. In September 2006, the application for the proposed introduction was heard by the listing committee of the Stock Exchange. The management noted that the Group would have to change certain business arrangements with Yoshimoto and Fandango to satisfy the regulatory requirements of being capable of carrying on its business independently. The management believed that the proposed introduction to the Main Board was only one of the Group's development plans, and the change would delay the Group's development activities and waste its resources. Therefore, the management has subsequently chosen to discontinue the relevant application procedures.

The Board also re-evaluated the Group's business strategy in light of trends and developments in the record production and distribution business. The record production and distribution business focused primarily on the Japan market. The management considers that this business exposes the Group to risks beyond its control as a result of the significant reliance on certain major titles by major artistes. Titles from these artistes have contributed a significant proportion of the Group's revenue in recent years, and this business has relied on the Group's shareholder, Yoshimoto, for access to artistes for the continued operation of this business. Further, the structure that a company based in Hong Kong holding a company established in Japan was time-consuming, cost-ineffective and burdensome to the Group in fulfilling the various regulatory requirements in Hong Kong and in Japan.

As a result of these factors, and other factors including increases in the rate of sales commissions payable to sales agents and additional advance payments and royalties paid by the Group, the operating results of this business have experienced a significant decrease. The Board further anticipates that these factors will place significant pressures on the cash flow of the Group in the future. The Board therefore considers that the value which the Group could realise from the sale of R&C in the future might not match that represented by the consideration received this time and the sale of R&C represents a good opportunity to realise that value and refocus the Group's operating strategies and to return some of this value to our shareholders through the special dividend. The management has come to conclusion that, although this business has historically contributed a significant part of the Group's revenue, its future growth potential is limited and it poses significant threats to the Group's overall operations. The management has therefore come to the commercial decision that the Group's discontinuation of this business is in the best interests of the Group and the shareholders as a whole. On 31 March 2007, the Group completed the disposal of R&C for a total consideration of JPY2,743 million (approximately HK$184 million). The loss resulted from this disposal was approximately HK$28.4 million. The special dividend of HK$0.118 per share was paid to all the shareholders on 31 May 2007.

The competition in Shanghai discotheque industry continues to become increasingly intense. More recently opened clubs or bars have modern facilities and equipment and have contributed increased competition. The Group's Rojam Disco has been operating for 9 years. During these 9 years, the Group has carried out two major renovations for the discotheque, while its structure, style and target market have not changed. The management will continue to develop the discotheque to enhance its customer appeal. The new Rojam Club in Suzhou was opened in April 2007, which provides customers with a new and unique entertainment experience.

OUTLOOK

The management acknowledges that, in the short term, the Group's turnover will be significantly reduced as a result of the disposal of R&C. However, the management considers that the Group's future growth potential, profitability and independence of operations are of greater importance. While the management remains optimistic about the long-term prospects of its discotheque business in mainland China, it is also well aware of the temporary difficulties and challenges that the business is experiencing. It is expected that improvement of the discotheque operation segment will be seen in the next financial year.

Moving forward, the Group continues to focus on and expand its entertainment business in the PRC. The management believes that the Group has established a valuable foothold and a brand into the PRC market. With the buoyant Chinese economy, and the increasing purchasing power and improving living standards in the PRC, the management believes that the entertainment market in China still has room for further growth and development.

Besides, the Group will focus its operations on the music industry in the PRC through the digital distribution of music. According to the Ministry of Culture of the PRC, the overall digital music market in China reached approximately RMB2.78 billion in 2005, representing an increase of approximately 61% from 2004, evidencing the fact that Chinese consumers are prepared to pay for music via digital channels. In this respect, the Group has entered into a non-binding memorandum of understanding with certain PRC value-added telecommunication service providers to jointly explore digital music distribution business opportunities in the PRC. Where appropriate, the Group will negotiate and enter into a cooperation agreement with such service providers. The Group will from time to time evaluate potential opportunities to acquire a suitable platform to enter that business.

On behalf of the board of Directors, I would like to express my gratitude to the management and every member of our staff for their hard work during the year. We are also grateful to our shareholders and business partners for their support and confidence. The management believes that the Group's business will remain solid. The coming year will be a preparation year for our Group to pursue in better development opportunities for future expansions.

Takeyasu Hashizume
President

Hong Kong, 20 June 2007

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 31 March 2007 together with the comparative audited figures for the preceding year ended 31 March 2006 as set out below. The annual results have been reviewed by the audit committee.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2007

	Note	**2007** **HK$'000**	2006 *HK$'000* (restated)
Continuing operations			
Turnover	*2*	**11,860**	15,105
Cost of sales	*3*	**(12,925)**	(12,797)
Gross (loss)/profit		**(1,065)**	2,308
Other operating expenses	*3*	**(13,581)**	(6,009)
Other gains/(losses), net	*4*	**1,211**	(708)
Operating loss		**(13,435)**	(4,409)
Finance income		**1,990**	661
Loss before income tax		**(11,445)**	(3,748)
Income tax expense	*5*	**(14)**	(481)
Loss for the year from continuing operations		**(11,459)**	(4,229)
Discontinued operations			
(Loss)/profit for the year from discontinued operations	*12(i)*	**(56,790)**	44,395
(Loss)/profit for the year		**(68,249)**	40,166
Attributable to:			
Equity holders of the Company		**(68,249)**	40,166
Loss per share for loss from continuing operations attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– basic and diluted	*6*	**(0.6)**	(0.3)
(Loss)/earnings per share for (loss)/profit from discontinued operations attributable to equity holders of the Company during the year (expressed in HK cents per share)			
– basic and diluted	*6*	**(3.0)**	2.9
(Loss)/earnings per share for (loss)/profit from attributable to equity holders of the Company during the year (expressed in HK cents per share)			
– basic and diluted	*6*	**(3.6)**	2.6
Dividends	*7*	**227,281**	–

CONSOLIDATED BALANCE SHEET
As at 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Intangible assets		**23,519**	184,774
Property, plant and equipment		**8,070**	13,606
Available-for-sale financial asset		**–**	23,400
Deferred income tax assets		**537**	12,056
		32,126	233,836
Current assets			
Inventories		**117**	14,553
Amount due from a shareholder		**112,076**	–
Trade receivables	*8*	**–**	100,367
Other receivables and prepayments		**1,334**	9,052
Cash and cash equivalents		**234,894**	112,068
		348,421	236,040
Total assets		**380,547**	469,876
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*9*	**192,611**	155,468
Reserves	*10*	**(53,753)**	144,292
Special dividends	*7, 10*	**227,281**	–
		366,139	299,760
Minority interests		**675**	675
Total equity		**366,814**	300,435

	Note	2007 HK$'000	2006 HK$'000
LIABILITIES			
Current liabilities			
Trade payables	*11*	**118**	91,081
Accruals and other payables		**13,615**	24,912
Receipt in advance		**–**	19,975
Current income tax liabilities		**–**	33,473
		13,733	169,441
Total liabilities		**13,733**	169,441
Total equity and liabilities		**380,547**	469,876
Net current assets		**334,688**	66,599
Total assets less current liabilities		**366,814**	300,435

Notes:

1. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial asset, which is carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

The following amendments to standards and new interpretation are mandatory for accounting periods beginning on or after 1 April 2006 and are relevant to the Group's operations:

HKAS 21 Amendment	The Effects of Changes in Foreign Exchange Rate – Net Investment in a Foreign Operation
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement – Transition and Initial Recognition of Financial Assets and Financial Liabilities – Cash Flow Hedge Accounting of Forecast Intragroup Transactions – The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts
HKFRS-Interpretation 4	Determining whether an Arrangement contains a Lease

These amendments to standards and new interpretation had no material effect on the Group's accounting policies.

The following new standards, amendment to standard and interpretations have been published that are mandatory for accounting periods beginning on or after 1 April 2007 that the Group has not early adopted:

HK(IFRIC)-Int 8, Scope of HKFRS 2 (effective for annual periods beginning on or after 1 May 2006)

HK(IFRIC)-Int 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of HKFRS 2. The Group will apply HK(IFRIC)-Int 8 from 1 April 2007, but it is not expected to have any impact on the Group's consolidated financial statements.

HK(IFRIC)-Int 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006)

HK(IFRIC)-Int 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply HK(IFRIC)-Int 10 from 1 April 2007, but it is not expected to have any impact on the Group's consolidated financial statements.

HK(IFRIC)-Int 9, Reassessment of embedded derivatives (effective for annual periods beginning on or after 1 June 2006)

HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment if required. As none of the group entities have changed the terms of their contracts, HK(IFRIC)-Int 9 is not relevant to the Group's operations.

HK(IFRIC)-Int 11, HKFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007)

HK(IFRIC)-Int 11 provides guidance on how to account for share-based payment arrangements to an entity's employees involving equity instruments of its parent company. If the equity instruments are granted by its parent company and accounted for as equity-settled in its parent's consolidated financial statements, the entity should account for the share-based payment arrangements as equity-settled. If the equity instruments are granted by the entity, the entity should account for the share-based payment arrangements as cash-settled. The Group will apply HK(IFRIC)-Int 11 from 1 April 2007, but it is not expected to have any impact on the Group's consolidated financial statements.

HKFRS 7, Financial Instruments: Disclosures, and the complementary amendment to HKAS 1, Presentation of Financial Statements – Capital Disclosures (effective for annual periods beginning on or after 1 January 2007)

HKFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces disclosure requirements in HKAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under HKFRS. The amendment to HKAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 from annual periods beginning 1 April 2007.

2. Turnover and segment information

The Group is principally engaged in record production and distribution, music production, digital distribution and discotheque operation during the years ended 31 March 2007 and 2006. Revenues recognised during the year are as follows:

	2007	2006
	HK$'000	*HK$'000*
Turnover		
Continuing operations		
Discotheque income	**11,860**	15,105
Discontinued operations		
Record production and distribution income	**502,570**	484,383
Digital distribution income	**7,094**	3,053
Music production income	**1,219**	2,040
Others	**1,839**	836
	512,722	490,312
	524,582	505,417

Primary reporting format – business segments

The Group is principally engaged in four main business segments during the years ended 31 March 2007 and 2006:

Discotheque	–	operations of discotheque
Record production and distribution	–	producing and distributing records and audio-visual products under its own labels and records containing master sound recordings which have been licensed from third parties (discontinued on 31 March 2007)
Digital distribution	–	production and provision of digital entertainment content through multi-media platforms such as internet, mobile phones and other digital media (discontinued on 31 March 2007)
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 (discontinued on 31 March 2007)
Others	–	mainly includes music publishing, event management and merchandise sales (discontinued on 31 March 2007)

The Group's inter-segment transactions mainly consist of record production and 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.

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash. They exclude deferred income tax assets and available-for-sale investments and cash and cash equivalents held by corporate office for general working capital purpose.

Segment liabilities comprise operating liabilities and exclude items such as current income tax liabilities and deferred income tax liabilities.

Capital expenditure comprises additions to property, plant and equipment and intangible assets.

The segment results, and capital expenditure and other segment items for the year then ended 31 March 2007 and segment assets and liabilities at 31 March 2007 are as follows:

	Discontinued operations						Continuing operations	Total
	Record production and distribution *HK$'000*	Digital distribution *HK$'000*	Music production *HK$'000*	Others *HK$'000*	Elimination *HK$'000*	Sub-total *HK$'000*	Discotheque *HK$'000*	Total *HK$'000*
Turnover								
External sales	**502,570**	**7,094**	**1,219**	**1,839**	**–**	**512,722**	**11,860**	**524,582**
Inter-segment sales	**12**	**–**	**–**	**–**	**(12)**	**–**	**–**	**–**
Total	**502,582**	**7,094**	**1,219**	**1,839**	**(12)**	**512,722**	**11,860**	**524,582**
Segment results	**59,586**	**902**	**155**	**1,838**	**–**	**62,481**	**(1,658)**	**60,823**
Finance income								**2,026**
Unallocated corporate expense								**(20,248)**
Profit before income tax								**42,601**
Income tax expense								**(82,428)**
Loss on disposal of a discontinued operation, net of tax								**(28,422)**
Loss for the year								**(68,249)**
Segment assets	**–**	**–**	**–**	**–**	**–**	**–**	**39,931**	**39,931**
Unallocated corporate assets								**340,616**
Total assets								**380,547**
Segment liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**(9,426)**	**(9,426)**
Unallocated corporate liabilities								**(4,307)**
Total liabilities								**(13,733)**
Impairment loss on trade receivables *(Note 12(ii))*	**115**	**–**	**–**	**–**	**–**	**115**	**–**	**115**
Capital expenditure	**129,947**	**–**	**–**	**–**	**–**	**129,947**	**5,890**	**135,837**
Amortisation of intangible assets *(Note 12(ii))*	**49,023**	**–**	**–**	**–**	**–**	**49,023**	**–**	**49,023**
Impairment charge on intangible assets *(Note 12(ii))*	**13,346**	**–**	**–**	**–**	**–**	**13,346**	**–**	**13,346**
Impairment loss on available-for-sale financial assets *(Note 12(ii))*	**–**	**–**	**–**	**4,370**	**–**	**4,370**	**–**	**4,370**
Write down of inventories *(Note 12(ii))*	**12,922**	**–**	**–**	**–**	**–**	**12,922**	**–**	**12,922**
Depreciation	**4,140**	**–**	**–**	**–**	**–**	**4,140**	**659**	**4,799**
Unallocated corporate depreciation								**26**
								4,825

The segment results and capital expenditure and other segment items for the year then ended 31 March 2006 and segment assets and liabilities at 31 March 2006 are as follows:

	Discontinued operations						Continuing operations	Total
	Record production and distribution *HK$'000*	Digital distribution *HK$'000*	Music production *HK$'000*	Others *HK$'000*	Elimination *HK$'000*	Sub-total *HK$'000*	Discotheque *HK$'000*	Total *HK$'000*
Turnover								
External sales	484,383	3,053	2,040	836	–	490,312	15,105	505,417
Inter-segment sales	19	–	–	–	(19)	–	–	–
Total	484,402	3,053	2,040	836	(19)	490,312	15,105	505,417
Segment results	76,168	480	322	836	–	77,806	1,810	79,616
Finance income								672
Unallocated corporate expense								(6,296)
Profit before income tax								73,992
Income tax expense								(33,826)
Profit for the year								40,166
Segment assets	372,851	–	961	–	–	373,812	40,674	414,486
Unallocated corporate assets								55,390
Total assets								469,876
Segment liabilities	(125,152)	–	(497)	–	–	(125,649)	(8,931)	(134,580)
Unallocated corporate liabilities								(34,861)
Total liabilities								(169,441)
Capital expenditure	51,256	–	–	–	–	51,256	419	51,675
Amortisation of intangible assets *(Note 12(ii))*	33,916	–	–	–	–	33,916	–	33,916
Write down of inventories *(Note 12(ii))*	642	–	–	–	–	642	–	642
Impairment of trade receivables *(Note 12(ii))*	498	–	–	–	–	498	–	498
Depreciation	7,316	–	–	–	–	7,316	496	7,812
Unallocated corporate depreciation								38
								7,850

Secondary reporting format – geographical segments

Although the Group's four business segments are managed on a worldwide basis, they operate in two main geographical areas during the years ended 31 March 2007 and 2006:

Mainland China – operations of discotheque

Japan – record production and distribution, digital distribution and music production

There are no sales or other transactions between the geographical segments.

	Turnover 2007 *HK$'000*	**Segment results 2007** *HK$'000*	**Segment assets 2007** *HK$'000*	**Capital Expenditure 2007** *HK$'000*
Continuing operations				
Mainland China	**11,860**	**(1,658)**	**39,931**	**5,890**
Discontinued operations				
Japan	**512,722**	**62,481**	**–**	**129,947**
	524,582	**60,823**	**39,931**	**135,837**
Finance income		**2,026**		
Unallocated costs		**(20,248)**		
Profit before income tax		**42,601**		
Unallocated corporate assets			**340,616**	
Total assets			**380,547**	

	Turnover 2006 *HK$'000*	Segment results 2006 *HK$'000*	Segment assets 2006 *HK$'000*	Capital Expenditure 2006 *HK$'000*
Continuing operations				
Mainland China	15,105	1,810	40,674	419
Discontinued operations				
Japan	490,312	77,806	373,812	51,256
	505,417	79,616	414,486	51,675
Finance income		672		
Unallocated costs		(6,296)		
Profit before income tax		73,992		
Unallocated corporate assets			55,390	
Total assets			469,876	

3. Expenses by nature – continuing operations

Expenses included in cost of sales and other operating expenses are analysed as follows:

	2007 HK$'000	2006 HK$'000 (restated)
Auditors' remuneration	**3,510**	1,000
Cost of inventories sold	**2,234**	2,525
Depreciation of property, plant and equipment	**685**	534
Operating leases on land and buildings	**4,163**	3,481
Employee benefit expense (excluding Directors' emoluments)	**5,380**	5,300
Management fee paid to the minority shareholder	**490**	480
Promotion and advertising expenses	**10**	36
Legal and professional fee	**4,013**	489
Others	**6,021**	4,961
Total cost of sales and other operating expenses	**26,506**	18,806

4. Other gains/(losses), net – continuing operations

	2007 HK$'000	2006 HK$'000 (restated)
Net foreign exchange gains/(losses)	**1,211**	(708)

5. **Income tax expense**

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 year (2006: Nil).

The PRC income tax has been provided on the taxable profit of the Group's subsidiary in the PRC and is calculated at the applicable rate of 15% (2006:15%).

The amount of income tax (including the discontinued operations) charged to the consolidated income statement represents:

	2007	2006
	HK$'000	*HK$'000*
Current income tax:		
Japanese corporate income tax	**34,917**	42,615
PRC taxation	**–**	481
(Over)/Under-provision in prior years:		
Japanese corporate income tax	**659**	(552)
PRC taxation	**14**	–
Deferred income tax	**46,838**	(8,718)
Income tax expense	**82,428**	33,826

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	2007	2006
	HK$'000	*HK$'000*
		(restated)
Profit before income tax (including the discontinued operations)	**42,601**	73,992
Calculated at a taxation rate of 17.5% (2006: 17.5%)	**7,455**	12,949
Effect of different taxation rates in other countries	**12,917**	19,038
Income not subject to taxation	**(1,099)**	(96)
Expenses not deductible for taxation purposes	**4,808**	2,487
Tax losses not recognised	**16**	–
(Over-provision)/under-provision in prior year	**673**	(552)
Deferred tax arising from temporary difference not recognised in prior years *(Note 12(iii))*	**57,658**	–
Income tax expense at the Group's effective tax rate	**82,428**	33,826
Income tax expense attributable to discontinued operations *(Note 12(iii))*	**(82,414)**	(33,345)
Income tax expense attributable to continuing operations	**14**	481

6. (Loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2007	2006
Continuing operations		
Loss attributable to equity holders of the Company (HK$'000)	**(11,459)**	(4,229)
Weighted average number of ordinary shares in issue (thousands)	**1,870,145**	1,554,684
Basic and diluted loss per share (HK cents per share) *(Note)*	**(0.6)**	(0.3)
Discontinued operations		
(Loss)/profit attributable to equity holders of the Company (HK$'000)	**(56,790)**	44,395
Weighted average number of ordinary shares in issue (thousands)	**1,870,145**	1,554,684
Basic and diluted (loss)/earnings per share (HK cents per share) *(Note)*	**(3.0)**	2.9
Total		
(Loss)/profit attributable to equity holders of the Company (HK$'000)	**(68,249)**	40,166
Weighted average number of ordinary shares in issue (thousands)	**1,870,145**	1,554,684
Basic and diluted (loss)/earnings per share (HK cents per share) *(Note)*	**(3.6)**	2.6

Note: There were no dilutive potential ordinary shares during the years ended 31 March 2007 and 2006.

7. Dividends

	2007	2006
	HK$'000	*HK$'000*
Special, of 11.8 HK cents per ordinary share	**227,281**	–

A special dividend in respect of the year ended 31 March 2007 of 11.8 HK cents per share, amounting to a total dividend of HK$227,281,000, was proposed and approved at the extraordinary general meeting on 30 May 2007. These financial statements do not reflect this dividend payable.

8. Trade receivables

	Group	
	2007	2006
	HK$'000	*HK$'000*
Trade receivables due from:		
Third parties	**–**	94,120
A shareholder/the immediate holding company	**–**	749
A related party/a fellow subsidiary	**–**	18
A related party	**–**	5,480
	–	100,367

The carrying amount of the trade receivables approximates its fair value. All trade receivables are denominated in Japanese Yen.

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, and are 180 days on average. The credit term for sales to DVD rental shop is one year. At 31 March 2007 and 2006, the ageing analysis of the trade receivables, including trading balances due from related parties was as follows:

	2007	2006
	HK$'000	*HK$'000*
Current	**–**	99,842
30–60 days	**–**	1,516
61–90 days	**–**	29
Over 90 days	**–**	807
	–	102,194
Provision for impairment	**–**	(1,827)
	–	100,367

The Group's sales are made to several major customers. To minimise credit risk, collection of outstanding receivables is closely monitored on an ongoing basis and deposits are also received in advance for sales made to certain customers.

The Group has recognised a loss of HK$115,000 (2006: HK$498,000) for the impairment of its trade receivable for the year. The loss has been included in other operating expenses in the income statement of discontinued operations.

9. Share capital

	Authorised ordinary shares of HK$0.1 each	
	Number of shares	*HK$'000*
At 1 April 2005, 31 March 2006 and 31 March 2007	5,000,000,000	500,000

	Issued and fully paid ordinary shares of HK$0.1 each	
	Number of shares	*HK$'000*
At 1 April 2005 and 31 March 2006	1,554,684,403	155,468
Issue of new shares *(Note)*	371,430,000	37,143
At 31 March 2007	1,926,114,403	192,611

Note: On 18 April 2006, the Company entered into an agreement ("Subscription Agreement") with Fandango, Inc. ("Fandango"), a shareholder, whereby Fandango subscribed for 371,430,000 new shares ("Subscription Shares") of the Company at HK$0.315 per share (the "Subscription"). The aggregate subscription price for the Subscription Shares was approximately HK$117 million, which was settled in cash upon completion of the Subscription. The Subscription Shares ranked, when fully paid and issued, pari passu in all respects with the existing issued shares. The net proceeds of the Subscription would applied towards the Group's future investment in entertainment related projects, other potential investments and the general working capital of the Group as thought fit by the Directors for such purposes. The ordinary resolution in relation to the Subscription was passed by the independent shareholders on 22 May 2006 and the Subscription was completed on 25 May 2006.

10. Reserves

	Share premium HK$'000	Exchange reserve HK$'000	(Accumulated losses)/ retained earnings HK$'000	Total HK$'000
At 1 April 2005	148,329	(8,302)	(7,335)	132,692
Exchange adjustment on translation of accounts of overseas subsidiaries	–	(9,910)	–	(9,910)
Final dividend for the year ended 31 March 2005	–	–	(18,656)	(18,656)
Profit for the year ended 31 March 2006	–	–	40,166	40,166
At 31 March 2006	148,329	(18,212)	14,175	144,292
Representing:				
Reserves				144,292
Proposed dividends				–
At 31 March 2006				144,292
At 1 April 2006	148,329	(18,212)	14,175	144,292
Issue of shares	79,857	–	–	79,857
Share issue expenses	(903)	–	–	(903)
Exchange differences realised upon disposal of subsidiaries *(Note 12)*	–	15,766	–	15,766
Exchange adjustment on translation of accounts of overseas subsidiaries	–	2,765	–	2,765
Loss for the year ended 31 March 2007	–	–	(68,249)	(68,249)
At 31 March 2007	227,283	319	(54,074)	173,528
Representing:				
Reserves				(53,753)
Special dividends				227,281
At 31 March 2007				173,528

11. Trade payables

	2007	2006
	HK$'000	*HK$'000*
Trade payables due to:		
Third parties	**118**	83,952
A shareholder/the ultimate holding company	**–**	7,129
	118	91,081

The carrying amounts of the trade payables approximate their fair values.

At 31 March 2007 and 2006, the ageing analysis of the trade payables, including trading balances due to a related party was as follows:

	2007	2006
	HK$'000	*HK$'000*
Current	**118**	81,677
30-60 days	**–**	9,306
Over 90 days	**–**	98
	118	91,081

Trade payables are denominated in the following currencies:

	2007	2006
	HK$'000	*HK$'000*
Japanese yen	**–**	90,869
Renminbi	**118**	212
	118	91,081

12. Disposal of subsidiaries

On 30 January 2007, the Company and Fandango, Inc., (a shareholder, "the Purchaser") entered into a conditional Sale and Purchase Agreement (the "Agreement") whereby the Company agreed to sell its equity interest in Fandango U.S.A., Inc. ("Fandango USA"), R and C Ltd. ("R&C"), KARINTO FACTORY, INC. and Jacobetty, Inc. (collectively the "Fandango USA Group" or the "Disposal Group") to the Purchaser at a consideration of JPY2,743 million (approximately HK$184 million) for the disposal of business. In addition, the Company assigned to the Purchaser certain inter-company receivables due to the Company by the Fandango USA Group. This transaction constitutes a connected transaction under the GEM Listing Rules and the details are included in the circular of the Company dated 15 March 2007. The transaction was completed on 31 March 2007.

	HK$'000
Sales proceeds	183,781
Net book value of net assets disposed	(196,437)
Exchange reserves	(15,766)
Loss on disposal of the Fandango USA Group	(28,422)

The assets and liabilities disposed of at the date of disposal were as follows:

Intangible assets	231,907
Property, plant and equipment	9,234
Available-for-sale financial asset	19,030
Deferred income tax assets	22,583
Inventories	20,185
Trade receivables	102,498
Other receivables and prepayments	10,368
Cash and cash equivalents	176,894
Trade payable	(273,779)
Accruals and other payables	(29,988)
Current income tax liabilities	(34,837)
Deferred income tax liabilities	(57,658)
	196,437

Net cash inflow arising on disposal:

Cash consideration	183,781
Bank balances and cash disposed of	(176,894)
	6,887

The financial information of Fandango USA Group, which constitutes a discontinued operation, is as follows:

(i) Analysis of the results of discontinued operations

	2007	2006
	HK$'000	*HK$'000*
Turnover	**512,722**	490,312
Cost of sales	**(280,967)**	(290,529)
Gross profit	**231,755**	199,783
Selling and distribution expenses	**(109,727)**	(87,722)
Other operating expenses	**(68,018)**	(34,331)
Other losses, net	**–**	(1)
Operating profit	**54,010**	77,729
Finance income	**36**	11
Profit before income tax	**54,046**	77,740
Income tax expense *(Note 12(iii))*	**(82,414)**	(33,345)
(Loss)/profit after income tax	**(28,368)**	44,395
Loss on disposal of subsidiaries, net of tax	**(28,422)**	–
(Loss)/profit for the year from discontinued operations	**(56,790)**	44,395

(ii) Expenses by nature

	2007	2006
	HK$'000	*HK$'000*
Auditors' remuneration	**1,500**	986
Cost of inventories sold	**249,255**	248,520
Depreciation of property, plant and equipment	**4,140**	7,316
Operating leases on land and buildings	**2,752**	2,332
Record masters		
– Amortisation	**49,023**	33,916
– Impairment charges	**13,346**	–
Write down of inventories	**12,922**	642
Impairment loss of available-for-sale financial asset	**4,370**	–
Impairment loss of trade receivables	**115**	498
Employee benefit expense (excluding directors' emoluments)	**24,844**	20,389
Promotion and advertising expenses	**56,615**	50,123
Others	**39,830**	47,860
Total cost of sales, selling and distribution and other operating expenses	**458,712**	412,582

(iii) *Income tax expense*

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 year (2006: Nil).

The Japanese corporate income tax has been provided on the taxable profit of the Group's subsidiaries in Japan and is calculated at the applicable rates, ranging from 6.2% to 30%.

	2007	2006
	HK$'000	*HK$'000*
Overseas taxation		
Current income tax	**35,576**	42,063
Deferred income tax	**46,838**	(8,718)
	82,414	33,345

As approved by the board of directors of the Company on 2 January 2007, Fandango USA would be liquidated. In order to complete the liquidation procedures, retained earnings of R&C would be distributed to Fandango USA. As a result, the exemption criteria for recognition of deferred tax liability arising from undistributed retained earnings under HKAS 12 "Income taxes" could no longer be met. The deferred tax liability and income tax expense arising from such temporary difference, amounted to HK$57,658,000 is recognised in the income statement for the year ended 31 March 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

(Continuing Operations and Discontinued Operations)

	Fourth Quarter (Jan to Mar 2007)	Third Quarter (Oct to Dec 2006)	Second Quarter (Jul to Sep 2006)	First Quarter (Apr to Jun 2006)	Total
	HK$'M	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*
Turnover	175.0	157.7	126.8	65.1	524.6
Cost of sales	(49.8)	(127.7)	(78.0)	(38.4)	(293.9)
Gross profit	125.2	30.0	48.8	26.7	230.7
Operating expenditures*	(75.3)	(48.3)	(39.7)	(26.8)	(190.1)
Profit/(loss) before income tax	50.4	(17.8)	9.7	0.3	42.6
Income tax (expenses)/credit	(85.6)	6.9	(3.9)	0.2	(82.4)
Loss on disposal of a discontinued operation	(28.4)	–	–	–	(28.4)
(Loss)/profit attributable to the equity holders	(63.6)	(10.9)	5.8	0.5	(68.2)

* *Selling & distribution expenses, other operating expenses and other gain/loss, net*

Sales by Business Segments

	Fourth Quarter (Jan to Mar 2007)		Third Quarter (Oct to Dec 2006)		Second Quarter (Jul to Sept 2006)		First Quarter (Apr to Jun 2006)		Total	
	HK$'M	*%*	*HK$'M*	*%*	*HK$'M*	*%*	*HK$'M*	*%*	*HK$'M*	*%*
Discotheque	2.9	2	2.9	2	3.0	2	3.1	5	11.9	2
Record production and distribution	171.3	98	152.8	97	121.7	96	56.8	87	502.6	96
Digital distribution	0.1	–	0.8	–	1.3	1	4.9	8	7.1	1
Others	0.7	–	1.2	1	0.8	1	0.3	–	3.0	1
Group Total	175.0	100	157.7	100	126.8	100	65.1	100	524.6	100

Overall performance

The Group has recorded turnover (continuing operations and discontinued operations) of approximately HK$524.6 million, a slight 4% increase from that of approximately HK$505.4 million in the previous financial year. The Group recorded a profit before income tax (continuing operations and discontinued operations) of approximately HK$42.6 million for the year ended 31 March 2007, a 42% decrease from approximately HK$74.0 million for the year ended 31 March 2006. Loss attributable to equity holders (continuing operations and discontinued operations) for the year was approximately HK$68.2 million, compared to profit of approximately HK$40.2 million in the previous financial year.

Disposal of subsidiaries

On 30 January 2007, the Group entered into a conditional sale and purchase agreement with Fandango whereby the Group agreed to sell its equity interest in Fandango USA, Inc., R&C, KARINTO FACTORY, INC. and Jacobetty, Inc. (collectively the "Fandango USA Group") to Fandango at a consideration of JPY2,743 million (approximately HK$183.8 million) for the disposal of business. In addition, the Group assigned to Fandango the balance of the intercompany loan and certain inter-company receivables due to the Group by the Fandango USA Group in aggregate of approximately HK$112.1 million. The details of the transaction are referred to the circular of the Company dated 15 March 2007. The independent shareholders of the Company approved the transaction at the extraordinary general meeting held on 31 March 2007. The transaction was completed on 31 March 2007. The loss on disposal of the Fandango USA Group amounted to approximately HK$28.4 million. The loss on disposal was calculated based on the net asset value of the Fandango USA Group. Therefore, the change in the loss or profit on disposal as disclosed in the Company's circular dated 15 March 2007 was due to the change of the net asset value of the Fandango USA Group. The change in the net asset value of the Fandango USA Group is primarily due to the change of operating results of the Fandango USA Group.

Turnover and segment results

The revenue generated from the discotheque business was approximately HK$11.9 million, being a 21% decline from approximately HK$15.1 million of the last financial year. Segment loss amounted to approximately HK$1.7 million, compared to profit of approximately HK$1.8 million in the last financial year.

Turnover from the record production and distribution business amounted to approximately HK$502.6 million, a 4% increase from approximately HK$484.4 million of the last financial year. Segment profit amounted to HK$59.6 million, being a 22% decrease from HK$76.2 million of the last financial year.

The digital distribution income was approximately HK$7.1 million and segment profit was approximately HK$0.9 million, compared to the revenue of approximately HK$3.1 million and segment profit of approximately HK$0.5 million respectively in the last financial year.

The record production and distribution business was the largest revenue contributor at 96% (2006: 96%), with discotheque business and digital distribution business each contributing 2% (2006: 3%) and 1% (2006: 1%) respectively. Revenue generated in Japan represented 98% (2006: 97%) of total revenue, while operations in mainland China contributed 2% (2006: 3%).

Cost of sales and operating expenses

Cost of sales of the continuing operations amounted to approximately HK$12.9 million, compared to approximately HK$12.8 million in the last financial year, which comprise mainly the operating expenses of the discotheque. The operating expenses of the continuing operations increased by 127% to approximately HK$13.6 million from approximately HK$6.0 million as a result of the increase of the professional fees incurred for the corporate development projects, among others, the migration exercise to the Main Board.

Cost of sales of the discontinued operations decreased by 3% to approximately HK$281.0 million from approximately HK$290.5 million in the last financial year, comprise mainly the cost of sales of the record production and distribution business. The overall gross profit margin for the year ended 31 March 2007 was approximately 45%, being 4% increased from approximately 41% of the last financial year. Selling and distribution expenses increased by 25% to approximately HK$109.7 million from approximately HK$87.7 million as a result of the increase of total sales commissions paid to the sales agents. The operating expenses increased by 98% to approximately HK$68.0 million from approximately HK$34.3 million as a result of the written off of certain inventories, record masters and financial assets.

Income tax expenses

The income tax expense attributed to the discotheque operation decreased to approximately HK$0.01 million for the year ended 31 March 2007, compared to approximately HK$0.5 million in the previous financial year, as a result of the loss position of this operation.

The income tax expense attributed to the discontinued operation increased to approximately HK$82.4 million for the year ended 31 March 2007, being a 147% increase compared to approximately HK$33.3 million in the previous financial year. The increase was mainly due to the increase of deferred income tax of approximately HK$46.8 million as a result of the approval of the liquidation of Fandango U.S.A., Inc., temporary difference arised from the distribution of the retained earnings of R&C. The details are set out in note to the consolidated financial statements 12(iii) in this announcement.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 March 2007, the Group's shareholders' funds increased by approximately 22% to approximately HK$366.8 million as compared to approximately HK$300.4 million as at 31 March 2006. Total assets amounted to approximately HK$380.5 million (2006: HK$469.9 million), of which current assets amounted to approximately HK$348.4 million (2006: HK$236.0 million). At 31 March 2007, the Group had current liabilities of approximately HK$13.7 million (2006: HK$169.4 million). Net asset value per share was approximately HK$0.19 (2006: HK$0.19). Current ratio was approximately 25.4 (2006: 1.4).

The Group financed its operations with internally generated cash flows. At 31 March 2007, cash and bank balances increased to approximately HK$234.9 million (2006: HK$112.1 million) as a result of the disposal of R&C, which consists of approximately 1% in Hong Kong dollars, 79% in Japanese yen, 3% in Renminbi and 17% in US dollars. 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 31 March 2007, the Group generated approximately HK$137.9 million from in its operating activities (continuing operations and discontinued operations), used approximately HK$132.7 million in its investing activities (continuing operations and discontinued operations) primarily due to the payment of producers' fees and generated approximately HK$116.1 million from issuance of new shares.

At 31 March 2007, 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 31 March 2007, the Group has no outstanding foreign currency hedge contracts (2006: Nil).

CHARGE ON GROUP ASSETS

At 31 March 2007, the Group did not have any charge on its assets (2006: Nil).

CAPITAL STRUCTURE

The subscription of 371,430,000 new ordinary shares of the Company at HK$0.315 per share by Fandango was completed on 25 May 2006. The net proceeds of approximately HK$116.1 million were applied towards the Group's strategic investments and the general working capital. Fandango's (and Yoshimoto's indirect) interest in the issued share capital of the Company was increased from approximately 67.77% to 73.99% on completion of the subscription.

MATERIAL ACQUISITION/DISPOSAL AND SIGNIFICANT INVESTMENTS

On 12 June 2006, R&C acquired the entire issued share capital of KARINTO FACTORY, INC. and Jacobetty, Inc. at an aggregate consideration of approximately HK$6.1 million. The new subsidiaries are principally engaged in master-tape production and music copyright management, respectively, in Japan.

On 30 January 2007, the Company entered into a conditional Sale and Purchase Agreement to dispose the entire issued share capitals (the "Disposal") of Fandango U.S.A., Inc., a wholly-owned subsidiary of the Company, and its subsidiaries including R&C (the "Fandango USA Group") to Fandango, Inc. The Disposal constitutes a very substantial disposal and a connected transaction for the Company under the GEM Listing Rules and is subject to the approval of the independent shareholders of the Company. Details of the Disposal are set out in the announcement of the Company dated 13 February 2007 and the circular of the Company dated 15 March 2007. The Disposal was approved by the independent shareholders and was completed on 31 March 2007.

Other than the above, the Group had no material acquisitions or disposals of subsidiaries during the year ended 31 March 2007.

The Group will continue to consolidate its existing business while exploring new business opportunities that will complement and enhance its existing business. As at 31 March 2007, the Group was considering various investment projects and options but had not made any solid plan for pursuing the same.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities at 31 March 2007 (2006: Nil).

EMPLOYEE INFORMATION

At 31 March 2007, the Group had 122 (2006: 120) full-time employees in Hong Kong, Japan and Shanghai. Of the 122 employees, 73 are for the continuing operations and 49 are for the discontinued operations. Staff costs (continuing operations and discontinued operations), excluding Directors' emoluments, totalled approximately HK$30.2 million (2006: HK$25.7 million). The Group's remuneration policy is basically determined by the performance of individual employees. In general, salary review is conducted annually. Staff benefits, including medical coverage and provident funds, are also provided to employees.

OPERATIONS REVIEW

Discotheque business

The discotheque business reported revenue of approximately HK$11.9 million, representing an approximately 21% decrease in turnover when compared to revenue of approximately HK$15.1 million. The segment loss was approximately HK$1.7 million compared to a segment profit of approximately HK$1.8 million in previous year. The discotheque income accounted for approximately 2% of the total turnover of the Group for the year ended 31 March 2007.

The average daily customer flow for the financial year at Rojam Disco was around 400, a drop of approximately 33% from 600 as recorded in the previous financial year. The average spending level was however increased by approximately 13% from around RMB69 per person to RMB78 per person.

During the year ended 31 March 2007, Rojam Disco continued to organise unique events, shows and programmes and invited experienced producers and DJs to produce these events sand shows and perform at the discotheque to attract patronage.

Apart from generating revenue for the Group, Rojam Disco represents an opportune and valuable foothold for the Group to promote its music business in the PRC, and to position itself for future expansion in the digital content distribution business in the PRC. The Group has recently begun to use the Rojam Disco as a platform to audition and identify potential artistes. The Group intends to provide training to such artistes with a view to promoting and marketing their content through the discotheques and distributing the content through proposed digital distribution channels.

Rojam Disco has implemented a membership scheme, under which customers can register as members of the discotheque through Rojam Disco's official website or in the discotheque since December 2004. There are currently approximately 7,500 registered members. Members can enjoy free updates or the discotheque's latest functions and promotional information by short messages (SMS) or e-mail. Rojam Disco is also focused on meeting its customers' tastes and conducts periodical surveys to identify the tastes and preferences in music, artistes, fashion and trends of its target clientele. The information collected serves as guidelines to management in identifying music for distribution through the Group's proposed PRC content distribution business.

In January 2007, Rojam Disco organised its first audition program for scouting new potential Chinese artistes. A number of candidates were selected for further training. Rojam Disco has hired several teachers specialising in singing and dancing to train these chosen candidates. The debut performance of these new artistes at Rojam Disco will be in August 2007. Further, the Group intends to distribute the songs and performance videos of these new artistes through its digital content distribution business in the future.

The Group opened its second entertainment parlour, "Rojam Club", in Suzhou in April 2007. The shop covers a total of approximately 1,500 square metres. The total investment costs amounted to approximately HK$9 million.

Discontinued operations

Record production and distribution

The record production and distribution business has been discontinued since 1 April 2007. The reported revenue of this business amounted to approximately HK$502.6 million, a slight 4% increase from the turnover of approximately HK$484.4 million recorded in last year. The record production and distribution business contributed 96% of the total revenue, being the largest revenue generator of the Group. Segment profit was approximately HK$59.6 million, being a 22% decrease from approximately HK$76.2 million in last year. The decrease in the segment profit was mainly due to the increase in selling and distribution expenses and the written off of certain inventories and record matters.

For the financial year ended 31 March 2007, the Group's own label released a total of 65 music records and 72 audio-visual products, compared to 83 music records and 71 audio-visual products in the last financial year.

The third and fourth quarter recorded the highest sales over the financial year 2006/2007. During the financial year, the Group also sold its audio-visual products to rental shops through its sales agents.

Popular titles included Downtown's DVD "ダウンタウンのガキの使いやあらへんで!! 放送800回突破記念DVD永久保存版" volume 8 and volume 9, Hitoshi Matsumoto's DVDs "人志松本のすべらない話" and its sequel, Taka and Toshi's DVD "Taka and Toshi Yose Euro-America Tour 2006", Gorie's third single namely "恋のPecori♥Lesson", and Kuzu's CD "夏の日々と親父の笑顔".

Digital distribution

Revenue from the digital content distribution business amounted to approximately HK$7.1 million and segment profit amounted to approximately HK$0.9 million for the year ended 31 March 2007, compared to revenue of approximately HK$3.1 million and segment profit of approximately HK$0.5 million in last financial year.

The revenue from the digital content distribution business accounted for approximately 1% of the total turnover of the Group for the year ended 31 March 2007.

CORPORATE GOVERNANCE

The Company applied the principles and complied with all the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 March 2007, except the following deviations:

Distinctive Roles of Chairman and Chief Executive Officer

Code Provisions

Under the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Deviation and its Reasons

Mr. Takeyasu Hashizume is the President of the Company who is responsible for managing the Board and the businesses of the Company and its subsidiaries (collectively, the "Group"). Mr. Hashizume has been the President of the Company since 2003 and is very experienced in the music industry. In view of the current operation of the Group, the management considered that there is no imminent need to change the arrangement.

Appointments, Re-election and Removal

Code Provisions

Under the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Deviation and its Reasons

All the Directors are currently appointed with specific terms. According to the articles of association of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not greater than one-third) shall retire from office by rotation, but the chairman of the Board and/or the managing Director shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. As such, with the exception of the chairman, all Directors are subject to retirement by rotation. The management considers that there is no imminent need to amend the articles of association of the Company.

Communication with Shareholders

Code Provisions

Under the Code, the chairman of the board should attend the annual general meeting and arrange for the chairmen of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.

Deviation and its Reasons

Whilst the Company endeavours to maintain an on-going dialogue with its shareholders, the President may not always be able to attend the annual general meeting due to other important business engagement. Mr. Tetsuo Mori, an executive Director, attended the 2006 annual general meeting on 23 August 2006 and answered questions raised at the meeting.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by Directors during the year ended 31 March 2007.

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 31 March 2007.

By Order of the Board
Takeyasu Hashizume
President

Hong Kong, 20 June 2007

As at the date of this announcement, the Board comprises six executive Directors, namely Mr. Takeyasu Hashizume, Mr. Tetsuo Mori, Mr. Osamu Nagashima, Mr. Mitsuo Sakauchi, 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 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.