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Stock code: 8075

Website: www.rojam.com

**MAJOR AND CONNECTED TRANSACTION
PROPOSED ACQUISITION OF 20% OF
THE ISSUED SHARE CAPITAL IN
YOSHIMOTO MUSIC HOLDINGS, INC.
AND RESUMPTION OF TRADING**

Financial adviser

ANGLO CHINESE
CORPORATE FINANCE, LIMITED

Independent financial adviser



FIRST SHANGHAI CAPITAL LIMITED

SUMMARY

The Board is pleased to announce that Rojam USA, a wholly-owned subsidiary of the Company, is proposing to acquire a 20% effective interest in R&C Japan from Yoshimoto America, the single largest shareholder of the Company holding an approximately 28.94% interest in the Company, on the terms and subject to conditions set out in the Sale and Purchase Agreement.

On 10th August, 2004, the Company entered into the Sale and Purchase Agreement with Yoshimoto to acquire a 20% effective interest in R&C Japan for a consideration of 400,000,000 Japanese Yen (equivalent to approximately HK\$27.6 million). The consideration will be satisfied in cash. R&C Japan is principally engaged in popular music recording and master-tape rights licensing in Japan. Completion of the Sale and Purchase Agreement is conditional upon the fulfilment of the conditions set out in the section headed "Conditions of the Proposed Acquisition" below.

Circular and general meeting

The acquisition of a 20% effective interest in R&C Japan will constitute a major and connected transaction of the Company under the GEM Listing Rules. The Proposed Acquisition is subject to approval by the Independent Shareholders on poll. Yoshimoto and its associates are required to abstain from voting on the resolution regarding the Proposed Acquisition to be considered at an extraordinary general meeting.

A circular containing, among other things, details of the Proposed Acquisition will be despatched to the shareholders of the Company as soon as practicable. First Shanghai Capital Limited has been appointed as the independent financial adviser to advise an independent committee of the board of directors of the Company and the Independent Shareholders on the fairness and reasonableness of the Proposed Acquisition.

Trading in the shares of the Company was suspended at the request of the Company with effect from 9:30 a.m. on 11th August, 2004 pending the release of this announcement. Application has been made to the Stock Exchange for a resumption of trading in the shares of the Company with effect from 9:30 a.m. on 13th August, 2004.

INTRODUCTION

The Board is pleased to announce that Rojam USA, a wholly-owned subsidiary of the Company is proposing to acquire a 20% effective interest in R&C Japan from Yoshimoto America, the single largest shareholder of the Company holding an approximately 28.94% interest in the Company, on the terms and subject to conditions set out in the Sale and Purchase Agreement.

PROPOSED ACQUISITION

The Sale and Purchase Agreement

Date: 10th August, 2004

Vendors: *Yoshimoto, a substantial shareholder of the Company*

Purchaser: *the Company*

Assets to be acquired and consideration

Subject to the fulfillment of the conditions set out under the section headed "Conditions of the Proposed Acquisition" below, the Company will procure Rojam USA to acquire from Yoshimoto America, 20% of the issued share capital of Yoshimoto Music for a consideration of 400,000,000 Japanese Yen (representing approximately HK\$27.6 million) which will be satisfied in cash out of the Group's internal resources. As at 31st March, 2004, the Group's cash and bank deposits amounted to approximately HK\$90.4 million.

The consideration under the Sale and Purchase Agreement was determined after arm's length negotiation with reference to, among other things, the audited net profit of R&C Japan as at 31st March, 2004. Based on the audited profit after tax of R&C Japan for the year ended 31st March, 2004 of approximately HK\$13.5 million, the consideration represents a price to earnings multiple of approximately 10.2 times.

Conditions of the Proposed Acquisition

Completion of the Sale and Purchase Agreement is conditional upon the following conditions being fulfilled at or before 5:00 p.m. on 23rd September, 2004 (or such later date as the parties may otherwise agree):

- (i) the passing of resolutions by shareholders of the Company (other than those prohibited from voting under the GEM Listing Rules) at an extraordinary general meeting of the Company to approve the Proposed Acquisition and the entering into and performance by the Company of the Sale and Purchase Agreement; and
- (ii) the approval of the Proposed Acquisition and the entering into and performance by Yoshimoto of the Sale and Purchase Agreement by the board of Yoshimoto.

The Company was informed by Yoshimoto that the board meeting of Yoshimoto to consider the Proposed Acquisition and the Sale and Purchase Agreement was expected to take place on or around 30th August, 2004.

Supplemental deeds to the deeds of non-competition undertakings

Pursuant to the supplemental deeds to be entered into between Yoshimoto and each of (i) the Company and (ii) R&C Japan upon completion of the Sale and Purchase Agreement, the respective terms of the deeds of non-competition undertakings between the parties thereto both dated 10th October, 2002 will be varied, so that one of the events upon which the deeds of non-competition undertakings will cease to have effect has been changed from the expiry of an initial period of three years from the date of the relevant deed to the expiry of six years from the date of the relevant deed, provided that the parties thereto may in writing agree to a later date of termination.

Completion

Completion shall take place on the third business day after the first date on which all the conditions have been satisfied.

INFORMATION ON 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 Osaka Securities Section I.

INFORMATION ON YOSHIMOTO AMERICA AND YOSHIMOTO MUSIC

Yoshimoto America, a wholly-owned subsidiary of Yoshimoto, is a company incorporated in Delaware, the United States of America and its assets include approximately 28.94% of the issued share capital of the Company and a 20% equity interest in Yoshimoto Music. Yoshimoto Music was incorporated in Delaware, the United States of America and its sole assets is its 100% equity interests in R&C Japan. On 10th October, 2002, the Company completed the acquisition of 80% of the issued share capital of Yoshimoto Music for a consideration of HK\$67.5 million, which was satisfied by the issue and allotment of 450,000,000 new shares by the Company to Rojam USA, which immediately transferred such shares to Yoshimoto America at HK\$0.15 per share. Details of that acquisition are set out in the Company's announcements dated 20th June, 2002 and 29th July, 2002, and the Company's circular dated 31st July, 2002 respectively.

INFORMATION ON R&C JAPAN

R&C Japan, a company incorporated in Japan on 24th May, 2001 to become Yoshimoto's popular music arm, is focused on the business of popular music recording and master-tape rights licensing in Japan. Currently, the Group holds an 80% effective interest in R&C Japan. After the completion of the Proposed Acquisition, it will become an indirect wholly-owned subsidiary of the Company. R&C Japan's business consists of strategising and organizing (i) the production of music recording and master-tapes, and (ii) the pressing, advertising, promotion and distribution of CDs and DVDs.

The following is a summary of the audited results of R&C Japan for the two years ended 31st March, 2004:

	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Turnover	<u>101,523</u>	<u>224,473</u>
Profit/(loss) before taxation	(12,067)	14,371
Taxation	<u>(280)</u>	<u>(868)</u>
Profit/(loss) after taxation	<u>(12,347)</u>	<u>13,503</u>

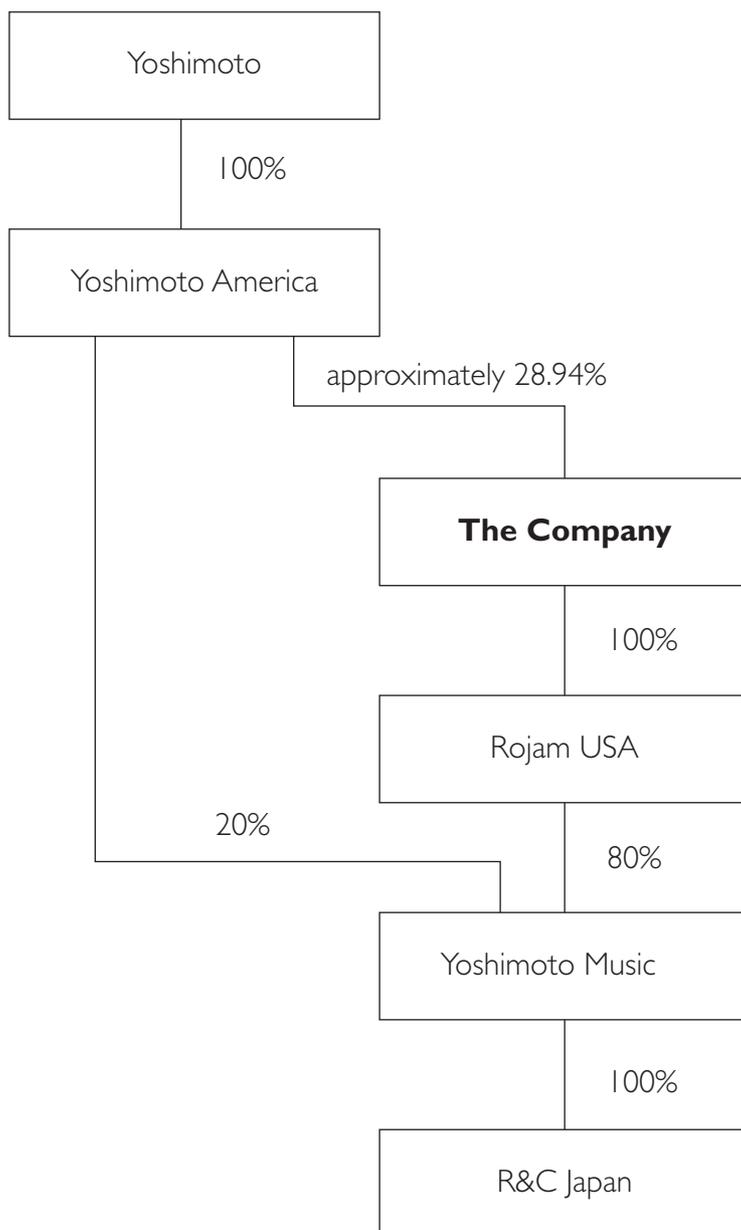
The audited net asset value of R&C Japan as at 31st March, 2004 was about HK\$4.1 million.

R&C Japan maintains its books and records in Japanese Yen which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity. The accounts of R&C Japan are presented in Hong Kong dollars as the reporting currency which is consistent with the reporting currency of the ultimate holding company of R&C Japan.

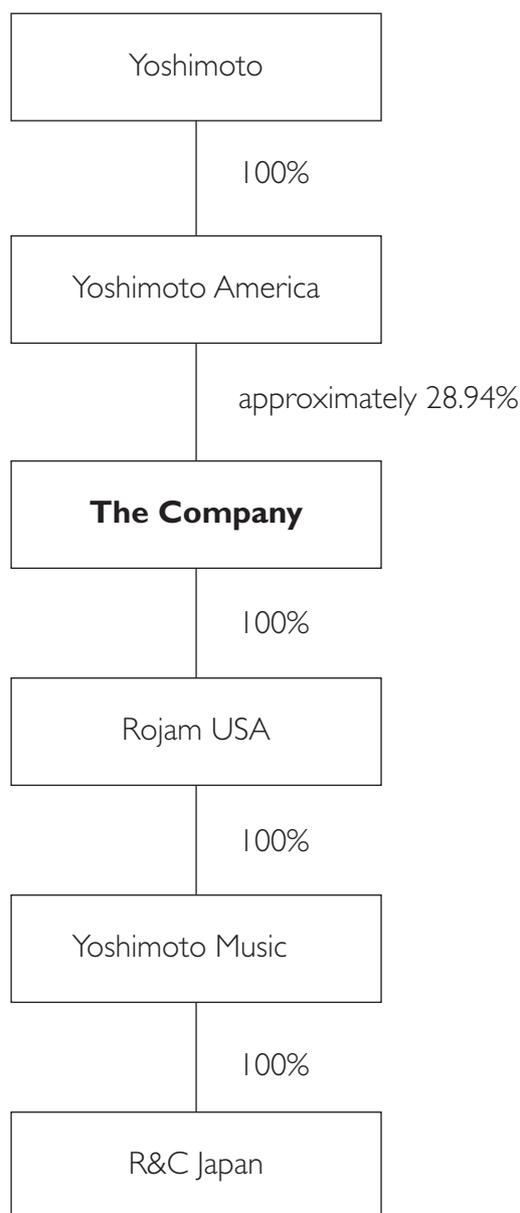
SHAREHOLDING STRUCTURE OF THE COMPANY

The following charts summarise the shareholding structures of the Company before and after the completion of the Sale and Purchase Agreement, respectively.

Before the completion of the Sale and Purchase Agreement



Immediately after the completion of the Sale and Purchase Agreement



REASONS FOR THE PROPOSED ACQUISITION

The first acquisition of an 80% effective interest in R&C Japan from Yoshimoto America completed in October 2002, enabled the Group to enhance its core operation of music production and build a strategic alliance with Yoshimoto. For the two financial years ended 31st March, 2004, R&C Japan contributed approximately 66% and 90%, respectively, to the Group's turnover. Through this first acquisition, Yoshimoto America became a substantial shareholder of the Company and remained a substantial shareholder of Yoshimoto Music, which holds the entire issued share capital of R&C Japan. The Directors and Yoshimoto believe that the Proposed Acquisition will give rise to operational efficiencies and eliminate any possible connected transactions between the Group and R&C Japan.

INFORMATION ON THE COMPANY

Rojam 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.

CONFIRMATION FROM THE DIRECTORS

The executive Directors are of the view that the Sale and Purchase Agreement was entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and are fair and reasonable to the Company and in the interest of its shareholders taken as a whole.

CIRCULAR AND EXTRAORDINARY GENERAL MEETING

Under the GEM Listing Rules, the Proposed Acquisition constitutes a major transaction of the Company and is therefore subject to the approval of the Independent Shareholders at an extraordinary general meeting of the Company.

As Yoshimoto is a substantial shareholder of the Company, the Proposed Acquisition also constitutes a connected transaction of the Company under the GEM Listing Rules, and is therefore subject to the approval by the Independent Shareholders on poll. Yoshimoto and its associates are required to abstain from voting on the resolution regarding the Proposed Acquisition to be considered at an extraordinary general meeting of the Company.

Accordingly, a circular containing, among other things, details of the Proposed Acquisition will be despatched to the shareholders of the Company as soon as practicable. First Shanghai Capital Limited has been appointed as the independent financial adviser to advise an independent committee of the board of directors of the Company and the Independent Shareholders on the fairness and reasonableness of the Proposed Acquisition under the Sale and Purchase Agreement.

GENERAL

Trading in the shares of the Company was suspended at the request of the Company with effect from 9:30 a.m. on 11th August, 2004 pending the release of this announcement. Application has been made to the Stock Exchange for a resumption of trading in the shares of the Company with effect from 9:30 a.m. on 13th August, 2004.

As at the date of this announcement, the directors of the Company 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
“Directors”	the directors of the Company
“GEM”	the Growth Enterprises 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 of the Company other than Yoshimoto and its associates
“Proposed Acquisition”	the proposed acquisition by Rojam USA of 20% of the issued share capital in Yoshimoto Music from Yoshimoto America
“R&C Japan”	R&C Japan Ltd., a company incorporated in Japan on 24th May, 2001
“Rojam USA”	Rojam U.S.A. Inc., a wholly-owned subsidiary of the Company incorporated in Delaware, the United States of America on 24th April, 2002
“Sale and Purchase Agreement”	a conditional agreement dated 10th August, 2004 entered into between the Company and Yoshimoto in relation to the Proposed Acquisition
“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 is a substantial shareholder of the Company
“Yoshimoto America”	Yoshimoto America, Inc., a wholly-owned subsidiary of Yoshimoto incorporated in Delaware, the United States of America on 24th April, 2002 by Yoshimoto

“Yoshimoto Music”	a company incorporated in Delaware, the United States of America on 24th April, 2002, and owned as to 80% by Rojam USA and 20% by Yoshimoto America
“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 rates of 14.49 Japanese Yen to one Hong Kong dollar.

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

Hong Kong, 12th August, 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.