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*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. 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.*



**DISCLOSEABLE TRANSACTION INVOLVING  
ISSUANCE OF NEW SHARES  
in respect of the acquisition of  
80% registered capital of Yoshimoto Music**

The Board is pleased to announce that on 20 June 2002, the Company entered into the Share Agreement to acquire 80% effective interests in R&C at a consideration of HK\$67.5 million from Yoshimoto on the terms and subject to conditions set out in the Share Agreement.

The consideration for the Sale Shares will be satisfied by an issue and allotment of 450,000,000 new Shares by the Company to Rojam USA, a wholly owned investment holding subsidiary of the Company, which will immediately transfer the Consideration Shares to Yoshimoto America, a wholly owned subsidiary of Yoshimoto, at HK\$0.150 per Consideration Share. The price per Consideration Share represents a premium of approximately 17% to the closing price of HK\$0.128 per Share as quoted on the Stock Exchange on 20 June 2002 (i.e. the date of the Share Agreement) and a premium of approximately 27% to the average closing price of approximately HK\$0.118 per Share of the ten consecutive trading days prior to and including the date of the Share Agreement as quoted on the Stock Exchange. The Consideration Shares represent approximately 40.74% and 28.94% of the existing and enlarged share capital of the Company respectively. At HK\$0.150 per Consideration Share, the aggregate value of the Consideration Shares amounts to HK\$67.5 million. At the closing price of HK\$0.128 per Share as quoted on the Stock Exchange on 20 June 2002, the aggregate value of the Consideration Shares amounts to HK\$57.6 million.

Yoshimoto is one of the major entertainment companies in Japan. Yoshimoto America is an investment holding company directly wholly-owned by Yoshimoto and its sole asset is its 100% equity interests in Yoshimoto Music, which in turn holds 100% equity interests in R&C, a company principally engaged in the production of music master-tapes and licensing of master-tape rights. R&C was incorporated in

Japan in May 2001 to become Yoshimoto's popular music arm and is focusing on popular music recording and master-tape rights licensing in Japan.

The R&C Acquisition constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Rules. As there will be an issuance of new Shares exceeding the general mandate given to the Directors by the shareholders of the Company on 26 July 2001, the transaction requires, inter alia, the approval of shareholders of the Company at an extraordinary general meeting to be convened, and the Listing Committee of the Stock Exchange granting or agreeing to grant listing of, and permission to deal in, the Consideration Shares.

Pursuant to the Share Agreement, Yoshimoto undertakes to the Company not to dispose of its interest in the Consideration Shares within three years after the date of Completion and will also enter into non-competition deeds effective for three years in favour of the Company and R&C respectively upon Completion.

Further, Yoshimoto shall enter into a tax deed on Completion in favour of the Company and Yoshimoto Music pursuant to which it shall at all times indemnify them from and against any liability for taxation except under certain exceptions as provided in the Tax Deed.

Mr. Tetsuya Komuro, Mr. Tetsuo Mori and Mr. Arihito Yamada, representatives of the Company, will be appointed as directors of Yoshimoto Music and R&C at Completion, while Mr. Yukitsugu Shimizu and Mr. Hiroshi Osaki, representatives of Yoshimoto, will be appointed as directors of the Company at or shortly after the Completion.

## **THE SHARE AGREEMENT**

**DATE:** 20 June 2002

### **PARTIES:**

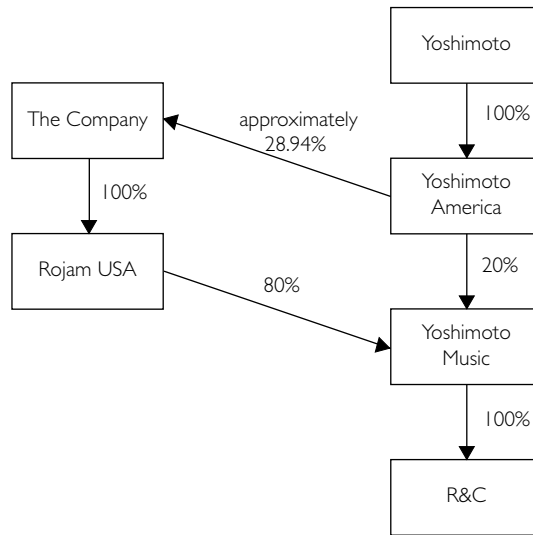
#### **(1) YOSHIMOTO**

#### **(2) THE COMPANY**

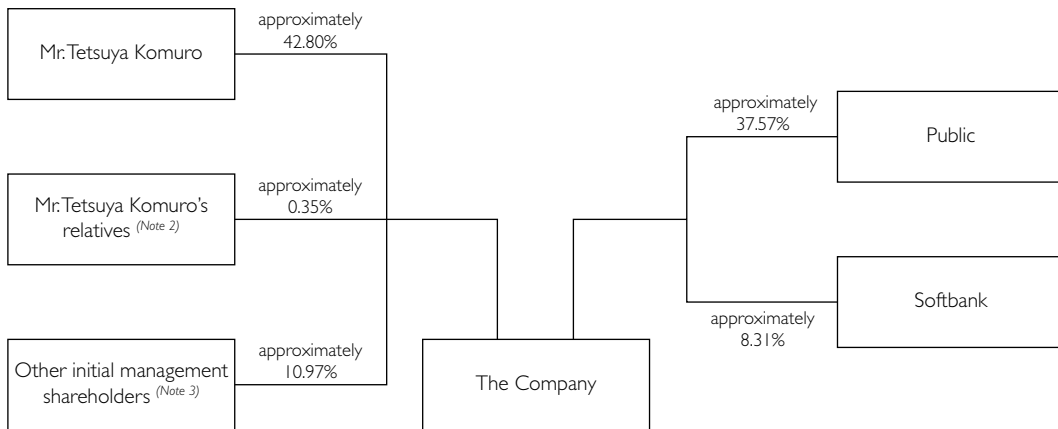
Subject to the Conditions and upon the terms set out in the Share Agreement, Yoshimoto, as the holding company of Yoshimoto America (the beneficial owner of the Sale Shares), shall procure Yoshimoto America to sell and the Company shall procure Rojam USA to purchase the Sale Shares free from any encumbrance on and subject to the terms and conditions of the Share Agreement.

Under the Share Agreement, the purchase price of the Sale Shares will be satisfied by the Company issuing and allotting 450,000,000 new Shares, representing approximately 40.74% and 28.94% of the Company's existing and enlarged issued share capital, to Rojam USA, which will immediately transfer the Consideration Shares to Yoshimoto America at HK\$0.150 per Consideration Share free from any encumbrance, with all rights attaching thereto upon issue and shall rank pari passu in all respects with the existing issued Shares, including all rights to dividends and other distributions. At HK\$0.150 per Consideration Share, the aggregate value of the Consideration Shares amounts to HK\$67.5 million.

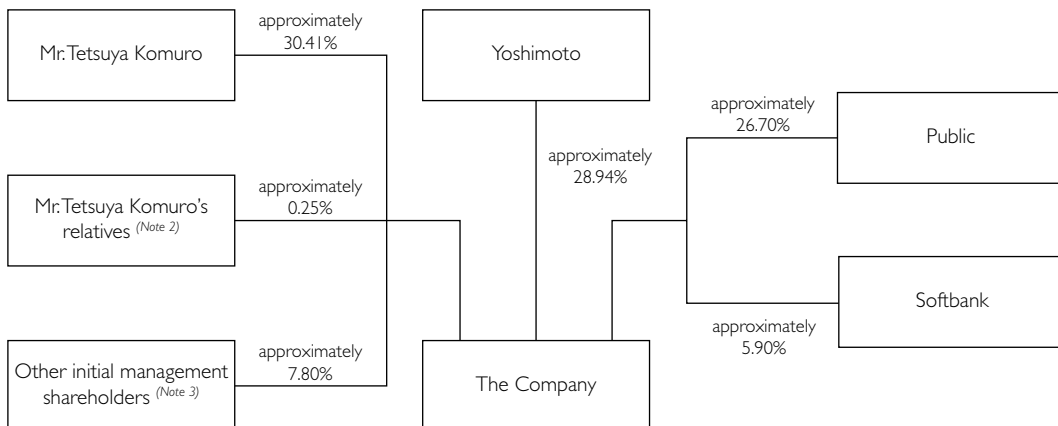
## SHAREHOLDING STRUCTURE OF R&C IMMEDIATELY AFTER COMPLETION



## SHAREHOLDING STRUCTURE OF THE COMPANY IMMEDIATELY BEFORE COMPLETION *(Note 1)*



## SHAREHOLDING STRUCTURE OF THE COMPANY IMMEDIATELY AFTER COMPLETION *(Note 1)*



Note 1: The shareholding structures depicted above are based on the assumption that none of the outstanding options has been exercised.

Note 2: This represents the interests of Mr. Tetsuya Komuro's relatives assuming that there has been no change to the number of Shares held by the relevant parties as identified in the Company's prospectus dated 24 May 2001.

Note 3: This represents the interests of initial management shareholders other than Mr. Tetsuya Komuro. Shareholding interests of the following initial management shareholders as identified in the Company's prospectus dated 24 May 2001 have also been excluded for the purpose of the calculation because (a) Ms. Asami Yoshida has ceased to be Mr. Tetsuya Komuro's spouse and (b) Ms. Yuri Shimomura and Ms. Yoshimi Oishi have ceased to be senior management of the Company.

## CONSIDERATION

The total consideration for the acquisition of the Sale Shares amounts to HK\$67.5 million (equivalent to approximately Yen 1,073 million).

The price per Consideration Share of HK\$0.150 represents a premium of approximately 17% to the closing price of HK\$0.128 per Share as quoted on the Stock Exchange on 20 June 2002 (i.e. the date of the Share Agreement) and a premium of approximately 27% to the average closing price of approximately HK\$0.118 per Share of the ten consecutive trading days prior to and including the date of the Share Agreement as quoted on the Stock Exchange.

The price per Consideration Share was arrived at after arm's length negotiations between the parties, which had taken into account the then prevailing prices of the Share during the negotiation period, and being a price acceptable to the Company and Yoshimoto.

Of the various factors that have been considered by the Company in determining the Consideration, including but not limited to the audited turnovers and net profits of R&C for the period from its incorporation on 24 May 2001 to 31 March 2002, and the business activities growth during that period, the Directors have placed particular importance on the synergistic values which the Group may derive from R&C and the Company's business alliance with Yoshimoto upon Completion. The Directors believe that the Company would be in an advantageous position to leverage on Yoshimoto's brandname and resources in the future and to create shareholders' value through future collaboration with one of the largest entertainment players in a key Asian market. For further elaboration of the qualitative benefits pursuant to the R&C Acquisition, please refer to the section headed "**REASONS FOR AND EFFECTS OF THE R&C ACQUISITION**" below.

From a quantitative perspective, the Consideration represents a PER of approximately 26.7 times (based on the Actual Profit on an annualised basis). However, after due commercial negotiations between Yoshimoto and the Directors, both parties agreed that the Actual Profit was not representative of R&C's performance given the start-up losses incurred during its initial period and the less than full year contributions since its incorporation. As such, both parties considered that the results of the second half of the financial year provide a fairer basis to assess the Consideration. The Consideration represents a PER of approximately 21.3 times based on the results of R&C for the six months ended 31 March 2002 of Yen 63 million or a PER of approximately 10.6 times based on the annualised six-month results.

In arriving at an opinion as to the reasonableness of Consideration, the Directors have considered the PER of a number of publicly listed companies which are engaged in music businesses and concluded that, despite the lack of appropriate listed comparables available in the market, the valuation as implied by the Consideration is acceptable to the Company and its shareholders as a whole.

The Directors further consider that, particularly after considering the strategic significance of the R&C Acquisition as set out under the section headed “**REASONS FOR AND EFFECTS OF THE R&C ACQUISITION**” below, the Consideration and the other terms and conditions of the Share Agreement are reasonable so far as the Company and its shareholders as a whole are concerned.

## **CONDITIONS**

Completion of the Share Agreement is subject to and conditional upon the following Conditions being fulfilled, or waived by Yoshimoto at or before 5:00 p.m. on 16 August 2002 (or such later date as the parties may otherwise agree):

- (a) the Stock Exchange and/or the SFC not having notified the Company that the listing of its securities on GEM will or may be withdrawn;
- (b) trading in the Shares on GEM not having been suspended for any single period of more than seven consecutive trading days prior to Completion (other than temporary suspension for the purpose of clearance by the Stock Exchange and/or the SFC of any announcement or circulars relating to the Share Agreement);
- (c) the passing of resolutions by shareholders of the Company at an extraordinary general meeting of the Company to approve the entering into and performance by the Company of the Share Agreement and the issue of the Consideration Shares; and
- (d) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Consideration Shares.

## **COMPLETION**

Completion shall take place on the third business day after the first date on which all Conditions are fulfilled (or waived).

## **APPOINTMENT OF DIRECTORS**

Pursuant to the Share Agreement, Mr. Tetsuya Komuro, Mr. Tetsuo Mori and Mr. Arihito Yamada, representatives of the Company, will be appointed as directors of Yoshimoto Music and R&C at the Completion, representing a majority of the five-member board of each of these companies, while Mr. Yukitsugu Shimizu and Mr. Hiroshi Osaki, representatives of Yoshimoto, will be appointed as directors of the Company at or shortly after the Completion. Currently, there are six and two directors on the boards of the Company and Rojam USA respectively and as at 20 June 2002, neither of these companies had received from any of their current directors notifications for resignation.

Mr. Yukitsugu Shimizu is currently a director and a general manager of Yoshimoto, and is responsible for the administration at Yoshimoto's Tokyo office. He worked for Sanwa Bank (now known as UFJ Holdings, Inc.) between 1965 and 1993 and joined the finance department of Yoshimoto in 1993. Mr. Yukitsugu Shimizu currently holds 8,000 shares of Yoshimoto, representing approximately 0.023% of Yoshimoto's existing issued share capital.

Mr. Hiroshi Osaki is a director and a general manager of Yoshimoto, and is responsible for media and entertainment production and sales at Yoshimoto's Tokyo office. He joined Yoshimoto in 1978 and is the president of several subsidiaries of Yoshimoto. Mr. Hiroshi Osaki currently holds 7,000 shares of Yoshimoto, representing approximately 0.020% of Yoshimoto's existing issued share capital.

## **NON-DISPOSAL UNDERTAKING**

Pursuant to the Share Agreement, Yoshimoto unconditionally agrees and undertakes to the Company that for a period of three years after Completion, it shall procure that Yoshimoto America shall not, transfer or otherwise dispose of (or enter into any agreement to transfer or dispose of) the 450,000,000 Shares which Yoshimoto America will hold in the Company and it shall continue to be the sole legal and beneficial owner of the entire issued share capital of Yoshimoto America.

## **NON-COMPETITION DEEDS**

Pursuant to deeds of non-competition undertakings to be entered into between Yoshimoto and each of (i) the Company and (ii) R&C upon Completion, Yoshimoto irrevocably and unconditionally undertakes to each of the Company and R&C that, unless with the written consent of the Company or R&C (as the case may be) or otherwise provided under the Deed as set out below, it will not and will procure that its subsidiaries and associates will not, carry on or be engaged, concerned or interested directly or indirectly in the production of master-tapes and licensing of such master-tape rights (the "**Restricted Activity**"). Any use of a master-tape (including the manufacture and distribution of compact discs manufactured from the master-tape) requires a licence from the owner but the manufacture and distribution of compact discs manufactured from master-tapes are not within the scope of the Restricted Activity. Yoshimoto's undertakings will not apply in any of the following circumstances:

- (a) Yoshimoto's participation and engagement in any existing business to the extent as permitted under certain existing master-tape rights of Yoshimoto. Yoshimoto has seven existing exclusive master-tape rights and 37 master-tape rights co-owned with third parties. The parties have agreed that these existing exclusive and co-owned master-tape rights will not be transferred to R&C because, among other reasons, transfer of these master-tape rights requires consents from the relevant artists, distribution and pressing companies and, in the case of co-owned master-tape rights, the co-owners, and Yoshimoto and Rojam believe that it would not be practicable to obtain consents from these parties for the transfers;
- (b) Yoshimoto's participation and engagement in any Restricted Activity to the extent that it is required to meet its existing business arrangements with 60 artists, provided that Yoshimoto has used its best endeavours to ensure, insofar as it is within its power and/or control to do so, that the production of master-tapes or licensing of such master-tape rights after the date of the Deed as may arise out of or in connection with its business arrangements with the relevant artist shall be carried out by the Group or affiliated companies as nominated by the Company;
- (c) the carrying out of any Restricted Activity by any of the Yoshimoto Parties as agent for or otherwise on behalf of any of the companies in the Group;
- (d) the holding of or interests in shares or other securities by any of the Yoshimoto Parties in any company which conducts or is engaged in any Restricted Activity as its main activity, provided that such shares or securities are listed on a stock exchange which the Board may from time to time determine and either:

- (i) the relevant Restricted Activity (and the assets relating thereto), excluding those that fall within the exception described in (e) below, accounts for less than ten per cent. of the relevant company's audited consolidated turnover or audited consolidated assets; or
  - (ii) the total number of such shares or securities held by the Yoshimoto Parties or in which they are interested does not amount to more than ten per cent. of the issued shares of any class of the company in question, provided that none of the Yoshimoto Parties is entitled to appoint a majority of the directors of that company and that, at all times, there is a holder of such shares holding (together, where appropriate, with its associates) a larger percentage of the shares in question than the Yoshimoto Parties;
- (e) the participation by any of the Yoshimoto Parties in the Company's projects, investments and businesses at the invitation of the Company, where the Board decides that Yoshimoto's participation is appropriate in the circumstances and the independent non-executive Directors have reviewed and approved that decision; and
- (f) in respect of Yoshimoto's existing passive and minority interests (represented by 15% of entire issued share capital) in S.M. Entertainment Japan, Inc., which is engaged in activities including management of musicians and artists; production, manufacturing and sales of audio and audio-visual products; production and management of concerts and events; production of movies and dramas and production of publications and advertising materials.

Each of the Deeds will cease to have effect on the earliest of:

- (a) the expiry of an initial period of three years from the date of the relevant Deed provided that the parties thereto may in writing agree to a later date of termination; or
- (b) the date on which the Shares cease to be listed and traded on the Stock Exchange; or
- (c) a court order is made or an effective resolution is passed for the winding-up, insolvency, administration or dissolution of the Company or any circumstances analogous to the foregoing, provided that Yoshimoto (together with its associates) is not a substantial shareholder of the Company and that Yoshimoto (together with its associates) is not the single largest beneficial shareholder of the Company; or
- (d) none of Rojam and its subsidiaries is the single largest shareholder of Yoshimoto Music.

## **TAX INDEMNITY**

Upon Completion, Yoshimoto will also undertake to the Company and Yoshimoto Music that it shall at all times indemnify and keep indemnified them on a full indemnity basis, from and against:

- (a) any liability for taxation which has arisen or may arise wholly or partly in respect of or in consequence of any act or omission occurring on or before the date of the Tax Deed and against any costs, fees or expenses incurred in investigating, assessing or contesting that liability, subject only to certain exceptions as stipulated in the Tax Deed including, inter alia, a change of legislation, a change of taxation rates with retrospective effect or tax liabilities already duly provided in the book of R&C etc; and

- (b) any non-Hong Kong taxation liability of the Company and/or any of its subsidiaries (including but not limited to the Yoshimoto Music and R&C) which may arise wholly or partly in respect of or in consequence of the Completion, including but not limited to the issue and allotment and transfer of the Consideration Shares, but excluding any stamp duty payable on the instruments of transfer relative to the purchase of the Sale Shares which shall be borne by the parties under the Share Agreement.

## **INFORMATION ABOUT YOSHIMOTO AMERICA, YOSHIMOTO MUSIC & R&C**

Yoshimoto America, a wholly-owned subsidiary of Yoshimoto, is a company incorporated in Delaware, the United States of America and its sole asset is its 100% equity interests in Yoshimoto Music which in turn owns the entire issued share capital of R&C. R&C was incorporated in Japan on 24 May 2001 to become Yoshimoto's popular music arm and is focusing on popular music recording and master-tape rights licensing in Japan. R&C's business consist of strategising and organising the production of music recording and master-tapes, and strategising and organising the pressing, advertising, promotion and distribution of CDs (or other relevant products such as DVDs) such as volume of merchandise to be produced, and the method to be advertised, promoted and distributed to retail outlets such as music stores. R&C has, since incorporation, released music records under its own labels for 16 artists and currently has interest in a total of 29 master-tapes to music records. This business activity is classified as record distribution business by the Company. R&C does not have a producer team nor its own music production facilities and therefore has to contract with music production companies such as Rojam for the provision of music producer services and production of master-tapes. Incidental to its record distribution business, R&C has also strategised and organised a few small music production projects mainly for TV stations and undertaken a promotional event management project. For the period from 24 May 2001 to 31 March 2002, the audited turnover of R&C was approximately Yen424.5 million, of which approximately 83.3%, 16.6% and 0.1% were derived from record distribution, music production and event management businesses respectively. R&C currently has seven employees.

As a result of initial costs incurred during the start-up period, R&C incurred an unaudited loss before tax as reported by its management account prepared in accordance with IAS of approximately Yen32.8 million for the period from its incorporation date to the end of September 2001, being the first half of its financial year ended 31 March 2002. The unaudited loss after tax as reported under IAS for the same period was approximately Yen20.0 million. As business activities of R&C increased, R&C exhibited satisfactory performance and recorded under IAS unaudited profits before tax of approximately Yen107.3 million and unaudited profits after tax of approximately Yen63.0 million for the subsequent six month period ended 31 March 2002, reversing the original loss-making operations to report audited profits before and after tax of approximately Yen74.5 million and Yen43.0 million respectively for the period from its incorporation to 31 March 2002.

As at 31 March 2002, the audited net tangible assets of R&C as reported under IAS was approximately Yen73.0 million. Kudo & Nakagawa CPA Accounting Office, auditor of R&C, gave a true and fair opinion on the results of R&C for the period from its incorporation to 31 March 2002.

As at 31 May 2002, a loan from Yoshimoto Finance Co., Ltd. to R&C amounted to Yen90 million (equivalent to approximately HK\$5.7 million). This loan will be repaid prior to the Completion.

## INFORMATION ABOUT YOSHIMOTO

Yoshimoto is one of Japan's major entertainment companies. Its operations include planning, production and sale of TV, radio and live programs using many entertainers under its contract and also manages real estate, travel, amusement and other commercial entertainment facilities. Yoshimoto's clients include a number of the major commercial TV stations, radio broadcasting companies and advertisement companies in Japan. Headquartered in Osaka, shares of Yoshimoto are listed on the Tokyo Stock Exchange Section I and Osaka Securities Exchange Section I with a market capitalisation of approximately Yen37.0 billion (equivalent to approximately HK\$2.3 billion) as at 20 June 2002.

Yoshimoto has produced numerous TV programs and has been behind many of Japan's popular TV programs such as "Asayan" (a prime time audition TV program produced by Yoshimoto and a third party which introduced a number of popular singers and musicians) and "Hey Hey Hey Music Champ" (a prime time live music program which focuses on the latest Japanese popular music). Yoshimoto also manages the careers of many popular entertainment, sports and music personalities. In addition, Yoshimoto produces digital contents for subscription mobile and Internet sites such as [www.fandango.co.jp](http://www.fandango.co.jp).

As described above, Mr. Tetsuya Komuro, the chairman and chief executive producer of the Group's music production team, is one of personalities managed by Yoshimoto. Mr. Tetsuya Komuro entered into an exclusive management agreement with Yoshimoto on 1 May 2001. The exclusive management agreement regulates Mr. Tetsuya Komuro's activity as an artist, such as appearing and performing in TV shows and live shows, and acting and performing in TV commercials and advertisements, and the obligation of Yoshimoto as a manager. Mr. Tetsuya Komuro does not hold any shares or other interests in Yoshimoto or any of its subsidiaries, and Yoshimoto is not a shareholder of and holds no interest in the Group or other companies owned or controlled by Mr. Tetsuya Komuro.

Mr. Tetsuya Komuro and Yoshimoto have submitted to the Executive that there is no agreement or understanding (formal or informal) between Mr. Tetsuya Komuro and Yoshimoto to actively cooperate to obtain or consolidate control of Rojam through the acquisition by any of them of voting rights in Rojam. In addition, after the R&C Acquisition, Mr. Tetsuya Komuro remains as the single largest controlling shareholder of Rojam. On that basis, the Executive has confirmed that the issue and transfer of the Consideration Shares to Yoshimoto in consideration of an 80% interest in Yoshimoto Music will not result in any general offer obligations on the part of Yoshimoto and/or Mr. Tetsuya Komuro for all the issued shares of the Company.

Yoshimoto currently conducts most of the business of production of master-tapes and licensing of master-tape rights by itself and through R&C. Apart from that, Yoshimoto has interest in two other companies which are in the business of production of master-tapes and licensing of master-tape rights. It has a 15% interest in S.M. Entertainment Japan, Inc. which is engaged in activities including but not limited to management of musicians and artists, production, manufacturing and sales of audio and audio-visual products. Yoshimoto does not have any management control over S.M. Entertainment Japan, Inc. Further, Yoshimoto has a 50% stake in 3-2-1 Records Ltd., a joint venture company with an independent third party. The principal business of 3-2-1 Records Ltd. is the production of master-tapes and licensing of master-tape rights for musicians and artistes. Within three years after the Completion, Yoshimoto will not conduct the business of production of master-tapes and licensing of master-tape rights except for the circumstances as described in the section headed "**NON-COMPETITION DEEDS**" above.

## **REASONS FOR AND EFFECTS OF THE R&C ACQUISITION**

The Group is an integrated music production house engaging in a wide range of music-related operations including music production, music publishing, record distribution, artist and event management, trademark licensing, music learning centres and music entertainment portals. As disclosed in the Company's prospectus dated 24 May 2001, the business objectives of the Group are, inter alia, to enhance its core operation of music production by building up its business alliances with major players in the entertainment industry, to strengthen its music production capability by sourcing new talents, to increase the Group's current level of recognition and publicity in the region by investing in business development and marketing and to undergo geographical expansion in Asia. The Directors believe that the R&C Acquisition will provide important competitive advantages in pursuing the above mentioned business objectives.

Currently, the scale of the Company's record distribution business, which comprises distributing records under Rojam's own label to wholesalers and retail shops, is limited by the number of its artists. For the year ended 31 March 2001, record distribution accounted for only approximately 11% of the Company's turnover. The R&C Acquisition represents an important strategic milestone of the Company to enhance the Group's existing capabilities in strategising and organising master-tape recordings and overseeing all aspects in the production of the master-tapes for the subsequent production and distribution of albums, single compact discs, DVDs and video tapes. For example, in December 2001, R&C strategised and organised the master-tape recording of, and promoted, released and distributed the "Gaball" album which was produced by the Group. As at 1 April 2002, R&C has strategised and organised the master-tape recordings, and promoted and released music related products including four albums, 12 single compact discs, DVDs and video tapes for 12 artists, nine of whom have been managed by Yoshimoto. It is expected that the R&C Acquisition will provide synergies to the Group's other music production businesses such as future collaborations in mixing and re-mixing services for artists managed by R&C and Yoshimoto respectively.

By introducing Yoshimoto as a strategic and business partner, the Group is expected to be able to leverage Yoshimoto's brandname, considerable talent and resources in the entertainment industry so that it could be better positioned to strengthen its music production capabilities (by sourcing via Yoshimoto's existing network and program for new music talents including both performers and producers). In particular, the Group is expected to enjoy access to Yoshimoto's large pool of potential music performing talents and will be in a better position to secure music production contracts and to enjoy a higher and more steady source of income from music production than the Company normally would, taking into account the intense competition from other established players.

In addition, the Directors believe that by having a reputable company in the Japanese entertainment industry such as Yoshimoto as a shareholder and business partner, the Group's image, brandname and market awareness will be significantly improved and the Group's position in the music industry will be much enhanced. In particular, the Directors believe that the Group may leverage on Yoshimoto's market position in TV production in Japan to attract music talents and future music icons in Japan.

According to certain market research, Japan's market size in the audio recordings segment alone amounted to approximately Yen539.8 billion (equivalent to approximately HK\$33.9 billion) in value in 2000. The Directors are of the view that Japanese music market is inherently volatile due to the evolving consumer preferences and the intense competition among existing industry players, record companies, music publishers, media houses and other new entrants. Therefore, the Directors believe that the R&C Acquisition will represent an important step for the Group to expand in one of Asia's largest music markets and will also result in a strategic business partner who has the capability to complement the Group's businesses as well

as to assist the Group by providing established connections in the Japanese music and entertainment industry.

In light of the above, the Directors consider that the terms of the Share Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **POSSIBLE ON-GOING CONNECTED TRANSACTIONS**

In the past, the Company has had commercial transactions with Yoshimoto and R&C in relation to the music production of albums and singles of different artists or groups of artists, and a series of mini compact discs of specific theme. These transactions have been conducted in their respective ordinary courses of businesses and on normal commercial terms. A brief description of each of these transactions are summarised as follows:

- On 1 August 2001, Rojam Japan entered into a producer agreement with R&C for the Group's music production service for the "GABALL" album, which was released in Japan in September 2001. As at 31 March 2002, around Yen37.8 million (equivalent to approximately HK\$2.4 million) had been received from R&C by the Company as reimbursement of production costs and around Yen1.7 million (equivalent to approximately HK\$0.1 million) was accrued as royalty income;
- On 1 January 2002, Rojam Japan entered into similar producer agreements with R&C for the production of singles of Aiko Katsumata, R9 and Female non Fiction respectively, all of which were released in January 2002. Rojam Japan has not yet received statements of production costs and/or royalty income for the period to 31 March 2002; and
- In January 2002, Rojam Japan undertook the music production of a series of mini compact discs entitled the "Bourbon" series for Yoshimoto, which was released in the same month. Around Yen12.4 million (equivalent to approximately HK\$0.8 million) was accrued as of 31 March 2002 as production fees.

Upon completion of the R&C Acquisition, both Yoshimoto (and its associates as defined in Rule 20.10 of the GEM Rules) and R&C will become "connected persons" of the Company as defined under the GEM Rules. It is anticipated that payments from R&C to Rojam Japan under the first two transactions set out above will continue to be made in the future, and they will constitute connected transactions for the Company under the GEM Rules upon completion of the R&C Acquisition.

In addition, the Directors also expect that the Company will enter into other connected transactions, which are of recurrent nature, with an intention to derive the anticipated synergistic benefits from the R&C Acquisition as outlined in this announcement. The anticipated continuing connected transactions are outlined below:

- Similar to the producer agreements entered into by the parties in the past, R&C is expected to engage the Company or its subsidiaries on a recurring basis for the Company's music production services. Terms of these future producer agreements are expected to be similar to the ones used on previous occasions;
- R&C is expected to enter into a performance agreement with Yoshimoto pursuant to which Yoshimoto will procure artists managed by Yoshimoto to perform musical works and album recording services in all forms of media;

- R&C has entered into two agreements both dated 1 April 2002 with Fandango, Inc. (“Fandango”), a company beneficially owned as to 65% by Yoshimoto, to commission Fandango to design, update and maintain the corporate home page of R&C and the home page of R&C’s “GABALL” label respectively. Rojam Japan is also expected to enter into an agreement with Fandango for the provision of similar services regarding the Company’s corporate home page; and
- R&C has entered into a sub-lease agreement dated 29 March 2002 with Yoshimoto to sub-let from Yoshimoto office premises located in Tokyo, Japan, being a portion of office premises occupied by Yoshimoto. Rojam Japan is expected to enter into a similar sub-lease agreement with Yoshimoto.

Pursuant to the GEM Rules, the above connected transactions will normally require public disclosure and, depending on the nature and size of the transactions, may be subject to prior approval by independent shareholders of the Company.

Further details of the connected transactions will be disclosed by way of a separate announcement and will be set out in a circular setting out details of the R&C Acquisition or a separate circular to be dispatched to the shareholders of the Company in due course. The above connected transactions may require shareholders’ approval.

## **DESPATCH OF CIRCULAR**

The R&C Acquisition constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Rules. As there will be an issuance of new Shares which will exceed the general mandate given to the Directors by the shareholders of the Company on 26 July 2001, the transaction requires, inter alia, the approval of shareholders of the Company at an extraordinary general meeting to be convened, and the Listing Committee of the Stock Exchange granting or agreeing to grant listing of, and permission to deal in, the Consideration Shares.

A circular will be despatched to the shareholders of the Company as soon as practicable. The circular will contain details of the discloseable transaction and a notice to the Company’s shareholders convening an extraordinary general meeting. No shareholders of the Company will abstain from voting on the resolution at the extraordinary general meeting.

## **GENERAL**

The Company will make an application to the Stock Exchange for the listing of, and permission to deal in the Consideration Shares to be issued pursuant to the Share Agreement.

Save as disclosed in this announcement, the Directors confirm that the Company’s business objectives and the use of proceeds as set out in the prospectus of the Company dated 24 May 2001 have not been changed

## **DEFINITIONS**

**“Actual Profit”** means the total audited net profit attributable to shareholders of R&C of approximately Yen43.0 million for the year ended 31 March 2002 prepared by R&C’s auditor in accordance with IAS

<b>“Business Day”</b>	means a day (other than a Saturday) on which banks are generally open for business in Hong Kong
<b>“Board” or “Directors”</b>	means the board of directors of the Company (including the independent non-executive directors of the Company)
<b>“Company”</b>	means Rojam Entertainment Holdings Limited, a company incorporated in the Cayman Islands whose shares are listed on GEM
<b>“Completion”</b>	means completion of the Share Agreement by the parties thereto
<b>“Conditions”</b>	means the conditions precedent as set out in the Share Agreement and referred to under the heading “Conditions” above
<b>“Consideration”</b>	means HK\$67.5 million
<b>“Consideration Shares”</b>	means 450,000,000 new Shares to be issued and allotted to Rojam USA, which will immediately be transferred to Yoshimoto or its nominee(s) as provided in the Share Agreement
<b>“Deeds”</b>	means the deeds of non-competition undertakings to be entered into by Yoshimoto in favour of each of (i) the Company and (ii) R&C on Completion; and a “Deed” means any one of them
<b>“DVD(s)”</b>	means Digital Versatile Disk(s)
<b>“Executive”</b>	means the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
<b>“GEM”</b>	means the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
<b>“GEM Rules”</b>	means the Rules Governing the Listing of Securities on GEM
<b>“Group”</b>	means the Company and its subsidiaries
<b>“HK\$”</b>	means Hong Kong dollars, the lawful currency of Hong Kong
<b>“Hong Kong”</b>	means the Hong Kong Special Administrative Region of the People’s Republic of China
<b>“IAS”</b>	means International Accounting Standards
<b>“PER”</b>	means Price Earning Ratio
<b>“PRC”</b>	means the People’s Republic of China
<b>“R&amp;C Acquisition”</b>	means the acquisition by the Company of 80% of the entire issued share capital of Yoshimoto Music from Yoshimoto on the terms and subject to the conditions set out in the Share Agreement

<b>“R&amp;C”</b>	means R&C Japan Ltd., a company incorporated in Japan on 24 May 2001
<b>“Rojam Japan”</b>	means Rojam Japan Limited, a wholly owned subsidiary of the Company incorporated in Japan
<b>“Rojam USA”</b>	means Rojam U.S.A., Inc., a company incorporated in Delaware, the United States of America on 24 April 2002 and is a wholly owned subsidiary of the Company
<b>“Sale Shares”</b>	means 4 shares of US\$1.00 each in the capital of Yoshimoto Music, representing 80% of the issued share capital of Yoshimoto Music
<b>“SFC”</b>	means the Hong Kong Securities & Futures Commission
<b>“Share Agreement”</b>	means the sale and purchase agreement dated 20 June 2002 in relation to the R&C Acquisition and the subscription and transfer of the Consideration Shares
<b>“Shares”</b>	means ordinary shares of HK\$0.10 each in the capital of the Company
<b>“Softbank”</b>	means Softbank Entertainment Limited
<b>“Stock Exchange”</b>	means The Stock Exchange of Hong Kong Limited
<b>“Tax Deed”</b>	means the deed of tax indemnity to be entered into by Yoshimoto in favour of the Company and Yoshimoto Music on Completion
<b>“TV”</b>	means television
<b>“Yen” or “Japanese Yen”</b>	means Japanese Yen, the lawful currency of Japan
<b>“Yoshimoto”</b>	means Yoshimoto Koygo Co., Ltd., a company incorporated in Japan and listed on the Tokyo Stock Exchange Section I and the Osaka Securities Exchange Section I and is independent from the Directors, chief executive, substantial shareholders or management shareholders of the Company or any of their respective associates as defined under the GEM Rules
<b>“Yoshimoto America”</b>	means Yoshimoto America, Inc., a company incorporated in Delaware, the United States of America on 24 April 2002 and currently owns the entire issued share capital in Yoshimoto Music
<b>“Yoshimoto Music”</b>	means Yoshimoto Music Holdings, Inc., a company incorporated in Delaware, the United States of America on 24 April 2002 and currently owns the entire issued share capital in R&C
<b>“Yoshimoto Parties”</b>	means Yoshimoto and its subsidiaries, together with their respective associates (as defined in the GEM Rules)

*For the purpose of illustration only, amounts denominated in Japanese Yen have been translated into Hong Kong dollars at the following rate: HK\$1 = Yen15.9.*

By Order of the Board of  
**Rojam Entertainment Holdings Limited**  
**Tetsuya Komuro**  
*Chairman*

Hong Kong, 20 June 2002

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