



**EMCOM INTERNATIONAL LIMITED**

**帝通國際有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 8220

First  
Quarterly  
Report  
**2008**

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

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*This report, for which the directors of Emcom International Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of 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 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*

## FINANCIAL RESULTS

The board of directors (the "Board") of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months ended 30 June 2008, together with the unaudited comparative figures for the corresponding period in 2007 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 June	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Turnover	2	1,608	66,356
Cost of sales		(1,944)	(68,256)
Gross loss		(336)	(1,900)
Other revenue and other net income		714	532
Selling expenses		(22)	-
Administrative expenses		(6,596)	(1,320)
Loss from operation		(6,240)	(2,688)
Finance costs		(77)	(403)
Share of (loss)/profit of a jointly controlled entity		(722)	92
Loss before taxation		(7,039)	(2,999)
Taxation	3	-	-
Loss for the period		(7,039)	(2,999)
Attributable to:			
Equity holders of the Company		(7,032)	(2,999)
Minority interest		(7)	-
		(7,039)	(2,999)
Dividend	4	-	-
Loss per share	5		
- Basic (HK cent)		(0.26)	(0.47)
- Diluted (HK cent)		N/A	N/A

*NOTES:***1. Basis of presentation**

The unaudited condensed consolidated results for the three months ended 30 June 2008 (the "Period") have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. The unaudited condensed consolidated results also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

The unaudited condensed consolidated results have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss that have been measured at fair value. The principal accounting policies and method of computations used in the preparation of the unaudited condensed consolidated results are consistent with those used in the preparation of the Group's financial statements for the year ended 31 March 2008.

The Group has adopted the following interpretations of new HKFRS that have been issued and effective for the periods beginning on or after 1 January 2008. The adoption of such standards did not have material effect on these financial statements.

HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Group's unaudited condensed consolidated quarterly results has not been audited by the Company's auditors but has been reviewed by the Company's Audit Committee.

**2. Turnover**

The Group's turnover represents the sale value of goods supplied to customers and revenue from the provision of telecommunication services. All significant intra-group transactions and balances have been eliminated on consolidation.

**3. Taxation**

No provision for Hong Kong Profits Tax has been provided as the Group had no estimated assessable profit for the three months ended 30 June 2008 (three months ended 30 June 2007: Nil).

No deferred tax had been provided for the Group because there were no significant timing differences at the respective balance sheet dates.

**4. Dividend**

The Directors do not recommend the payment of a dividend for the three months ended 30 June 2008 (three months ended 30 June 2007: Nil).

## 5. Loss per share

The calculation of the basic loss per share is based on the loss attributable to equity holders of the Company for the three months ended 30 June 2008 of approximately HK\$7,039,000 (unaudited consolidated loss attributable to equity shareholders of the Company for three months ended 30 June 2007: HK\$2,999,000) and on the weighted average number of 2,695,243,989 ordinary shares in issue during the three months ended 30 June 2008 (three months ended 30 June 2007: 637,432,000 ordinary shares in issue).

Dilutive loss per share amounts have not been presented as the Company did not have any dilutive potential ordinary shares during the periods.

## 6. Reserves

	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Equity component of convertible note (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Exchange reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Minority Interest (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2007	50,295	3,930	-	-	2,373	(50,487)	6,111	-	6,111
Exchange difference arising from translation of financial statements	-	-	-	-	290	-	290	-	290
Net loss for the period	-	-	-	-	-	(2,999)	(2,999)	-	(2,999)
At 30 June 2007	50,295	3,930	-	-	2,663	(53,486)	3,402	-	3,402
At 1 April 2008	67,856	3,930	12,154	355	6,214	(77,554)	12,955	(121)	12,834
Conversion of convertible notes	60,000	-	(12,154)	-	-	-	47,846	-	47,846
Equity-settled share option arrangement	-	-	-	179	-	-	179	-	179
Exchange difference arising from translation of financial statements of foreign operations	-	-	-	-	(1,348)	-	(1,348)	-	(1,348)
Net loss for the period	-	-	-	-	-	(7,032)	(7,032)	(7)	(7,039)
At 30 June 2008	127,856	3,930	-	534	4,866	(84,586)	52,600	(128)	52,472

## MANAGEMENT DISCUSSION AND ANALYSIS

### General

The Group is principally engaged in, among other things, the manufacturing and sale of electronics consumer products including electronic telecommunication, office automation and network products, and provision of telecommunication services.

### Financial review

During the three months ended 30 June 2008, the Group recorded a turnover of approximately HK\$1,608,000, representing decrease of approximately 97.6% as compared to corresponding period in 2007.

For the three months ended 30 June 2008, the Group recorded gross loss of approximately HK\$336,000 (three months ended 30 June 2007: gross loss of HK\$1,900,000).

Net loss attributable to shareholders of the Group for the three months ended 30 June 2008 was approximately HK\$7,039,000 (three months ended 30 June 2007: net loss of HK\$2,999,000).

### Operation review and outlook

During the period under review, the manufacturing business had been scaled down as previously disclosed in the 2008 annual report. In the meantime, the telecommunication did not expand as anticipated. Coupled with the fact that the proposed acquisition of Bridge Partners Finance Limited (see below) took away major resources from the Group, it leads to the drastic drop in turnover.

On 11 October 2007, the Company and Sunshine Empire Pte Limited (the "Subscriber") entered into a subscription agreement whereby the Subscriber agreed to subscribe for convertible note in the principal amount of US\$8,000,000 (or approximately HK\$62,400,000). The subscription has been completed on 31 October 2007. On 8 April 2008 the Company received a notice from the Subscriber whereas the Subscriber will transfer in whole the principal amount of the convertible note to Sunshine Empire Limited, who nominated Beauvoir Holdings Limited ("Beauvoir") to hold the convertible note. Subsequently on 9 April 2008, the Company received a conversion notice from Beauvoir that it will convert in whole the principal amount of the convertible note at the conversion price of HK\$0.26 per share. The conversion has been completed on 10 April 2008. The Directors of the Company believe that the conversion of the convertible note provides an opportunity for the Company to enlarge its capital base.

On 6 May 2008, the Company entered into a conditional sale and purchase agreement (the "Agreement"), supplemented by a supplemental agreement on 21 May 2008 (the "Supplemental Agreement"), with Mr. Lee Kwok Ning Lobo and Ms. Lin Wai Yan (collectively the "Vendors") and Mr. Yong Wai Hong as warrantor to acquire Bridge Partners Finance Limited, a group of financial service companies engaging in advising on securities, assets management, dealing in securities and advising on corporate finance, all being regulated activities under the Securities and Futures Ordinance, at a consideration of HK\$180,000,000. The consideration for the acquisition is to be satisfied at completion as to HK\$30,000,000 in cash and as to HK\$150,000,000 by issue

of convertible notes by the Company to the Vendors or their respective nominees. Details of the transaction are contained in the Company's circular dated 23 June 2008.

Nonetheless, at the extraordinary general meeting held on 16 July 2008, the relevant resolutions of the transaction were not passed and hence the transaction did not proceed further.

On 16 July 2008 the Company received a claim from the Vendors for approximately HK\$180,000,000 alleging the breach of the Agreement and the Supplemental Agreement. On 22 July 2008, the Company had appointed P.C. Woo & Co. as the legal adviser of the Company for the litigation and the legal opinion was received on 30 July 2008. The legal adviser is of the view that the Company has a good defense to the litigation and further advises the Company to vigorously contest the litigation once the writ is served by the Vendors' solicitors.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2008, the following directors of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to herein; or (iii) which were, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange:

### (a) Long positions in the shares of the Company

Name of director	Nature of interest	Number of Shares held	Approximate percentage of issued share capital of the Company
Mr. Yong Wai Hong ( <i>Note</i> )	Interest of controlled corporation	1,642,316,000	60.40%
Mr. Lam Kwok Ho	Beneficial owner	16,000	0.00%

*Note:*

Mr. Yong Wai Hong is deemed to be interested in 1,642,316,000 Shares through his beneficial interest in 15% of the entire issued share capital of Emcom Limited. Emcom Limited is a party acting in concert with Modern China Holdings Limited under section 317(1)(a) of the SFO. Emcom Limited is beneficially interested in 1,490,632,000 Shares or 54.82% of the issued share capital of the Company.

## (b) Long positions in the underlying shares of the Company

The Company adopted a share options scheme on 19 October 2002 which the Board may, at their discretion, offer employees, non-executive Directors, independent non-executive Directors or any other persons who have contributed to the Group to take up share options to subscribe for shares subject to the terms and conditions stipulated in the share option scheme. Details of share options granted to the Directors as at 30 June 2008 were as follows:

Name of Director	Date of grant	Number of options held as at 1 April 2008	Number of options granted during the period	Number of options lapsed during the period	Number of options held as at 30 June 2008	Exercise price HK\$	Exercise period
Mr. Lam Kwok Ho	3 Oct 2007	200,000	-	-	200,000	0.312	3 Oct 2008 - 3 Oct 2012
Mr. Chan Cheong Yee	3 Oct 2007	200,000	-	-	200,000	0.312	3 Oct 2008 - 3 Oct 2012
Ms. Tsang Fung Chu	3 Oct 2007	200,000	-	-	200,000	0.312	3 Oct 2008 - 3 Oct 2012

Save as disclosed above, as at 30 June 2008, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares of debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were, 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.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

So far as known to the Directors, as at 30 June 2008, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short in the Shares or underlying Shares (i) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or (ii) who is expected, directly and indirectly, 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 member of



the Group or (iii) which were required, pursuant to section 336 of the SFO, to be entered in the register referred to therein:

#### Long position in the shares of the Company

Name of Shareholder	Number of Shares held	Approximate percentage of issued share capital of the Company
Emcom Limited <i>(Note 1)</i>	1,642,316,000	60.40%
Jolly King Limited <i>(Note 2)</i>	1,642,316,000	60.40%
Mr. Phang Wah <i>(Note 2)</i>	1,642,316,000	60.40%
Modern China Holdings Limited <i>(Note 3)</i>	1,642,316,000	60.40%
Mr. Chen Jijin <i>(Note 3)</i>	1,642,316,000	60.40%
Beauvoir Holdings Limited <i>(Note 4)</i>	240,000,000	8.83%
Mr. Tsang Chi Man <i>(Note 4)</i>	240,000,000	8.83%
Mr. Lee Kwok Ning Lobo <i>(Note 5)</i>	10,500,000,000	386.17%
Ms. Lin Wai Yan <i>(Note 6)</i>	4,500,000,000	165.50%

#### Notes:

- The issued share capital of Emcom Limited is beneficially owned as to 75% by Mr. Phang Wah, 15% by Mr. Yong Wai Hong and 10% by Mr. Lee Pin Yeow. Mr. Yong Wai Hong is an executive Director. Emcom Limited is a party acting in concert with Modern China Holdings Limited under section 317(1)(a) of the SFO. Therefore, Emcom Limited is deemed to be interested in 1,642,316,000 Shares. Emcom Limited is beneficially interested in 1,490,632,000 Shares or 54.82% of the issued share capital of the Company.
- Jolly King Limited holds 75% interest in Emcom Limited and is therefore entitled to exercise or control the exercise of one-third or more of the voting power of Emcom Limited. The entire issued share capital of Jolly King Limited is held by Mr. Phang Wah. By virtue of the SFO, Jolly King Limited and Mr. Phang Wah are deemed to be interested in 1,642,316,000 Shares.
- Modern China Holdings Limited is wholly and beneficially owned by Mr. Chen Jijin who was formerly the chairman and an executive Director. Modern China Holdings Limited is a party acting in concert with Emcom Limited under section 317(1)(a) of the SFO. Therefore, Modern China Holdings Limited is deemed to be interested in 1,642,316,000 Shares. Modern China Holdings Limited is beneficially interested in 151,684,000 Shares or 5.58% of the issued share capital of the Company.
- Beauvoir Holdings Limited is wholly and beneficially owned by Mr. Tsang Chi Man.
- These 10,500,000,000 Shares are the underlying Shares which are issuable to Mr. Lee Kwok Ning, Lobo or his nominee (assuming full conversion of the convertible note in the principal amount of HK\$105,000,000) pursuant to the major and connected transaction more particularly described in the Company's circular dated 23 June 2008.
- These 4,500,000,000 Shares are the underlying Shares which are issuable to Ms. Lin Wai Yan or her nominee (assuming full conversion of the convertible note in the principal amount of HK\$45,000,000) pursuant to the major and connected transaction more particularly described in the Company's circular dated 23 June 2008.

Save as disclosed above, as at 30 June 2008, the Directors are not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short in the Shares or underlying Shares (i) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or (ii) who is expected, directly and indirectly, 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 member of the Group or (iii) which were required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

## SHARE OPTIONS SCHEME

The Company's share option scheme was adopted pursuant to written resolutions passed on 19 October 2002 (the "Scheme") for the primary purpose of providing incentives to directors, eligible employees and participants who have contributed to the Group, and will expire in 12 November 2012. Under the Scheme, the board of directors of the Company may grant options to full-time or part-time employees including directors (executive and non-executive) and any advisor, consultant, supplier, distributor, contractor, agent, business partner, promoter, service provider or customer of the Company or any of its subsidiaries, to subscribe for shares in the Company.

The following share options were outstanding under the Scheme during the year:

Category	Date of grant	Number of options held as at 1 April 2008	Number of options granted during the period	Number of options lapsed during the period	Number of options held as at 30 June 2008	Exercise price HK\$	Exercise period
Directors	3 Oct 2007	600,000	-	-	600,000	0.312	3 Oct 2008 - 3 Oct 2012
Employees	3 Oct 2007	2,264,000	-	-	2,264,000	0.312	3 Oct 2008 - 3 Oct 2012
Advisors	3 Oct 2007	9,296,000	-	-	9,296,000	0.312	3 Oct 2008 - 3 Oct 2012
		12,160,000	-	-	12,160,000		
Exercisable as at 30 June 2008					-		
Weighted average exercise price		HK\$0.312	-	-	HK\$0.312		

## DIRECTORS' AND EMPLOYEES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES" and "SHARE OPTIONS SCHEME" above, none of the Directors or employees of the Group or their associates were granted by the Company or its subsidiaries the rights to acquire shares or debentures of the Company or any other body corporate, or had exercised any such rights as at 30 June 2008.

## COMPETING INTEREST

None of the Directors, the management shareholders or the substantial shareholders of the Company, or any of their respective associates, has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interest with the Group.

## RELATED PARTY TRANSACTION

For the three months ended 30 June 2008, the Group paid rental expenses in the amount of approximately HK\$27,000 to a company which has a common shareholder with the Company (three months ended 30 June 2007: HK\$61,000).

## PURCHASE, SALE OR REDEMPTION OF SHARES

For the three months ended 30 June 2008, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.

## AUDIT COMMITTEE

The Company has established its audit committee (the "Committee") on 19 October 2002 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Committee are to review and supervise the financial reporting process and internal control system of the Group. The Committee comprises three independent non-executive Directors, namely Ms. Tsang Fung Chu (chairlady), Mr. Chan Cheong Yee and Mr. Wong Chi Keung Patrick. The Group's unaudited results for the three months ended 30 June 2008 have been reviewed by the Committee who was of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements and that adequate disclosures have been made.

## COMPLIANCE OF CODE FOR DIRECTORS' SECURITIES TRANSACTION

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no exacting than the required standard of dealings set out in Rule 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the three months ended 30 June 2008.

By order of the Board  
**Emcom International Limited**  
**Yong Wai Hong**  
*Chairman & Chief Executive Officer*

Hong Kong, 7 August 2008

*As at the date of this report, the Company's executive directors are Mr. Yong Wai Hong and Mr. Lam Kwok Ho and the Company's independent non-executive directors are Mr. Chan Cheong Yee, Ms. Tsang Fung Chu and Mr. Wong Chi Keung Patrick.*