

# ROJAM ENTERTAINMENT HOLDINGS LIMITED

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

Stock Code: 8075

Third Quarterly Report 2009/2010



## ROJAM

Entertainment Network Asia

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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

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*This report, for which the directors of Rojam Entertainment Holdings Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to Rojam Entertainment Holdings Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## RESULTS

The board of directors (the “Board”) of Rojam Entertainment Holdings Limited (the “Company”, together with its subsidiaries, collectively referred to as the “Group”) presents the unaudited condensed consolidated results of the Group for the three months and nine months ended 31 December 2009 together with the comparative unaudited figures for the corresponding periods in 2008 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
<b>Turnover</b>	3	<b>516</b>	503	<b>1,903</b>	2,200
Cost of sales and service rendered		<b>(264)</b>	(422)	<b>(974)</b>	(1,052)
<b>Gross profit</b>		<b>252</b>	81	<b>929</b>	1,148
Other income		<b>16</b>	275	<b>114</b>	586
Operating expenses		<b>(6,358)</b>	(3,253)	<b>(13,246)</b>	(10,379)
<b>Loss before tax</b>		<b>(6,090)</b>	(2,897)	<b>(12,203)</b>	(8,645)
Income tax expenses	4	<b>-</b>	(4)	<b>-</b>	(12)
<b>Loss for the period from continuing operations</b>		<b>(6,090)</b>	(2,901)	<b>(12,203)</b>	(8,657)
Profit/(Loss) for the period from discontinued operations	5	<b>2,932</b>	-	<b>2,932</b>	(4,659)
<b>LOSS FOR THE PERIOD</b>		<b>(3,158)</b>	(2,901)	<b>(9,271)</b>	(13,316)
<b>Other comprehensive income for the period</b>					
Exchange differences on translating foreign operations		<b>20</b>	(67)	<b>41</b>	1,097
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(3,138)</b>	(2,968)	<b>(9,230)</b>	(12,219)
Loss attributable to equity holders		<b>(3,158)</b>	(2,901)	<b>(9,271)</b>	(13,316)
Total comprehensive loss attributable to equity holders		<b>(3,138)</b>	(2,968)	<b>(9,230)</b>	(12,219)
<b>Basic loss per share (expressed in HK cent)</b>	6				
Loss from continuing and discontinued operations		<b>(0.15)</b>	(0.15)	<b>(0.46)</b>	(0.69)
Loss from continuing operations		<b>(0.28)</b>	(0.15)	<b>(0.61)</b>	(0.45)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to the equity holders of the Company

	Share capital	Share premium	Contribution surplus	Exchange reserve	Accumulated losses	Total	Minority interest	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2008	192,611	2	-	3,669	(117,279)	79,003	675	79,678
Total comprehensive loss for the period	-	-	-	1,097	(13,316)	(12,219)	-	(12,219)
<b>Balance at 31 December 2008 (unaudited)</b>	<b>192,611</b>	<b>2</b>	<b>-</b>	<b>4,766</b>	<b>(130,595)</b>	<b>66,784</b>	<b>675</b>	<b>67,459</b>
Balance at 1 April 2009	192,611	2	-	4,782	(165,101)	32,294	675	32,969
Release upon disposal of subsidiaries	-	-	-	(204)	-	(204)	(675)	(879)
Placing of new shares	38,000	-	-	-	-	38,000	-	38,000
Capital reduction	(207,550)	-	207,550	-	-	-	-	-
Offset the Accumulated Losses	-	-	(163,075)	-	163,075	-	-	-
Total comprehensive loss for the period	-	-	-	41	(9,271)	(9,230)	-	(9,230)
<b>Balance at 31 December 2009 (unaudited)</b>	<b>23,061</b>	<b>2</b>	<b>44,475</b>	<b>4,619</b>	<b>(11,297)</b>	<b>60,860</b>	<b>-</b>	<b>60,860</b>

Notes:

## **1. General information**

The Company is a limited liability company incorporated in the Cayman Islands on 29 February 2000. The Company's domicile has been changed to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda with effect from 3 December 2009. The address of its registered office has also been changed to Claredon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company's shares were listed on GEM on 31 May 2001.

The principal activity of the Company is investment holding. During the current period under review, the Group is principally engaged in the development and licensing of software and technology for use in connection with the provision of value-added telecommunication services in the People's Republic of China (the "PRC"). During the prior financial year ended 31 March 2009, the Group also engaged in discotheque business, details of which are set out in note 5 below.

## **2. Basis of preparation and accounting policies**

The unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, applicable disclosure requirements of the GEM Listing Rules and the Hong Kong Companies Ordinance. The accounting policies and methods of computation used in the preparation of the unaudited consolidated accounts are consistent with those used in the annual financial statements for the year ended 31 March 2009. These unaudited condensed consolidated results should be read in conjunction with the Company's 2008/2009 annual report.

The unaudited condensed consolidated financial information has not been audited by the Company's auditors, but has been reviewed by the Company's audit committee.

### 3. Turnover, revenue and segment information

During the nine months ended 31 December 2009, the Group is principally engaged in the development and licensing of software and technology for use in connection with the provision of value-added telecommunication services in the PRC.

Revenue recognised during the three months and nine months ended 31 December 2009 is as follows:

	Three months ended 31 December		Nine months ended 31 December	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
<b>Turnover</b>				
Continuing operations				
Licensing of software income	516	503	1,903	2,200
Discontinued operations				
Discotheque income	-	-	-	8
	<u>516</u>	<u>503</u>	<u>1,903</u>	<u>2,208</u>

### 4. Income tax expenses

No provision for Hong Kong or overseas profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong or overseas for the nine months ended 31 December 2009 (nine months ended 31 December 2008: Nil).

The amount of income tax expenses charged to the unaudited condensed consolidated income statement represents:

	Nine months ended 31 December	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Current tax		
– PRC taxation	-	-
Deferred tax	-	12
	<u>-</u>	<u>12</u>
Representing:		
– Continuing operations	-	12
– Discontinued operations	-	-
	<u>-</u>	<u>12</u>

## 5. Discontinued operations

The Group ceased its discotheque business in July 2008, which had been operated through Shanghai Rojam Entertainment Company Limited ("Shanghai Rojam"), the indirect subsidiary of the Company. Details of cessation of this business were set out in the circular of the Company dated 7 August 2008. In April 2009, Rojam Investment Limited ("Rojam Investment"), a wholly-owned subsidiary of the Company, and Shanghai Huanyu Import and Export Company Limited ("Shanghai Huanyu"), being the PRC partner which holds 10% equity interests in Shanghai Rojam entered into an agreement in relation to the early termination of the cooperative joint venture contract and articles of association, and to dissolve Shanghai Rojam (the "Termination Agreement"). Subsequently Shanghai Rojam submitted the liquidation application document to State Administration For Industry and Commerce of the PRC. On 16 November 2009, Rojam Investment and Shanghai Huanyu agreed to revoke the Termination Agreement and Shanghai Rojam withdrew the liquidation application, then Rojam Investment entered into a sale and purchase agreement with an independent third party (the "Purchaser") whereby Rojam Investment agreed to dispose 90% equity interests in Shanghai Rojam at a consideration of RMB36,000 (approximately HK\$40,734) to the Purchaser (the "Disposal"). As a result of the Disposal, the Group recorded a gain on disposal of subsidiary of HK\$2,932,000.

### (i) Gain on disposal of subsidiary

	(Unaudited) HK\$'000
Net Liabilities disposed of	2,012
Minority interest disposed of	675
Release of exchange reserves on disposal of subsidiaries	204
Cash consideration	41
	<hr/>
Gain on disposal of subsidiary	<u>2,932</u>

### (ii) Analysis of the results of discontinued operations

	<b>Nine months ended</b>	
	<b>31 December</b>	
	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Turnover	-	8
Cost of sales	-	(4,667)
	<hr/>	<hr/>
Loss before income tax	-	(4,659)
Income tax credit	-	-
	<hr/>	<hr/>
Loss after income tax	-	(4,659)
Gain on disposal of subsidiary, net of tax	<b>2,932</b>	-
	<hr/>	<hr/>
<b>Profit/(Loss) for the period from discontinued operations</b>	<b><u>2,932</u></b>	<b><u>(4,659)</u></b>

## 6. Loss per share

Basic loss per share is calculated by dividing the loss attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Three months ended 31 December		Nine months ended 31 December	
	2009	2008	2009	2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Continuing operations</b>				
Loss attributable to the equity holders of the Company (HK\$'000)	<b>(6,090)</b>	(2,901)	<b>(12,203)</b>	(8,657)
Weighted average number of ordinary shares in issue (thousands)	<b>2,186,332</b>	1,926,114	<b>2,013,169</b>	1,926,114
Basic loss per share (HK cent per share) (Note)	<b>(0.28)</b>	(0.15)	<b>(0.61)</b>	(0.45)
<b>Discontinued operations</b>				
Profit/(Loss) attributable to the equity holders of the Company (HK\$'000)	<b>2,932</b>	–	<b>2,932</b>	(4,659)
Weighted average number of ordinary shares in issue (thousands)	<b>2,186,332</b>	1,926,114	<b>2,013,169</b>	1,926,114
Basic earnings/(loss) per share (HK cent per share) (Note)	<b>0.13</b>	–	<b>0.15</b>	(0.24)
<b>Total</b>				
Loss attributable to the equity holders of the Company (HK\$'000)	<b>(3,158)</b>	(2,901)	<b>(9,271)</b>	(13,316)
Weighted average number of ordinary shares in issue (thousands)	<b>2,186,332</b>	1,926,114	<b>2,013,169</b>	1,926,114
Basic loss per share (HK cent per share) (Note)	<b>(0.15)</b>	(0.15)	<b>(0.46)</b>	(0.69)

Note: No diluted loss per share have been presented as there were no dilutive potential ordinary shares during the periods ended 31 December 2009 and 2008.

## 7. Interim dividend

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2009 (nine months ended 31 December 2008: Nil).



## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Highlights

	Third Quarter 2009/2010 (Oct to Dec 2009) HK\$'000	Second Quarter 2009/2010 (Jul to Sep 2009) HK\$'000	First Quarter 2009/2010 (Apr to Jun 2009) HK\$'000	Third Quarter 2008/2009 (Oct to Dec 2008) HK\$'000
<b>Continuing operations</b>				
Turnover	516	606	781	503
Cost of sales	(264)	(360)	(350)	(422)
Gross profit	252	246	431	81
Other income/(loss)	16	(35)	133	275
Operating expenditures*	(6,358)	(3,735)	(3,153)	(3,253)
Loss before income tax	(6,090)	(3,524)	(2,589)	(2,897)
Income tax expenses	-	-	-	(4)
Loss attributable to the equity holders	(6,090)	(3,524)	(2,589)	(2,901)

\* Selling & distribution and other operating expenses

### Financial Review

Notwithstanding rebound of the global economy in the second half of 2009, the business that the Group is operating shows slow slight of recovery. Turnover decreased by approximately 14% to approximately HK\$1,903,000 for the nine months ended 31 December 2009 from approximately HK\$2,200,000 for the nine months ended 31 December 2008. Loss attributable to the equity holders of the Company for the nine months ended 31 December 2009 was approximately HK\$9,271,000, compare to loss of approximately HK\$13,316,000 for the corresponding period of the last financial year. Loss per share was approximately 0.46 HK cents for the year ended 31 December 2009, compared to loss per share of approximately 0.69 HK cents for the corresponding period of the last financial year.

Cost of sales decreased by approximately 7% to approximately HK\$974,000 for the nine months ended 31 December 2009 from approximately HK\$1,052,000 for the nine months ended 31 December 2008. Operating expenditures increased by approximately 28% to approximately HK\$13,246,000 for the nine months ended 31 December 2009 from approximately HK\$10,379,000 for the nine months ended 31 December 2008. The Group's other income decreased by approximately 81% to approximately HK\$114,000 for the nine months ended 31 December 2009 from approximately HK\$586,000 for the corresponding period of the last year.

At 31 December 2009, the Group had a cash balance of approximately HK\$47 million, representing approximately 114% increase from approximately HK\$22 million at 31 March 2009. The increase in cash during the third quarter was mainly attributed to the placing of new shares for the financing activities. The Group has no long-term borrowing during the quarter and the gearing ratio is zero, the same as for the past years.

### **Subscription for Convertible Bonds and Options**

On 30 September 2009 after trading hours of the Stock Exchange, the Company entered into with Golden Coach Limited (the “Subscriber”), (i) a conditional convertible bonds subscription agreement (the “CB Subscription Agreement”) whereby the Company conditionally agreed to issue and the Subscriber conditionally agreed to subscribe for the convertible bonds in the principal amount of HK\$25,000,000 and (ii) an options subscription agreement (the “Options Subscription Agreement”) whereby the Company, in consideration of the option fee being HK\$2,500,000, which is payable by the Subscriber upon completion, conditionally agreed to grant to the Subscriber options to subscribe for 250,000,000 option shares at option price during the option period. The net proceeds from the granting of the options and the issue of the convertible bonds (after deduction of expenses) are estimated to be approximately HK\$26.0 million. If the options are exercised in full, the net proceeds will be approximately HK\$12.4 million. The details of the transactions were set out in the announcement of the Company dated 6 October 2009 and the circular of the Company dated 5 January 2010. The CB Subscription Agreement and the Options Subscription Agreement were approved by shareholders of the Company on 21 January 2010.

### **Placing of New Shares**

The Company entered into a conditional placing agreement with the placing agent on 5 October 2009. The placing was completed on 30 October 2009 in accordance with the terms and conditions of the placing agreement in which an aggregate of 380,000,000 placing shares, representing approximately 16.48% of the issued share capital of the Company of 2,306,114,403 shares as enlarged by the placing as at 30 October 2009, were placed to not fewer than six placees, who and whose ultimate beneficial owners are not connected persons (as defined under the GEM Listing Rules) of the Company and are third parties independent of and not connected with the Company, connected persons of the Company and any of the Directors, chief executive or substantial shareholder(s) of any members of the Group or any associate of them or any connected persons (as defined under the GEM Listing Rules) of the Company, at the placing price of HK\$0.10 per placing share. The net proceeds from the placing amount to approximately HK\$37.2 million.

### **Change of Domicile, Capital Reorganisation and Adoption of Share Option Scheme**

On 6 October 2009, the Board announced, among other things, the proposed change of the domicile of the Company, the proposed capital reorganisation of the Company and adoption of the share option scheme. These proposals were approved by the shareholders of the Company on 19 November 2009.

The change of the domicile of the Company from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda became effective on 3 December 2009.

The capital reorganisation became effective on 22 December 2009, upon which (i) the issued share capital of the Company has been reduced by HK\$207,550,296.27 from HK\$230,611,440.30 to HK\$23,061,114.03 comprising 2,306,114,403 new shares of HK\$0.01 each through reducing the par value of each of the issued old shares from HK\$0.10 each to HK\$0.01 each by cancelling the paid-up capital of the Company to the extent of HK\$0.09 on each of the issued old shares; (ii) each authorised but unissued share of HK\$0.1 has been subdivided into 10 new shares of HK\$0.01 each; and (iii) the credit of HK\$207,550,296.27 arising from the capital reduction has been transferred to the contributed surplus account of the Company within the meaning of the Companies Act 1981 of Bermuda and utilised to offset the accumulated losses of the Company in full.

### **Future Plan**

The Group is currently principally engaging in the development and licensing of software and technology for use in connection with the provision of value-added telecommunication services in the PRC. As stated in the offer document dated 1 September 2009 issued by Marvel Bonus Holdings Limited, the existing controlling shareholder of the Company, it will conduct a more detailed review on the operations of the Group with a view to developing a comprehensive corporate strategy to broaden the income stream of the Group. In the long-term spectrum, it will explore other business opportunities and consider whether any assets and/or business acquisitions by the Group will be appropriate in order to enhance its growth.

In order to strengthen the financial position of the Group and facilitate exploring the business opportunities and any assets and/or business acquisitions, the Company entered into the CB Subscription Agreement and Options Subscription Agreement on 30 September 2009 and placed new shares in October 2009. The net proceeds from the granting of the options and issue of the convertible bonds is approximately HK\$26.0 million and if the options are exercised in full, the net proceeds is approximately HK\$12.4 million. The net proceeds from the placing of new shares amounted to approximately HK\$37.2 million.

The Company intends to apply the net proceeds from the granting of the options, issue of the convertible bonds, the placing and, if applicable, the issue of the option shares as general working capital and/or finance any other new investment project in the PRC which may be identified by the Company from time to time in order to diversify the Group's revenue base. The Company is in process of exploring new business opportunities in order to diversify into businesses with good prospect, to enhance the Group's income stream and the overall profitability, and to maintain the Company's growth momentum. The Board believes the series of funds raised or to be raised will further strengthen and broaden the capital base of the Company and ensure the adequacy of the working capital for the Group's operations.

#### **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES**

At 31 December 2009, none of the Directors, chief executives of the Company or their respective associates (as defined under the GEM Listing Rules) had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

Save as disclosed above, at no time during the nine months ended 31 December 2009 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or its associated corporation.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SECURITIES

So far as is known to any Director or chief executive of the Company, as at 31 December 2009, shareholders of the Company (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

### Long Position in Ordinary Shares of the Company

Name of shareholders	Capacity in which the share are held	Number of shares/ underlying shares	Approximate percentage of the company's total issued share capital
Marvel Bonus Holdings Limited ( <i>Note 1</i> )	Beneficial owner	1,202,490,000 shares	52.14%
Integrated Asset Management (Asia) Limited ( <i>Notes 1 and 2</i> )	Interest of a controlled corporation	1,202,490,000 shares	52.14%
Shanghai Assets (BVI) Limited ( <i>Notes 1 and 3</i> )	Interest of a controlled corporation	1,202,490,000 shares	52.14%
Mr. Yam Tak Cheung ( <i>Note 2</i> )	Interest of a controlled corporation	1,202,490,000 shares	52.14%
Mr. Ting Pang Wan, Raymond ( <i>Note 3</i> )	Interest of a controlled corporation	1,202,490,000 shares	52.14%
Kingston Finance Limited ( <i>Note 4</i> )	Security interest	1,202,490,000 shares	52.14%
Mrs. Chu Yuet Wah ( <i>Note 5</i> )	Interest of a controlled corporation	1,202,490,000 shares	52.14%
Ms. Ma Siu Fong ( <i>Note 5</i> )	Interest of a controlled corporation	1,202,490,000 shares	52.14%
Golden Coach Limited ( <i>Note 6</i> )	Beneficial owner	750,000,000 underlying shares	32.52%
Mr. Chan Chun Kuen ( <i>Note 7</i> )	Interest of a controlled corporation	750,000,000 underlying shares	32.52%

Notes:

1. Marvel Bonus Holdings Limited ("Marvel Bonus") is owned as to 50% each by Integrated Asset Management (Asia) Limited ("Integrated Asset") and Shanghai Assets (BVI) Limited ("Shanghai Assets"). Integrated Asset and Shanghai Assets were therefore deemed to be interested in 1,202,490,000 shares held by Marvel Bonus.
2. Integrated Asset is in turn wholly and beneficially owned by Mr. Yam Tak Cheung ("Mr. Yam"). Mr. Yam was therefore deemed to be interested in the 1,202,490,000 shares held by Marvel Bonus.
3. Shanghai Assets is in turn wholly and beneficially owned by Mr. Ting Pang Wan, Raymond ("Mr. Ting"). Mr. Ting was therefore deemed to be interested in the 1,202,490,000 shares held by Marvel Bonus.
4. Kingston Finance Limited has a security interest of 1,202,490,000 shares owned by Marvel Bonus.
5. Mrs. Chu Yuet Wah and Ms. Ma Siu Fong own 51% and 49% interest in Kingston Finance Limited respectively. Both Mrs. Chu Yuet Wah and Ms. Ma Siu Fong were therefore deemed to be interested in the underlying shares in which Kingston Finance Limited holds an interest.
6. Pursuant to the conditional convertible bonds subscription agreement and the options subscription agreement entered into between Golden Coach Limited ("Golden Coach") and the Company dated 30 September 2009 respectively, Golden Coach agreed to subscribe for convertible bonds with an aggregate principal amount of HK\$25,000,000 which can be converted into 500,000,000 shares and the Company agreed to grant to Golden Coach options to subscribe for 250,000,000 shares in the Company. As such, Golden Coach was therefore deemed to be interested in 750,000,000 underlying shares in total through its long position in the Company's convertible bonds and options.
7. Golden Coach is wholly and beneficially owned by Mr. Chan Chun Kuen ("Mr. Chan"). Mr. Chan was therefore deemed to be interested in Golden Coach's interest in 750,000,000 underlying shares.

Save as disclosed above, at 31 December 2009, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## **CAPITAL STRUCTURE**

On 30 October 2009, an aggregate of 380,000,000 new shares of the Company were placed to not fewer than six independent investors at a price of HK\$0.10 per shares. The net proceeds from the placing is approximately HK\$37.2 million. On 22 December 2009, the capital reorganisation of the Company became effective, upon which the share capital of the Company has been reduced from HK\$230,611,440.30 to HK\$23,061,114.03 comprising 2,306,114,403 new shares of HK\$0.01 each and each authorized but unissued share of HK\$0.1 has been subdivided into 10 new shares of HK\$0.01 each. The credit of HK\$207,550,296.27 arising from the capital reduction has been transferred to the contributed surplus account of the Company and utilised to offset the accumulated loss of the Company.

The details of the placing of new shares and capital reorganisation are set out in “Placing of New Shares” and “Change of Domicile, Capital Reorganisation and Adoption of Share Option Scheme” in MANAGEMENT DISCUSSION AND ANALYSIS of this report.

## **SHARE OPTION SCHEME**

The Company adopted a share option scheme (the “Scheme”) on 19 November 2009, pursuant to which the Directors of the Company may, at their discretion, invite any employee, director, non-executive director (including independent non-executive director), supplier, customer, advisor, consultant, agent, contractor, and any shareholder of any member of the Group or any invested entity or any holder of any securities issued by any member of the Group or any invested entity, to take up options to subscribe for shares. As at 31 December 2009, no options had been granted under the Scheme.

## **DIRECTORS’ INTEREST IN COMPETING BUSINESS**

As at 31 December 2009, none of the Directors or the management shareholders of the Company (as defined under the GEM Listing Rules) had an interest in a business, which competed or might compete with the business of the Group or had any other conflict of interests with the Group.

## **AUDIT COMMITTEE**

The Company has established an audit committee on 21 May 2001 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The audit committee has three members comprising the three independent non-executive Directors, namely Mr. Chan Chi Yuen, Mr Zhang Xi and Mr. Yeung Wai Hung, Peter. The audit committee has reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial information for the nine months ended 31 December 2009.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended 31 December 2009.

By Order of the Board

**Etsuko Hoshiyama**

*Executive Director*

Hong Kong, 9 February 2010

*As at the date of this report, the Board comprises three executive Directors, namely Ms. Etsuko Hoshiyama, Mr. Chan Chi Ming, Alvin and Mr. Luk Hong Man. Hammond; and three independent non-executive Directors, namely Mr. Chan Chi Yuen, Mr. Zhang Xi and Mr. Yeung Wai Hung, Peter.*