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**Stock code: 8075**

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

## **CONTINUING CONNECTED TRANSACTIONS**

**Financial adviser**

**ANGLO CHINESE**  
CORPORATE FINANCE, LIMITED

**Independent financial adviser**



**FIRST SHANGHAI CAPITAL LIMITED**

### **SUMMARY**

The Board has renewed certain continuing connected transactions and entered into a number of additional continuing connected transactions. The relevant continuing connected transactions include the following:

- (a) the Master Royalty Agreement between R&C Japan and Yoshimoto;
- (b) the Music Studio Sub-lease between R&C Asia and Fandango;
- (c) the Sub-lease between Yoshimoto and R&C Japan;
- (d) the Master Video Production Agreement between R&C Japan and ITS;
- (e) the Master Consignment Agreement between R&C Japan and Yoshimoto Club;
- (f) the Master Merchandise Royalty Agreements between R&C Japan and Yoshimoto Club and Fandango respectively;
- (g) the Master Digital Distribution Agreement between R&C Japan and Fandango;

- (h) the Master Promotion Agreement between R&C Japan and Yoshimoto; and
- (i) the Producer Agreement between R&C Japan and Mr. Komuro.

### **Circular and general meeting**

The continuing connected transactions numbered (c) to (i) above are only subject to reporting and announcement requirements and are exempt from Independent Shareholders' approval requirements pursuant to Rule 20.34 of the GEM Listing Rules as such continuing connected transactions will be conducted on normal commercial terms and each of the percentage ratios (other than the profit ratio) will be on an annual basis less than 2.5%, or more than 2.5% but less than 25% and the annual consideration is less than HK\$10,000,000.

The continuing connected transactions numbered (a) and (b) above are subject to approval by the Independent Shareholders on poll pursuant to Rule 20.35 of the GEM Listing Rules as such continuing connected transactions will be on normal commercial terms and the annual consideration is expected to be more than HK\$10,000,000. Yoshimoto and its associates are required to abstain from voting on the resolutions regarding continuing connected transactions numbered (a) and (b) above to be considered at an extraordinary general meeting.

A circular containing, among other things, details of the continuing connected transactions numbered (a) and (b) above will be despatched to the Shareholders as soon as practicable. First Shanghai Capital Limited has been appointed as the independent financial adviser to advise an independent committee of the Board and the Independent Shareholders on the fairness and reasonableness of the relevant continuing connected transactions.

## **CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement of the Company dated 29th August, 2002 and the circular of the Company dated 16th September, 2002 relating to the Continuing Connected Transactions.

On 7th October, 2002, the Shareholders approved the Continuing Connected Transactions entered into between the Group and Yoshimoto and its associates, which have been conducted in the ordinary course of business of the Group, for a term ending 31st March, 2005.

The following are the Continuing Connected Transactions which are expected to continue after 31st March, 2005, and the new continuing connected transactions which have been entered into on 30th August, 2004, and which require Independent Shareholders' approval according to Rule 20.35 of the GEM Listing Rules as such continuing connected transactions will be conducted on normal commercial terms and the annual consideration is expected to be more than HK\$10,000,000.

**(a) Master Royalty Agreement between R&C Japan and Yoshimoto**

On 10th October, 2002, upon completion of the acquisition of 80% of the registered share capital in Yoshimoto Music, R&C Japan entered into a master artist performance agreement (“Master Royalty Agreement”) with Yoshimoto, which acts as the artist management company for certain artists, to govern all artist performance arrangements between R&C Japan and Yoshimoto from the date of signing to 31st March, 2005, and thereafter renewable by mutual agreement for consecutive three year periods. This agreement constituted a continuing connected transaction of the Company under the GEM Listing Rules requiring approval from the independent Shareholders and on 7th October, 2002, the independent Shareholders approved the Master Royalty Agreement for a term ending 31st March, 2005.

On 30th August, 2004, R&C Japan and Yoshimoto entered into an agreement to extend the term of the Master Royalty Agreement to expire on 31st March, 2007 and the scope of the agreement to include promotional activities and copyright licensing in addition to the artist performance arrangements. Under the revised agreement, Yoshimoto will also include R&C Japan’s visual and audio-visual recordings in certain television programs produced by Yoshimoto for promotion purpose and grant R&C Japan the right to manufacture and sell audio-visual products containing the contents of the television programs for which Yoshimoto is the owner of the master rights. Royalties will be payable to Yoshimoto in this connection and payment of the same will be in the normal course of business of the Group. The revised terms of the Master Royalty Agreement were negotiated on an arm’s length basis between Yoshimoto and R&C Japan, which the Directors consider to be fair and reasonable and in the interests of the Company and the Shareholders as a whole, and no less favourable than those available from independent third parties.

The royalties payable to Yoshimoto will be calculated based on the retail price of the audio and audio-visual products net of a container charge and on 80% of the sales quantity. The royalty rates shall be in the range of 1% to 10% each, varying from artist to artist taking into account of his past sales history, and payable semi-annually.

The annual caps are derived by the Directors on the basis of the estimated release schedule of R&C Japan for the current year, expected sales quantity, and the estimated growth in the percentage of record distribution income for the following two years. For the year ended 31st March, 2004, R&C Japan released a total of 81 titles. For the first quarter ended 30th June, 2004, a traditional low season in the music industry, R&C Japan released a total of 25 titles. The Directors anticipate that, for the year ending 31st March, 2005, the number of music products to be released by R&C Japan will reach a total of nearly 100 titles. The Directors also expect that, for each of the two years ending 31st March, 2007, R&C Japan will be able to maintain its current volume of music records released.

The table below sets out the proposed cap amounts and the approximate amount of royalties previously paid under the Master Royalty Agreement (translated from Yen to Hong Kong dollars):

	<b>Period from 10th October, 2002 to 31st March, 2003</b>	<b>Year ended 31st March, 2004</b>	<b>Proposed cap for year ending 31st March, 2005</b>	<b>Proposed cap for year ending 31st March, 2006</b>	<b>Proposed cap for year ending 31st March, 2007</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Cap amount	2.0	4.0	20.0	22.0	26.0
Artist royalty paid	1.1	3.9			

The Directors recognise that the caps as proposed above are relatively high compared with the previous cap for the year ended 31st March, 2004, but consider the caps as reasonable taking into account: (i) the additional royalties for promotional activities and copyright licensing; (ii) the accumulation of audio and audio-visual products previously released which are still available for sale and subject to these royalties; (iii) the increased selection of popular artists of Yoshimoto available to R&C Japan; and (iv) the estimated volume of R&C Japan's record distribution business in the future, and on the assumption that over 50% of the promotional activities will be undertaken by Yoshimoto, and there will be an increased level of sale of DVDs containing the contents of the television programs to be released, which generally generate higher profit margins.

As required under Rule 20.35 of the GEM Listing Rules, the Master Royalty Agreement is subject to Shareholders' approval to the maximum aggregate annual value of the royalties, which is not expected to exceed HK\$20.0 million, HK\$22.0 million and HK\$26.0 million for each of the three years ending 31st March, 2007, respectively. The maximum cap amount proposed amounts to HK\$26.0 million (representing approximately 8.7% of the total assets of the Company as at 31st March, 2004, approximately 10.4% of the total revenue of the Company for the year ended 31st March, 2004 and approximately 13.4% of the market capitalisation of the Company for the five days preceding this announcement) for each of the three financial years ending 31st March, 2007.

## **(b) Music Studio Sub-lease between R&C Asia and Fandango**

On 30th August, 2004, R&C Asia entered into a lease agreement ("Music Studio Sub-lease") with Fandango to sub-let to Fandango a portion of a warehouse with a total floor area of around 1,344 square metres located at No. 4-19, 1-chome, Katsushima, Shinagawa-ku, Tokyo, Japan, together with the music equipment and facilities contained therein for a term ending on 31st March, 2007. Fandango will use the property for the purpose of safekeeping of goods and as a studio for its studio related businesses. This lease arrangement was negotiated on an arm's length basis between Fandango and R&C Asia, which the Directors consider to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The amount of rent payable to R&C Asia under the Music Studio Sub-lease is arrived at based on the actual operating costs of the warehouse and its facilities which is estimated to be a maximum of approximately 19 million Yen (equivalent to approximately HK\$1.3 million) per month, including the rent payable by R&C Asia under the head lease entered into with an independent third party, plus an administration cost fixed at 10% of such costs, payable within 60 days from the date of receipt of invoice.

The Group's entering into of the Music Studio Sub-lease will be subject to a maximum aggregate annual value, which is not expected to exceed HK\$17.0 million, based on the estimated annualised monthly operating and administration costs (representing approximately 5.7% of the total assets of the Company as at 31st March, 2004, approximately 6.8% of the total revenue of the Company for the year ended 31st March, 2004 and approximately 8.8% of the market capitalisation of the Company for the five days preceding this announcement) for each of the three financial years ending 31st March, 2007.

The following are the other Continuing Connected Transactions which are expected to continue after 31st March, 2005, and the new continuing connected transactions which have been entered into on 30th August, 2004, and which are subject to reporting and announcement requirements only pursuant to Rule 20.34 of the GEM Listing Rules as such continuing connected transactions will be conducted on normal commercial terms and each of the percentage ratios (other than the profit ratio) will be on an annual basis less than 2.5%, or more than 2.5% but less than 25% and the annual consideration is less than HK\$10,000,000.

**(c) Sub-lease between Yoshimoto and R&C Japan**

Each of R&C Japan and R&C Asia has terminated its sub-lease agreement with Yoshimoto dated 29th March, 2002 and 10th October, 2002 respectively, details of which are set out in the Company's announcement dated on 29th August, 2002 and the Company's circular dated 16th September, 2002, and R&C Japan has entered into a sub-lease agreement ("Sub-lease") with Yoshimoto to sub-let from Yoshimoto, office premises with a total floor area of around 298.7 square metres located at the 3rd Floor of Taisei Yoshimoto Building, 1-14 Kanda Jimbo-cho, Chiyoda-ku, Tokyo, Japan for a period from 20th July, 2004 to 31st March, 2006. The entering into of the Sub-lease is in the normal course of business of the Group and its terms were negotiated on an arm's length basis between Yoshimoto and R&C Japan, which the Directors consider to be fair and reasonable and in the interests of the Company and the Shareholders as a whole, and no less favourable than those available from independent third parties.

The amount of rent payable under the Sub-lease of approximately 1.7 million Yen (equivalent to approximately HK\$116,500) per month in arrears, was determined by reference to the rent payable by Yoshimoto under the head lease entered into with an independent third party and the open market rent in respect of the location of the office building and according to the total floor area occupied, taking into account the layout and structural fittings of the relevant office space, in the office premises subject to the Sub-lease. In addition to the rent, Yoshimoto will charge R&C Japan operating expenses, such as electricity, gas and water charges, on cost basis, which are estimated to be approximately 675,000 Yen (equivalent to approximately HK\$46,580) per month.

As required under Rule 20.34 of the GEM Listing Rules, the Sub-lease is subject to the reporting and announcement requirements only as the maximum aggregate annual value of the rental payments and other charges is not expected to exceed HK\$2.0 million (representing approximately 0.7% of the total assets of the Company as at 31st March, 2004, approximately 0.8% of the total revenue of the Company for the year ended 31st March, 2004 and approximately 1.0% of the market capitalisation of the Company for the five days preceding this announcement) for each of the two financial years ending 31st March, 2006. The annual cap is derived by the Directors based on the aggregate of the expected annual rental payments as set out in the Sub-lease and the expected amount of annual operating expenses.

**(d) Master Video Production Agreement between R&C Japan and ITS**

On 30th August, 2004, R&C Japan entered into a master video production agreement (“Master Video Production Agreement”) with ITS pursuant to which, ITS will produce (including the provision of video production services) for R&C Japan, on an order by order basis, videos containing visual or audio-visual recordings in accordance with the requirements and specifications of R&C Japan, and in such form as specified by R&C Japan, and transfer all rights, including (but without limitation) reproduction and distribution rights, in such videos to R&C Japan, for a term ending on 31st March, 2007. ITS’s video production services will cover planning, directing, shooting for, recording of, selecting and editing the visual or audio-visual recordings to be contained in the videos and other related works. These production services are in the normal course of business of the Group and the terms of the Master Video Production Agreement were negotiated on an arm’s length basis between ITS and R&C Japan, which the Directors consider to be fair and reasonable and in the interests of the Company and the Shareholders as a whole, and no less favourable than those available from independent third parties.

In consideration of the production services, R&C Japan will pay ITS production costs for the videos, which will be ITS’s out-of-pocket expenses relating to the production, subject to a case-by-case agreed maximum amount (based on the scale of the production and the requirements and specifications of R&C Japan), plus administration costs fixed at 10% of such expenses, payable within 60 days from the date of receipt of invoice.

As required under Rule 20.34 of the GEM Listing Rules, the Master Video Production Agreement is subject to the reporting and announcement requirements only as the maximum aggregate annual value of the production costs is not expected to exceed HK\$2.0 million (representing approximately 0.7% of the total assets of the Company as at 31st March, 2004, approximately 0.8% of the total revenue of the Company for the year ended 31st March, 2004 and approximately 1.0% of the market capitalisation of the Company for the five days preceding this announcement) for each of the three financial years ending 31st March, 2007. The annual cap is derived by the Directors on the basis of the estimated production schedule of R&C Japan and the relevant production costs.

**(e) Master Consignment Agreement between R&C Japan and Yoshimoto Club**

On 30th August, 2004, R&C Japan entered into a master consignment agreement (“Master Consignment Agreement”) with Yoshimoto Club pursuant to which Yoshimoto Club will produce and sell merchandise to R&C Japan on an order by order basis, for a term ending on 31st March, 2007. The merchandise will be used to promote the Group’s sales of music. These arrangements are in the normal course of business of the Group and the terms of the Master Consignment Agreement were negotiated on an arm’s length basis between Yoshimoto Club and R&C Japan, which the Directors consider to be fair and reasonable and in the interest of the Company and the Shareholders as a whole, and no less favourable than those available from independent third parties.

In consideration of the production of the merchandise, R&C Japan will pay Yoshimoto Club production costs for the merchandise plus an administration cost fixed at 10% of such costs, payable within 60 days from the date of receipt of invoice.

As required under Rule 20.34 of the GEM Listing Rules, the Master Consignment Agreement is subject to the reporting and announcement requirements only as the maximum aggregate annual value of the production costs plus administration costs is not expected to exceed HK\$3.5 million (representing approximately 1.2% of the total assets of the Company as at 31st March, 2004, approximately 1.4% of the total revenue of the Company for the year ended 31st March, 2004 and approximately 1.8% of the market capitalisation of the Company for the five days preceding this announcement) for each of the three financial years ending 31st March, 2007. The annual cap is derived by the Directors on the basis of the Company's order schedule of merchandise of the coming year.

**(f) Master Merchandise Royalty Agreements between R&C Japan and Yoshimoto Club and Fandango, respectively**

On 30th August, 2004, R&C Japan entered into a master merchandise royalty agreement ("Master Merchandise Royalty Agreement") with each of Yoshimoto Club and Fandango, for a term ending on 31st March, 2007. Yoshimoto Club and Fandango will use the intellectual property of R&C Japan (including the contents, masters and artists under the ownership of R&C Japan) in the production of merchandise. Such grant of use of intellectual property rights is in the normal course of business of the Group and the terms of the Master Merchandise Royalty Agreements were negotiated on an arm's length basis between R&C Japan and Yoshimoto Club and Fandango respectively, which the Directors consider to be fair and reasonable and in the interests of the Company and the Shareholders as a whole, and no less favourable than those available to independent third parties.

In consideration of the use of R&C Japan's intellectual property rights for the production of merchandise, each of Yoshimoto Club and Fandango will pay to R&C Japan a merchandise royalty fee in the range of 5% to 30% of the sales quantity of the merchandise, subject to mutual agreement of the relevant parties on an order by order basis and payable semi-annually.

As required under Rule 20.34 of the GEM Listing Rules, the Master Merchandise Royalty Agreement is subject to the reporting and announcement requirements only as the maximum aggregate annual value of merchandise royalty fees is not expected to exceed HK\$4.0 million (representing approximately 1.3% of the total assets of the Company as at 31st March, 2004, approximately 1.6% of the total revenue of the Company for the year ended 31st March, 2004 and approximately 2.1% of the market capitalisation of the Company for the five days preceding this announcement) for each of the three financial years ending 31st March, 2007. The annual cap is derived by the Directors on the basis of the expected sales of merchandise as indicated to R&C Japan by Yoshimoto Club and Fandango, respectively.

**(g) Master Digital Distribution Agreement between R&C Japan and Fandango**

On 30th August, 2004, R&C Japan entered into a master digital distribution agreement ("Master Digital Distribution Agreement") with Fandango pursuant to which Fandango will distribute through the internet, mobile telephones or other digital media, R&C Japan's audio and audio-visual recordings on an order by order basis, for a term ending on 31st March, 2007. These distribution arrangements are in the normal course of business of the Group and the terms of the Master Digital Distribution Agreement were negotiated on an arm's length basis between Fandango and R&C Japan, which the Directors consider to be fair and reasonable and in the interests of the Company and the Shareholders as a whole, and no less favourable than those available from independent third parties.

In consideration of the distribution arrangements, Fandango will pay R&C Japan a commission of 50% of the revenue after deducting external costs, payable within 60 days from the date of receipt of invoice.

As required under Rule 20.34 of the GEM Listing Rules, the Master Digital Distribution Agreement is subject to the reporting and announcement requirements only as the maximum aggregate annual value of commission is not expected to exceed HK\$1.2 million, HK\$2.3 million and HK\$2.8 million for the three financial years ending 31st March, 2007, respectively. The maximum cap amount proposed amounts to HK\$2.8 million (representing approximately 0.9% of the total assets of the Company as at 31st March, 2004, approximately 1.1% of the total revenue of the Company for the year ended 31st March, 2004 and approximately 1.4% of the market capitalisation of the Company for the five days preceding this announcement) for each of the three financial years ending 31st March, 2007. The annual cap is derived by the Directors on the basis of the digital distribution sales projections of Fandango.

**(h) Master Promotion Agreement between R&C Japan and Yoshimoto**

On 30th August, 2004, R&C Japan entered into a master promotion agreement (“Master Promotion Agreement”) with Yoshimoto pursuant to which Yoshimoto will arrange for the promotion of R&C Japan’s audio and audio-visual recordings in television and radio programs, magazines and any other advertisements, for a term ending on 31st March, 2007. These promotional arrangements are in the normal course of business of the Group and the terms of the Master Promotion Agreement were negotiated on an arm’s length basis between Yoshimoto and R&C Japan, which the Directors consider to be fair and reasonable and in the interest of the Company and the Shareholders as a whole, and no less favourable than those available from independent third parties.

In consideration of the promotion services, R&C Japan will pay Yoshimoto a fee based on Yoshimoto’s out-of-pocket expenses for the production of the television and radio programs, magazines and other advertisements subject to an agreed maximum amount (based on the scale of the production and the requirements and specifications of R&C Japan) plus administration costs fixed at 10% of such expenses, payable within 60 days from the date of receipt of invoice.

As required under Rule 20.34 of the GEM Listing Rules, the Master Promotion Agreement is subject to the reporting and announcement requirements only as the maximum aggregate annual value of production costs is not expected to exceed HK\$3.5 million (representing approximately 1.2% of the total assets of the Company as at 31st March, 2004, approximately 1.4% of the total revenue of the Company for the year ended 31st March, 2004 and approximately 1.8% of the market capitalisation of the Company for the five days preceding this announcement) for each of the three financial years ending 31st March, 2007. The annual cap is derived by the Directors on the basis of the local television production schedule to be arranged by Yoshimoto for the coming year.

**(i) Producer Agreement between R&C Japan and Mr. Komuro**

On 30th August, 2004, R&C Japan entered into a producer agreement (“Producer Agreement”) with Mr. Komuro pursuant to which Mr. Komuro will act as a producer for music recordings for the Group on a non-exclusive basis for a term expiring on 31st March, 2006. On the date when the Producer Agreement becomes effective, Mr. Komuro will enter into a separate agreement to (a) terminate the Service Agreement, pursuant to which Mr. Komuro acts as the chief executive producer of the Group on an exclusive basis and (b) cancel all the Pre-IPO Options (to the extent not already

exercised) granted to Mr. Komuro under the Service Agreement. The engagement of these producer services are in the normal course of business of the Group and the terms of the Producer Agreement were negotiated on an arm's length basis between Mr. Komuro and R&C Japan, which the Directors consider to be fair and reasonable and in the interests of the Company and the Shareholders as a whole, and no less favourable than those available from independent third parties.

In consideration of the producer services, R&C Japan will pay a producer royalty at a rate of 5% on net sales after deduction of shipping charges and based on 80% of the actual sales quantity, which is the same royalty rate as those with other producers of the Group on average, payable within 90 days after the end of each six month period from the signing of the Producer Agreement.

As required under Rule 20.34 of the GEM Listing Rules, the Producer Agreement is subject to the reporting and announcement requirements only as the maximum aggregate annual value of producer royalty is not expected to exceed HK\$7.0 million (representing approximately 2.4% of the total assets of the Company as at 31st March, 2004, approximately 2.8% of the total revenue of the Company for the year ended 31st March, 2004 and approximately 3.6% of the market capitalisation of the Company for the five days preceding this announcement) for each of the two financial years ending 31st March, 2006. The annual cap is derived by the Directors on the basis of the projected total sales arising from recordings to be produced by Mr. Komuro in the coming year.

The Directors believe that the continuing connected transactions numbered (c) to (i) are in the commercial interest of the Company. Both the executive Directors and the independent non-executive Directors have reviewed the respective caps and consider that the terms of these continuing connected transactions are on normal commercial terms and in the ordinary course of business and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ABOUT THE CONNECTED PERSONS**

### **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. Headquartered in Osaka, shares of Yoshimoto are listed on the Tokyo Stock Exchange Section I and the Osaka Securities Exchange Section I. Yoshimoto is a substantial shareholder of the Company.

### **ITS**

ITS is a company owned as to 60% by Yoshimoto.

### **Fandango**

Fandango is a company owned as to 65% by Yoshimoto.

### **Yoshimoto Club**

Yoshimoto Club is a company owned as to approximately 81.8% by Yoshimoto.

## **Mr. Komuro**

Mr. Komuro resigned as the chairman and an executive Director with effect from 21st May, 2004.

## **INFORMATION ON THE COMPANY**

The Company was incorporated in the Cayman Islands and its shares are listed on GEM. The Group is principally engaged in the sale and production of music and discotheque management.

## **REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS**

The Directors believe that the continuing connected transactions further capitalise on the synergies of the Group with Yoshimoto which have developed since the latter became a substantial shareholder of the Company. The continuing connected transactions illustrate the further leveraging of the Yoshimoto group's resources in the entertainment industry for the benefit of the Group.

## **CHAPTER 20 OF THE GEM LISTING RULES**

The Directors believe that it is in the commercial interest of the Company to seek approval from the Independent Shareholders for the continuing connected transactions numbered (a) and (b) up to the limits specified in the caps mentioned below. Both the executive Directors and the independent non-executive Directors consider that the terms of the continuing connected transactions are on normal commercial terms and in the ordinary course of business and are fair and reasonable and in the interest of the Company and the Shareholders as a whole. As the continuing connected transactions numbered (a) and (b) above will constitute "non-exempt continuing connected transactions" of the Company under Chapter 20 of the GEM Listing Rules, Independent Shareholders' approval is proposed to be sought in respect of such transactions subject to the following conditions:

- I. the continuing connected transactions numbered (a) and (b) above shall be:
  - a. entered into by the Group in the ordinary and usual course of business;
  - b. conducted either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
  - c. entered into in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

2. the aggregate values of the transactions under the Master Royalty Agreement and the Music Studio Sub-lease for each of the three years ending 31st March, 2007 shall not exceed the limits set out below:

<b>Transaction</b>	<b>Proposed cap for the year ending 31st March, 2005</b> <i>HK\$ million</i>	<b>Proposed cap for the year ending 31st March, 2006</b> <i>HK\$ million</i>	<b>Proposed cap for the year ending 31st March, 2007</b> <i>HK\$ million</i>
Master Royalty Agreement	20.0	22.0	26.0
Music Studio Sub-lease	17.0	17.0	17.0

3. the Master Royalty Agreement and the Music Studio Sub-lease are conditional upon the passing by the Independent Shareholders of an ordinary resolution to approve the Master Royalty Agreement and Music Studio Sub-lease and the transactions contemplated therein.
4. compliance by the Company with all other relevant requirements under Chapter 20 of the GEM Listing Rules regarding the relevant continuing connected transactions including annual review requirements under Rules 20.37 to 20.41 of the GEM Listing Rules and reporting requirements under Rules 20.45 and 20.46 of the GEM Listing Rules.

## **CIRCULAR AND EXTRAORDINARY GENERAL MEETING**

As Yoshimoto is a substantial shareholder of the Company, the continuing connected transactions numbered (a) and (b) above constitute connected transactions of the Company under the GEM Listing Rules, and under Rule 20.35 of the GEM Listing Rules such transactions are subject to the approval by the Independent Shareholders on poll. Yoshimoto and its associates are required to abstain from voting on the resolutions regarding the continuing connected transactions numbered (a) and (b) above to be considered at an extraordinary general meeting of the Company.

Accordingly, a circular containing, among other things, details of the continuing connected transactions numbered (a) and (b) above will be despatched to the Shareholders as soon as practicable. First Shanghai Capital Limited has been appointed as the independent financial adviser to advise an independent committee of the Board and the Shareholders on the fairness and reasonableness of the relevant continuing connected transactions.

## **GENERAL**

As at the date of this announcement, the Directors are:

Mr. Takeyasu Hashizume (*Executive Director and President*)

Mr. Tetsuo Mori (*Executive Director and Vice President (Business Development)*)

Mr. Osamu Nagashima (*Executive Director and Vice President (Asia)*)

Mr. Mitsuo Sakauchi (*Executive Director and Vice President (Japan)*)

Mr. Akihito Yamada (*Executive Director and Vice President (Finance)*)

Mr. Yukitsugu Shimizu (*Executive Director*)

Mr. Hiroshi Osaki (*Executive Director*)

Mr. Seiichi Nakaoda (*Independent Non-executive Director*)

Mr. Yeung Mui Kwan, David (*Independent Non-executive Director*)

## DEFINITIONS

“associates”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Company”	Rojam Entertainment Holdings Limited, a company incorporated in the Cayman Islands whose shares are listed on GEM
“Continuing Connected Transactions”	the continuing connected transactions of the Company as announced on 29th August, 2002
“Directors”	the directors of the Company
“Fandango”	Fandango, Inc., a company owned as to 65% by Yoshimoto and 35% by an independent third party
“GEM”	the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	Shareholders other than Yoshimoto and its associates
“ITS”	International Television Systems Inc., a company owned as to 60% by Yoshimoto and 40% by an independent third party
“Mr. Komuro”	Mr. Tetsuya Komuro, resigned as the chairman and an executive Director with effect from 21st May, 2004
“Pre-IPO Options”	the options granted to various producers to subscribe for up to an aggregate of 51,734,220 shares on 21st May, 2001 as described in the Company’s prospectus dated 24th May, 2001
“Proposed Acquisition”	the proposed acquisition by Rojam U.S.A., Inc., a wholly-owned subsidiary of the Company incorporated in Delaware, the United States of America on 24th April, 2002, of 20% of the issued share capital in Yoshimoto Music from Yoshimoto America, Inc. announced by the Company on 12th August, 2004
“R&C Asia”	R&C Asia Ltd., a wholly-owned subsidiary of the Company incorporated in Japan, formerly known as Rojam Japan Ltd.

“R&C Japan”	R and C Ltd., a company incorporated in Japan on 24th May, 2001, formerly known as R&C Japan Ltd.
“Sale and Purchase Agreement”	a conditional agreement dated 10th August, 2004 entered into between the Company and Yoshimoto in relation to the Proposed Acquisition
“Service Agreement”	the service agreement dated 21st May, 2001 entered into between Mr. Komuro, the Company and Rojam International Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands, pursuant to which Mr. Komuro acts as the chief executive producer of the Group on an exclusive basis
“Shareholders”	the shareholders of the Company
“Yoshimoto”	Yoshimoto Kogyo Co., Ltd., a company incorporated in Japan in 1948 and listed on the Tokyo Stock Exchange Section I and the Osaka Securities Exchange Section I and a substantial shareholder of the Company
“Yoshimoto Club”	Yoshimoto Club Co., Ltd., a company owned as to approximately 81.8% by Yoshimoto and approximately 18.2% by independent third parties
“Yoshimoto Music”	Yoshimoto Music Holdings, Inc., a company incorporated in Delaware, the United States of America on 24th April, 2002, and owned as to 80% by Rojam U.S.A., Inc. and 20% by Yoshimoto America, Inc.
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Yen” or “Japanese Yen”	Japanese Yen, the lawful currency of Japan

*For the purpose of illustration only, amounts denominated in Japanese Yen have been translated into Hong Kong dollars using the conversion rate of 14.49 Japanese Yen to one Hong Kong dollar.*

By Order of the Board  
**Rojam Entertainment Holdings Limited**  
**Takeyasu Hashizume**  
*President*

Hong Kong, 2nd September, 2004

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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: (a) the information contained in this announcement is accurate and complete in all material respects and is not misleading; (b) there are no other matters the omission of which would make any statement in this announcement misleading; (c) and 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.*

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