

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST MARCH 2002

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

CHAIRMAN'S STATEMENT

I am pleased to present the results of Rojam Entertainment Holdings Limited ("Rojam" or the "Company") and its subsidiaries (together, the "Group") for the financial year ended 31st March 2002.

Financial Results

The crawling recovery of the Asian, in particular the Japanese economy, following the global economic downturn resulted in depressed market sentiments and activities, and hence lower revenue for the Group as reflected in the financial results. The Group recorded a total revenue, attributable mainly to the provision of music production services, of around HK\$48.8 million for the year ended 31st March 2002.

Largely as a result of heavy start-up costs, adjustments of depreciation charges and other one-off charges, loss attributable to shareholders was approximately HK\$82.9 million as against profit of approximately HK\$19.7 million for the last financial year.

The directors do not recommend the payment of any dividend for the year ended 31st March 2002.

Business Review

The Company's shares were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM") by way of placing ("Placing") on 31st May 2001. During the first year of listing, Rojam has made remarkable achievement in terms of the variety of projects undertaken and the building up of strong ties with major players in the music and entertainment industry.

In the music production business, we take pride in our record of delivering music projects to prestigious customers including record companies, movie production houses, TV stations, advertising agencies, mobile phone service operators, Internet content providers, entertainment software companies and PC companies. Unlike other production houses that contract out their music production activities, we served our customers with comprehensive, integrated music production services boasting consistency and quality.

In July 2001, the structural extension, and hardware and software enhancement project at the Group's Tokyo studio ("Rojam Studio") was completed. The Rojam Studio is situated in a warehouse district in Tokyo. It has a gross floor area of about 1,320 square metres and is made up of two-storey quality equipment rooms, sound proof studio rooms, and other supporting amenities and peripherals. The new Rojam Studio strengthens our music production capacity.

To leverage our skill base and enhance our revenue, we continued to look for new producer service contracts. We also endeavoured to strengthen the quality and capacity of our music production team by recruiting new producers and music talents with a view to providing the best quality music content to our customers.

With our versatile in-house music production team and state-of-the-art music production facilities, we were well equipped to address the needs of every client. Complementing to the core music production services, an array of music-related supplementary services added both depth and diversity to our business portfolio. This gives us the capability to provide our business customers with seamless, global and end-to-end music production services.

We have made significant progress in the development of the music entertainment portal at our corporate website – www.rojam.com. The new design, launched in April 2002, increased the depth of content and variety of features.

We are always mindful of business opportunities in mainland China. In January 2002, the Group entered into a sale and purchase agreement to acquire 90% of the registered share capital of Shanghai Chikou Entertainment Co. Limited, the principal business of which was the operation of the Rojam Disco. The acquisition would give Rojam an initial presence in mainland China's key economic city – Shanghai.

Outlook

In the 21st century, we have adopted the vision, "Major Entertainment Network in Asia" to capture our aspirations and outline the focus of our business activities. We will extend our services to cover a wider scope of content with musical requirements, including movies, games and multi-media advertisements, striving to realise our aspirations.

This dedication is shared not only among the Group's producers, employees, but also our artistes, business partners and associates. This enables us to remain steadfast to our goals and continue to produce creative work of uncompromising quality even when the music industry goes through the most turbulent of times. With the talent of our producers, the support of shareholders, the diversity of our customers and the vision of our management, we believe we are well on our way to building a sound and successful future.

Finally, I acknowledge with a deep sense of gratitude the hard work and commitment of my fellow board members, the management team, all employees, and our team of producers and music talents. The Group's achievements would not have been possible without their efforts, and I thank them most sincerely. I would like to further thank our strategic partners, shareholders and customers for their continued support throughout the year.

Tetsuya Komuro
Chairman

21st June 2002

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover and other revenue

The Group recorded total turnover and other revenue of approximately HK\$48.8 million and approximately HK\$2.7 million respectively for the year ended 31st March 2002, representing a 64% and 29% reduction from the corresponding period in 2001 respectively.

It is important to note that the Group achieved steady growth in the turnover during the year under review. In the fourth quarter, total turnover was HK\$18.0 million, an increase of 87% from HK\$9.6 million, 96% from HK\$9.2 million and 51% from HK\$11.9 million as compared with the first, second and third quarters respectively, a growth trend was maintained.

The Group generated an aggregate turnover of approximately HK\$33.2 million from its music production segment for the year ended 31st March 2002, representing 68% of the total turnover and a reduction of 69% as compared to the corresponding period in 2001. The decline in turnover is mainly owing to the poor market conditions, and that no signing bonus was derived from the signing of producer service contracts.

Excluding the non-recurrent signing bonus received last year, the turnover from the music production segment was around HK\$23.0 million in 2001. Compared to the turnover of current year, a growth of 45% would be recorded. Such growth is mainly due to the expansion of business volume with increases in both the number of the music projects undertaken and the project values. Despite the growth of turnover, profit contribution had suffered from increasing studio maintenance cost and depreciation charge.

The turnover from the record distribution segment amounted to approximately HK\$4.0 million, representing a setback in performance by about 74% over the same period of last year. The decrease in turnover is mainly attributed to the decrease in number of records from 12 to 5 released under the Group's label during the year under review.

Cost of sales and other operating expenses

Cost of sales increased from HK\$28.7 million for the year ended 31st March 2001 to HK\$41.4 million for the year ended 31st March 2002 or by 44% is mainly attributed to the increase of music projects and the escalation of the fixed cost in the music production. As at 31st March 2002, the Group has written off certain music projects that were expected not profitable in the future. These projects amounted to HK\$4.2 million.

Other operating expenses increased by 14% to HK\$90.1 million for the year ended 31st March 2002 as compared to HK\$79.0 million for the year ended 31st March 2001. The increase is primarily due to the increase in staff costs of HK\$3.9 million and the depreciation charge of HK\$13.7 million, the incurrence of legal and professional fee of HK\$2.2 million relating to the Shanghai Chikou Acquisition and the full provisions made against trade debtors' balance of HK\$2.1 million during the year under review.

As at 31st March 2002, the Group performed a reassessment on the estimated useful lives of its fixed assets. The assessment was based on the current business environment and conditions, and the expected pattern of economic benefits from the respective assets. The revised accounting estimates have increased the depreciation charge for the year by around HK\$9.3 million.

Throughout the year under review, the Group exercised a prudent financial management approach and took proactive steps to better manage the operating costs. These included the staff retrenchments and the deferment of capital expenditure on a need-to-spend basis.

Loss attributable to shareholders

Loss attributable to shareholders for the year ended 31st March 2002 was approximately HK\$82.9 million.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31st March 2002, the Group's net tangible assets amounted to approximately HK\$178.1 million. Current assets amounted to approximately HK\$114.5 million, of which approximately HK\$70.3 million were cash and bank balances. Approximately HK\$1.6 million of such cash and bank balances were placed in a term deposit account with a bank in Hong Kong to secure a corporate card facility granted by the bank. As at 31st March 2002, the Group had current liabilities of approximately HK\$9.3 million, of which approximately HK\$0.1 million were obligations under finance lease and hire purchase.

The Group had a net cash outflow from operating activities during the year ended 31st March 2002 of HK\$57.8 million. Interest received during the year was HK\$2.4 million and dividends paid were HK\$10.3 million. Net cash outflow from investing activities amounted to HK\$47.9 million, which were mainly related to the purchase of fixed assets in the Rojam Studio, the deposit paid for the acquisition of Shanghai Chikou and other capital projects. Net cash inflow from financing amounted HK\$52.1 million in relation to the net proceeds from issue of shares.

FOREIGN EXCHANGE EXPOSURE

Since over 90% of the Group's revenue was derived from Japan operation, the Group is exposed to foreign currency risk for the Japanese currency. Management's attitude is risk adverse and is prepared to put hedging measures in place should the market situation turn volatile.

CAPITAL STRUCTURE

During the year, the Company issued 70,000,000 new ordinary shares of par value of HK\$0.1 each, at an issue price of HK\$1 per share.

CHARGES ON GROUP ASSETS

The Group did not have any charge on its assets during the year except for certain cash and bank balances were pledged to a bank in Hong Kong to secure a corporate card facility as disclosed in the section headed "FINANCIAL RESOURCES AND LIQUIDITY" above.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities at 31st March 2002 and 31st March 2001.

EMPLOYEE INFORMATION

As at 31st March 2002, the Group had 23 full-time employees spreading from Hong Kong to Japan. Staff costs, excluding directors' emoluments, totalled HK\$15.0 million (2001: HK\$11.6 million). The Group's remuneration policy is basically determined by the performance of individual employees. Staff benefits, including medical coverage and provident funds are also provided to employees. In addition, training and development programmes are provided on an ongoing basis throughout the Group. The Group has also adopted a share option scheme whereby certain employees of the Group may be granted options to subscribe for shares in the Company.

OPERATIONS REVIEW

The Group was proactive in reflecting the changes and demands of the market whilst maintaining a prudent management approach as is reflected in the actual business progress during the year ended 31st March 2002.

Music production

The music production services cover the production of the master tape recording and the planning and management of the entire production process. This includes sourcing and selecting materials, identifying talented recording artistes, composing music, writing lyrics, advising on technical and studio requirements, supervising performances, vocal recordings and musical arrangements, mixing and remixing of music.

As mentioned in the Chairman's Statement, the structural extension, and hardware and software enhancement project at the Rojam Studio was completed in July 2001. The full operation of the Rojam Studio enhanced the music production business of the Group.

The Group continues to procure more music production businesses. During the year under review, the Group entered into producer service contracts with Waseda Jitsugyo School, Sony Music Entertainment Limited and R&C Japan Limited.

The Group's music production team, led by Mr. Tetsuya Komuro, currently comprises nine experienced and reputable producers.

Chief Executive Producer: Producers:

Mr. Tetsuya Komuro
Mr. Daisuke Asakura
Mr. Takeshi Hayama
Mr. Naoto Kine
Mr. Koji Kubo
(professional name known as Cozy Kubo)
Mr. Takashi Utsunomiya
Mr. Tatsushi Hashimoto
(professional name known as DJ Dragon)
Mr. Tetsuya Katsuragi
Mr. Jin Nyeong Jang
(professional name known as JiN)

During the year under review, the Group has extended its music production services to cover a wider scope of content with musical requirements such as drama, movie, animation and games software. The table below sets out the major projects undertaken by the Group during the year ended 31st March 2002.

Month of the release	Record company/Customer	Name of project	Project type	Artiste
2001				
June	Pony Canyon Inc	Amaretto	CD, album	Kiss Destination
July	Pony Canyon Inc	DEAR MY CLOSE FRIEND	CD, single	Kiss Destination
	Avex Inc	Try this shoot	CD, single	globe
	Sony Music Entertainment Limited	01717	CD, single	Ken
	Sony Music Entertainment Limited	Shiina Hekiru for live	CD, single	Shiina Hekiru
August	Waseda Jitsugyo School	Waseda Kagayaku	Music	
	CAPCON	Clock Tower	Music content for a game software	
September	Sony Music Entertainment Limited	Jungle Life	CD, single	Shiina Hekiru
	Avex Inc	global trance	CD, album	globe
October	R & C Japan Ltd.	REPRESENT_01	CD, album	GABALL
	FOA Records	BLUE FANTASY	CD, single	Tetsuya Komuro
November	Sony Music Entertainment Limited	Nemureru Mori	CD, single	Shiina Hekiru
	Toshiba EMI	SPEED TK RE-MIX	CD, single	Tetsuya Komuro
	Avex Inc	Stop! In the name of love	CD, single	globe
	Pony Canyon Inc	LIVE TOUR Major Turn-Round	DVD	TM Network
December	Pony Canyon Inc	LIVE TOUR Major Turn-Round	VHS	TM Network
	Sony Music Entertainment Limited	Arashi nochi hare	CD, single	Shiina Hekiru
	Sony Music Entertainment Limited	Ashita wa Kienai	CD, single	Shiina Hekiru
	Avex Inc	NHK BS Eien No Syonen	Theme song for the TV programme	globe
	Avex Inc	genesis of next	CD, single	globe
	Avex Inc	a song is born	CD, single	Ayumi Hamasaki & Keiko
	Avex Inc	the meaning of peace	CD, single	Kumi Koda & BoA
	Avex Inc	lovin' it	CD, single	Namie Amuro & Verbal
	Zetima	Kataomoi ha Hot Milk	Music arranging	Country Musume
2002				
January	Avex Inc	VARIOUS ARTISTS FEATURING song+nation	CD, album	Various artists
	Avex Inc	CYBORG 009	CD, soundtrack	globe
	R & C Japan Ltd.	tr_Ast	CD, single	R9
	R & C Japan Ltd.	FREEZE	CD, single	Female non Fiction
	R & C Japan Ltd. Yoshimoto Kogyo Co., Ltd.	KEEP ON YOUR SIDE Bourbon "MUSIC FACTORY" series	CD, single Mini CD & ring tone	Aiko Katsumata R9/Female non Fiction

Month of the release	Record company/Customer	Name of project	Project type	Artiste
February	Avex Inc	Many Classic Moments	CD, single	globe
	Avex Inc	Lights	CD, album	globe
March	Avex Inc	songnation2 trance	CD, album	Various artists
	Avex Inc	Many Classic Moments (remix)	CD, single	globe
	Sony Music Records Inc.	Sadistic Pink	CD, album	Shiina Hekiru
	Universal Music (Co. Ltd)	get back	CD, single	Licca

Record distribution

During the year under review, the Group distributed a total of 5 titles of music records of its talents in Japan. A summary of the music records is set out below.

Month of the release	Name of record	Artistes	Type of record
<i>2001</i>			
August	Running to Horizon	Takashi Utsunomiya	CD, single
September	Ukigumo	Naoto Kine	CD, mini album
	LOVE – iCE	Takashi Utsunomiya	CD, single
October	LOVE – iCE	Takashi Utsunomiya	CD, album
	Tsurezure	Naoto Kine	CD, mini album

Artiste and event management

During the year under review, the Group arranged its artistes to perform in concerts, advertisement and other promotional activities.

The Group's artiste, Zoie Tam engaged in 2 Hong Kong movies "Troublesome Night 13" and "Chinese Orthopedist and Spice Girls".

In the first quarter, the Group undertook an event management project for the provision of event management services to a music production company in Japan. The project has generated turnover of approximately HK\$3.6 million.

In the second quarter, the Group organised the "Namie Amuro 2001 Concert Tour in Taiwan" which was planned to be held in Taipei. However, due to the threat of typhoon and bad weather, the concert was cancelled.

In October and December 2001, the Group organised 2 live talk shows for Naoto Kine.

Merchandise sales

During the year under review, the Group continued to release its feature products to be sold via the Group's music entertainment portal, "Rojam Popshop".

In May and July 2001, the Group released "Second Impression" and "Third Impression" respectively, photo books featuring TM Network's "Major-Turn-Round" concert tour held across Japan from December 2000 to January 2001.

In December 2001, Naoto Kine's photo book "Kayou Kyoku" was released.

Music entertainment portal

The Group continued to enrich and upgrade the content and functionality of our website to provide updated news and better service to its customers. The Group's music entertainment portal at the website – www.rojam.com features music download, news on the Group's products, artistes and producers as well as various forms of entertainment. The launch of the new design of the website in April 2002 also provides easy access to our unique "Click Audition" system for sourcing young musical talent for future development.

Promotional activities

In the first and second quarters, the Group sponsored two television programmes, namely "club TK" on BS Fuji, and "radio TK" on Fuji Television Network, and a radio programme named "mix in KD – produced by Rojam" and incurred expenses amounting to approximately HK\$9.3 million on such promotional activities.

"club TK" is an artiste audition programme for teenagers of around 10 to 13 years of age, and is packed with music, entertainment and fun; while "radio TK" is a talk show hosted by Mr. Tetsuya Komuro and Mr. Naoto Kine, both being producers of the Group, and is targeted at a more mature audience. "Mix in KD – produced by Rojam" is a promotion medium for the music of the Group on radio. All such television and radio programmes provide excellent platforms for the Group to promote its music, producers and artistes to audiences of all ages.

In September 2001, the Group was the tie-up sponsor in the function of World PC Expo 2001 which was a large-scale exhibition for computer products organised by SOTEC, a reputable personal computer manufacture in Japan. By participating in such event, the Group has promoted the new GABALL's album, "REPRESENT_01".

Rojam Disco

Rojam Disco is a popular disco and karaoke venue in downtown Shanghai, the People's Republic of China ("PRC"). It occupies a floor area of around 1,900 square metres, with a capacity of 1,800 patrons. It has two dance floors, and several karaoke rooms, bars and lounges. Rojam Disco has established itself as a popular venue for young adults aged from 18 to 25. These young patrons are potential customers of the Group's music and music related products and services. The Group believes that the Shanghai Chikou Acquisition will provide the Group with important competitive advantages in establishing an initial foothold and increasing the Group's current level of recognition and publicity in mainland China.

Prospect

The year ahead will continue to be challenging given the economic uncertainties, especially over the economic reforms in Japan and the economic performance of mainland China. Despite the challenging business environment, the Group is actively identifying new opportunities to provide the Group with a platform to build a sustainable and high growth business.

To complement the core music production services, the Group will introduce new music-related products and services in order to broaden its revenue base. To cope with the changing operating environment, the Group will continue to review its operations critically and adjust its business objectives, focusing principally on revenue growth and operating efficiency.

The Group will further expand its core operations over which it has specialties by way of mergers and acquisition and restructurings, after conducting risk assessments. Looking forward, the Group will continue to build on its dynamic and unique business model and pursue its mission of being one of premier integrated music production house in Asia and being the partner of choice for the entertainment companies in the region.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business objective as stated in the Prospectus	Actual business progress for the period from 21st May 2001 to 31st March 2002
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I. Expand the Group's customer base and enhance its core business operations of music production by building up its business alliance with major players in the entertainment industry	
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Enter into not less than 2 producer service contracts	
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Entered into new producer service contracts with Waseda Jitsugyo School, Sony Music Entertainment Limited and R & C Japan Ltd.
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Enter into not less than 3 contracts with software companies, computer and games companies, etc. for the provision of music content production services	
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In view of the current market condition, the Group took a more prudent approach towards selecting business partners.
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The Group has entered into a service contract with CAPCON, a games software provider in Japan, for the production of music content to a game software called "Clock Tower", and a master tape agreement with Toshiba EMI.

Introduce not less than 1 artiste selected from the Group's audition system to contracted record companies	
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Due to the delay of the Click Audition system, the Group alternatively introduced the artiste, Aiko Katsumata being selected from ASAYAN, a Japanese TV programme, to the contracted record company.
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2. Strengthen the Group's music production capacity through the sourcing of new talents

Produce not less than 21 records for contracted record companies	Produced over 30 records for the contracted record companies.
Release not less than 7 records under the Group's label	Released 2 singles, 2 mini albums and 1 album under the Group's label.
Recruit not less than 1 producer	Entered into a producer contract with JiN, a reputable Korean music producer for the provision of producer services.

3. Geographical expansion in Asia

Taiwan

Participate in artiste auditions organised by the Group's local representative	Completed.
Enter into a producer service contract with a Taiwan based record company	Continued to search for potential partners.
Explore business opportunities in licensing the Group's trademark rights to entertainment companies, for example, discotheques	Continued to assess opportunities that fulfill the Group's strategic needs.
Enter into a trademark licensing agreement with an entertainment company	Continued to assess opportunities that fulfill the Group's strategic needs.

South Korea

Co-operate with the Group's strategic partner to establish music production and record distribution operations	Took the first step in establishing the presence of the Group in South Korea by entering into a producer contract with JiN.
Release not less than 2 records under the Group's label	The Group has not yet released any records in South Korea.

PRC

Explore music related business opportunities	Entered into a sale and purchase agreement to acquire Shanghai Chikou Entertainment Company Limited, the principal business of which was the operation of the Rojam Disco in Shanghai.
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4. Increase the Group's current level of recognition and publicity by investing in business development and marketing

Sponsor television programs in Japan, Taiwan and South Korea with a view to promoting the Group's contracted artistes and producers

Sponsored, in Japan, 2 television programs, namely "club TK" on BS Fuji and "radio TK" on Fuji Television Network, and a radio program named "mix in KD – produced by Rojam".

Self-organise or participate in not less than 1 concert to promote the Group's music

Organised 2 live shows for Naoto Kine.

5. Exploitation of the Internet media

Audition

Conduct audition for artistes and producers

Owing to delays in system upgrade and maintenance, the Group expects that the next round of "Click Audition" may be launched in late 2002.

Merchandise sales

Release not less than 2 major feature products to be sold via the Group's music entertainment portal

Released 2 photo books featuring TM Network's "Major-Turn-Round" concert tour and 1 photo book for Naoto Kine.

Music learning center

Conduct market research and plan the operation of a music learning center on both conventional and Internet platforms in languages other than Japanese

Identified mainland China to be the potential market for the establishment of a music learning center and commenced market research.

Launch music learning center on both conventional and Internet platforms targeting 1 Asian market other than Japan

The market research has not been completed and therefore, the Group did not launch any music learning center.

USE OF PROCEEDS FROM THE PLACING OF SHARES

The net proceeds to the Group from the Placing, after deduction of underwriting fees and expenses payable by the Company in relation to the Placing, were approximately HK\$52.1 million.

During the period from 31st May 2001 (date of listing) to 31st March 2002, the Group has incurred the following amounts to achieve the business objectives as set out in the Prospectus:

	As stated in the Prospectus <i>HK\$ million</i>	Actual <i>HK\$ million</i>
– For the acquisition of hardware and software for its Tokyo studio to enhance the production of master tapes so as to enable the Group to capitalise on its strength in music production to expand its customer base and enhance its core business operations;	2.5	6.2
– For the recruitment of producers mainly to strengthen its music production capacity;	6.0	0.7
– For engaging in sponsorship and artiste promotional activities in different countries in Asia mainly to achieve the Group's geographic expansion plan and increase its brand recognition and publicity;	9.0	9.3
– For training and development of artistes in different Asian countries to achieve geographic expansion;	0.5	0.3
– For establishing an online and offline music learning centre mainly to strengthen the Group's music production capacity and to exploit the Internet media for the Group's business; and	0.5	–
– For general working capital purposes.	1.0	1.0
	<u>19.5</u>	<u>17.5</u>

The remaining net proceeds of approximately HK\$34.6 million were placed on short term deposits with licensed banks in Hong Kong for future use as identified by the Group's business plans.

RESULTS

The board of directors of the Company announces the audited consolidated results of the Group for the year ended 31st March 2002 together with the comparative audited figures for the preceding year ended 31st March 2001 as follows:

	Note	2002 HK\$'000	2001 HK\$'000
Turnover	2	48,756	134,925
Other revenue	2	2,671	3,762
Total revenues		51,427	138,687
Less: overseas withholding taxation	3	(2,839)	(11,213)
		48,588	127,474
Cost of sales		(41,377)	(28,747)
Selling and distribution expenses		(13,842)	(13,568)
Other operating expenses		(76,302)	(65,437)
(Loss)/profit before taxation		(82,933)	19,722
Taxation	3	—	—
(Loss)/profit after taxation		(82,933)	19,722
Minority interests		4	1
(Loss)/profit attributable to shareholders		(82,929)	19,723
(Loss)/earnings per share – Basic	4	(7.6 cents)	2.4 cents

Notes:

I Group reorganisation and basis of preparation

- The Company was incorporated in the Cayman Islands on 29th February 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands.
- Pursuant to a Group reorganisation (the “Reorganisation”), which was completed on 19th September 2000, to rationalise the structure of the Company and its subsidiaries (the “Group”) in the preparation for the listing of the Company’s shares on Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (“GEM”), the Company became the holding company of the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 24th May 2001 (the “Prospectus”).
- The Company’s shares were listed on GEM on 31st May 2001.

- (d) The Reorganisation is accounted for using merger accounting as permitted by the Hong Kong Statement of Standard Accounting Practice 2.127 "Accounting for group restructuring". The consolidation accounts of the Group for the year ended 31st March 2001, are prepared as if the Company had been the holding company of the Group from the beginning of the earliest period presented.
- (e) The accounts have been prepared under the historical cost convention, in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA").

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases (effective for periods commencing on or after 1st July 2000)
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

2. Turnover, revenue and segment information

The amounts of each significant category of revenue recognised during the year are as follows:

	2002 HK\$'000	2001 HK\$'000
Turnover		
Music production income		
– Production service fees	20,598	14,356
– Royalty income	12,600	8,610
– Signing bonus	–	84,167
Music publishing fee		
– Royalty income	174	42
Record distribution income	3,979	15,087
Artiste management fees	874	516
Event management income	5,162	83
Trademark licensing income	1,846	1,658
Merchandise sales	2,425	7,723
Banner advertising income	1,098	2,683
	48,756	134,925
Other revenue		
Interest income	2,426	3,762
Interest income arising from amount due from a shareholder	245	–
	2,671	3,762
Total revenues	51,427	138,687

An analysis of geographical segments is as follows:

	Turnover 2002 HK\$'000	Segment result 2002 HK\$'000	Turnover 2001 HK\$'000	Segment result 2001 HK\$'000
Hong Kong	2,392	395	2,087	1,734
Japan	44,518	(27,246)	130,706	81,417
Other countries	1,846	1,476	2,132	1,162
	<u>48,756</u>	<u>(25,375)</u>	<u>134,925</u>	<u>84,313</u>
Unallocated costs		<u>(57,558)</u>		<u>(64,591)</u>
(Loss)/Profit before taxation		<u>(82,933)</u>		<u>19,722</u>

3. Taxation and overseas withholding taxation

No provisions for Hong Kong profits tax and Japanese corporate income tax have been made as the companies comprising the Group have no assessable profits for the years ended 31st March 2002 and 2001. Overseas withholding taxation represents Japan and the People's Republic of China withholding taxes on the income subject to withholding taxes and is calculated at the applicable rates.

No provision has been made in the accounts for deferred taxation. The unprovided deferred taxation assets/(liabilities) as at 31st March 2002 are analysed below:

	2002 HK\$'000	2001 HK\$'000
Potential tax losses	4,462	3,028
Accumulated depreciation allowance	2,116	(387)
	<u>6,578</u>	<u>2,641</u>

4. (Loss)/earnings per share

The calculation of the basic (loss)/earnings per share is based on the Group's loss attributable to shareholders of approximately HK\$82,929,000 (2001: profit of approximately HK\$19,723,000) and the weighted average number of ordinary shares for the year of 1,093,177,554 (2001: 834,940,467) shares.

Diluted loss per share has not been presented for the year ended 31st March 2002 as the conversion of potential ordinary shares to ordinary shares would have anti-dilutive effect to the basic loss per share. No diluted earnings per share for the year ended 31st March 2001 is presented as there were no dilutive instruments at 31st March 2001.

5. Dividends

	2002 HK\$'000	2001 HK\$'000
Interim declared of HK\$Nil (2001: 1 cent) per ordinary share	<u>-</u>	<u>10,347</u>

6. Reserves

	Share premium <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	(Accumulated losses)/ retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April 2000	–	–	(2,218)	(2,218)
Issue of shares	103,279	–	–	103,279
Profit for year	–	–	19,723	19,723
Dividends	–	–	(10,347)	(10,347)
Exchange adjustments on the translation of accounts of overseas subsidiaries	–	(3,118)	–	(3,118)
At 31st March 2001	<u>103,279</u>	<u>(3,118)</u>	<u>7,158</u>	<u>107,319</u>
At 1st April 2001	103,279	(3,118)	7,158	107,319
Loss for the year	–	–	(82,929)	(82,929)
Premium on issue of shares	63,000	–	–	63,000
Share issue expenses	(17,950)	–	–	(17,950)
Reserve realised upon disposal of a subsidiary	–	33	–	33
Exchange adjustments on the translation of accounts of overseas subsidiaries	–	(1,839)	–	(1,839)
At 31st March 2002	<u>148,329</u>	<u>(4,924)</u>	<u>(75,771)</u>	<u>67,634</u>

SPONSOR'S INTERESTS

As notified by the Company's sponsor, Core Pacific-Yamaichi Capital Limited ("CPY"), as at 31st March 2002, Core Pacific-Yamaichi International (H.K.) Limited, an associate (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) of CPY, held 1,032,000 shares in the Company. Save as disclosed herein, neither CPY nor its directors or employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interest in the share capital of the Company as at 31st March 2002.

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

BOARD PRACTICES AND PROCEDURES

The Company has complied with Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

AUDIT COMMITTEE

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

During the year, the audit committee reviewed and commented on the Group's financial statements, interim report and quarterly reports and provided advice and comments thereon to the Board.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31st March 2002.

By Order of the Board
Tetsuya Komuro
Chairman

21st June 2002

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.