



EMCOM INTERNATIONAL LIMITED

帝通國際有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8220

Third Quarterly Report
2008

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 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 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 and nine months ended 31 December 2008, together with the unaudited comparative figures for the corresponding period in 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Nine months ended 31 December		Three months ended 31 December	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Turnover	2	89,829	93,915	68,439	14,961
Cost of sales		(89,638)	(92,765)	(68,068)	(12,249)
Gross profit		191	1,150	371	2,712
Other revenues		3,215	3,480	2,493	226
Selling and distribution expenses		(34)	(220)	(12)	(51)
Administrative expenses	3	(25,784)	(14,374)	(12,445)	(6,877)
Impairment loss on inventories	4	(15,502)	-	(15,502)	-
Impairment loss on property, plant and equipment	5	(8,062)	-	(8,062)	-
Finance costs		(77)	(1,532)	-	(715)
Share of loss of a jointly controlled entity		(722)	(103)	(2)	(255)
Loss before taxation	6	(46,775)	(11,599)	(33,159)	(4,960)
Income tax	7	-	527	-	-
Loss for the period		(46,775)	(11,072)	(33,159)	(4,960)
Attributable to Equity shareholders of the Company		(45,473)	(10,836)	(32,457)	(4,724)
Minority interest		(1,302)	(236)	(702)	(236)
		(46,775)	(11,072)	(33,159)	(4,960)
Dividend	8	-	-	-	-
Loss per share					
- Basic (cent)	9	(1.68)	(0.66)	(1.19)	(0.19)
- Diluted (cent)	9	(1.67)	N/A	(1.19)	N/A

NOTES:

1. Basis of presentation

The unaudited condensed consolidated third quarterly results for the nine months ended 31 December 2008 have been prepared in accordance with the applicable disclosure requirements of the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and Chapter 18 of the GEM Listing Rules. The unaudited condensed consolidated third quarterly results are prepared on historical cost basis except for certain investment properties and financial instruments, which are measured at fair value (where applicable).

The principal accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated third quarterly results are consistent with those adopted in the annual financial statements of the Group for the year ended 31 March 2008. The Group's condensed consolidated third quarterly results are unaudited but have been reviewed by the Audit Committee of the Company.

2. Turnover

The Group's turnover represents the net invoiced value of goods sold, after allowance for returns and trade discount, when applicable. All significant intra-group transactions and balances have been eliminated on consolidation.

During the period under review, the Group is currently organised mainly into the following business segments – provision of telecommunication services ("Telecommunication"), sales of digital versatile disc players ("DVD Players"), sales and trading of telecommunication and electronic equipment, commodities, and computer hardware and relevant peripherals ("Trading"), and provision of property management services ("Property Management").

Turnover recognised during the three months and nine months ended 31 December 2008 are as follows:

	For the nine months ended 31 December		For the three months ended 31 December	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Turnover				
Telecommunication	75	2,947	(169)	2,947
Mobile Phones	-	75,134	-	2,247
DVD Players	1,492	13,065	2	8,048
Trading	88,191	-	68,535	-
Property Management	71	-	71	-
Others	-	2,769	-	1,719
Consolidated	89,829	93,915	68,439	14,961

3. Administrative expenses

During for the financial period under review, the Company was undergoing a substantial cost saving scheme improving the efficiency through adopting cost-saving measures, exploring potential resources, reduce labour costs, adjust and optimize the structure of the Group resources and to enhance the productivity, the Group has implemented the measure of layoff of labours (including voluntary layoff and termination of employment contract) approximately RMB4.5 million. It is believed that the efficiency of the Group will be restored through the reduction in labour cost gradually on an annual basis from 2009, and thus the objective of improving efficiency can be attained.

4. Impairment loss on inventories

During the financial period under review, the global market environments demonstrate a substantial adjustment and create an extreme negative impact on the electronic equipment manufacturing environment, the Group had made a provision for the impairment of the inventories of a PRC subsidiary with an amount approximately up to RMB15 million.

5. Impairment loss on property, plant and equipment

During the financial period under review, the global market environments demonstrate a substantial adjustment and create an extreme negative impact on the electronic equipment manufacturing environment, the Group had made a provision for the impairment of the property, plant and equipment of a PRC subsidiary with an amount approximately up to RMB8 million.

6. Loss before taxation

The Group's loss before taxation is arrived at after charging the following:

	For the nine months ended		For the three months ended	
	31 December		31 December	
	2008	2007	2008	2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on convertible note	77	690	-	690

7. Income Tax

No provision for Hong Kong Profit Tax has been provided as the Group had no estimated assessable profit for the three months and nine months ended 31 December 2008 (three months and nine months ended 31 December 2007: Nil).

The taxation in the condensed consolidated income statement represents the tax refund to a PRC subsidiary of the Company during the corresponding period under review last year.

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

8. Dividend

The Directors do not recommend the payment of a dividend for the nine months ended 31 December 2008 (nine months ended 31 December 2007: Nil).

9. Loss per share

The calculations of basic loss per share for the three months and nine months ended 31 December 2008 are based on the consolidated net loss attributable to equity shareholders of the Company for the three months and nine months ended 31 December 2008 of approximately HK\$32,457,000 and HK\$45,473,000 respectively (unaudited consolidated net loss attributable to equity shareholders of the Company for three months and nine months ended 31 December 2007: HK\$4,724,000 and HK\$10,836,000 respectively) and on the weighted average number of 2,718,980,253 ordinary shares and 2,711,125,708 ordinary shares in issue during the three months and nine months ended 31 December 2008 (three months and nine months ended 31 December 2007: 2,437,432,000 ordinary shares and 1,645,432,000 ordinary shares in issue respectively).

The calculations of diluted loss per share for the three months and nine months ended 31 December 2008 are based on the consolidated net loss attributable to equity shareholders of the Company for the three months and nine months ended 31 December 2008 of approximately HK\$32,457,000 and HK\$45,473,000 respectively (unaudited consolidated net loss attributable to equity shareholders of the Company for three months and nine months ended 31 December 2007: HK\$4,724,000 and HK\$10,836,000 respectively) and on the weighted average number of 2,737,494,253 ordinary shares and 2,729,639,708 ordinary shares in issue during the three months and nine months ended 31 December 2008 (three months and nine months ended 31 December 2007: 2,437,432,000 ordinary shares and 1,645,432,000 ordinary shares in issue respectively), after adjusting for the potential dilutive effect during the period from 1 April 2008 to 31 December 2008 in respect of outstanding share options.

10. Reserve

	Attributable to equity holders of the company									
	Share Capital	Share premium	Contributed surplus	Equity Component of convertible note	Share option reserve	Exchange reserve	Accumulated losses	Total	Minority Interest	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2007	6,374	50,295	3,930	-	-	2,373	(50,487)	12,485	-	12,485
Issue of new shares of HK\$0.01 each complete on 31 July 2007	18,000	12,600	-	-	-	-	-	30,600	-	30,600
Equity-settled share option arrangement	-	-	-	-	177	-	-	177	-	177
Issue of convertible note on 11 October 2007	-	-	-	12,154	-	-	-	12,154	-	12,154
Exchange difference arising from translation of financial statements of foreign operations	-	-	-	-	-	1,503	-	1,503	-	1,503
Net loss for the period	-	-	-	-	-	-	(10,836)	(10,836)	(236)	(11,072)
At 31 December 2007	24,374	62,895	3,930	12,154	177	3,876	(61,323)	46,083	(236)	45,847
At 1 April 2008	24,790	67,856	3,930	12,154	355	6,214	(77,554)	37,745	(121)	37,624
Conversion convertible notes to shares on 9 April 2008	2,400	60,000	-	(12,154)	-	-	-	50,246	-	50,246
Equity-settled share option arrangement	-	-	-	-	(355)	-	-	(355)	-	(355)
Exchange difference arising from translation of financial statements of foreign operations	-	-	-	-	-	(2,771)	-	(2,771)	-	(2,771)
Net loss for the period	-	-	-	-	-	-	(45,473)	(45,473)	603	(44,870)
At 31 December 2008	27,190	127,856	3,930	-	-	3,443	(123,027)	39,392	482	39,874

MANAGEMENT DISCUSSION AND ANALYSIS

General

During the period under review, the Group is currently organised mainly into the following business segments – telecommunication services (“Telecommunication”), digital versatile disc players (“DVD Players”), sales and trading of telecommunication and electronic equipment, commodities, and computer hardware and relevant peripherals (“Trading”), and provision of property management services (“Property Management”).

Financial Review

During the nine months ended 31 December 2008, the Group recorded a turnover of approximately HK\$89,829,000, representing decrease of approximately 4.4% as compared to corresponding period in 2007.

Net loss attributable to equity shareholders of the Company for the nine months ended 31 December 2008 was approximately HK\$45,473,000 while net loss for the corresponding period in 2007 was approximately HK\$10,836,000.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2008, the Group had total assets of approximately HK\$108,763,000 (31 March 2008: approximately HK\$116,368,000), including cash and bank balances of approximately HK\$15,377,000 (31 March 2008: approximately HK\$39,612,000). There was no pledged bank deposit as at 31 December 2008 (31 March 2008: Nil).

During the nine months ended 31 December 2008, the Group financed its operations mainly with its own working capital, proceeds from convertible note converting in new shares of the Company at the conversion price of HK\$0.26 per share in April 2008 and proceeds from top-up placing existing shares and top-up subscription new shares of the Company to be completed in 7 January 2009. As at 31 December 2008, there was no bank overdraft (31 March 2008: Nil) and there was no charge on the Group's assets (31 March 2008: Nil).

As at 31 December 2008, the debt ratio (defined as the ratio between total liabilities over total assets) was approximately 0.63 (31 March 2008: approximately 0.68).

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.

On 24 December 2008, the Company, Emcom Limited ("Emcom") and the placing agent entered into the top-up placing and subscription agreement, pursuant to which Emcom agreed to place 540 million existing Shares at a price of HK\$0.02 per top-up placing Share on a fully underwritten basis and agreed to subscribe for 540 million top-up subscription Shares at a price of HK\$0.02 per top-up subscription Share (the "Top-up Placing and Top-up Subscription"). The Top-up Placing and the Top-up Subscription is to be completed on 5 January 2009 and 7 January 2009 respectively, of which the gross proceeds from the Top-up Subscription will be approximately HK\$10,800,000 and the maximum net proceeds of approximately HK\$10,530,000 from the Top-up subscription will increase the working capital of the Company and also finance its further funding requirements pursuant to the Agreement entered into between the Easybuild Assets Management Limited, a wholly-owned subsidiary of the Company, and ISF Asset Manager Limited on 2 December 2008, details of which were disclosed in the announcement of the Company dated 3 December 2008. The details of the Top-up Placing and Top-up Subscription were/would be set out in an announcement dated 24 December 2008 and 7 January 2009 respectively.

Litigation

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 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 were 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 ("Legal Adviser") for the litigation ("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.

Following the legal opinion received on 30 July 2008 from the Legal Adviser, the Company and the Directors received the Amended Writ of Summons served by the solicitors of the Vendors on 4 September 2008, the Legal Adviser filed the Acknowledgment of Service of the Amended Writ of Summons on behalf of the Company on 5 September 2008; on 18 September 2008, by a Notice of Discontinuance the Vendor had wholly discontinued their action against Mr. Lam Kwok Ho, Ms. Tsang Fung Chu and Mr. Patrick Wong Chi Keung, from the Litigation, subsequently on 29 October 2008, the Vendor by another Notice of Discontinuance had further wholly discontinued

their action against Mr. Lee Pin Yeow and Jolly King Limited from the Litigation; on 30 October 2008 the Statement of Claim was served on the Company and the Directors. The Legal Adviser representing both the Company and Emcom Limited will obtain an extension of time from the court for the filing and service of the Company's defence (the "Defence") to 12 January 2009. According to the Legal Adviser, the Company's Defense will be filed and served on or before 12 January 2009.

According to the Legal Adviser, there is nothing critical that will cause them to amend their previous opinion as at 30 July 2008, the Company and the Directors are of the view that the Company has a very good defence to the Litigation and is seriously evaluating the potential counterclaim against the Vendor either in the Litigation or in a separate action and reserves the right to claim against the Vendor for any damages incurred. Details of the latest progress of the Litigation would be contained in the Company's announcement dated 17 January 2009.

Joint Venture Company and Acquisitions

On 5 November 2008, Sinoeye Limited ("SL"), an indirectly wholly-owned subsidiary of the Company, entered into a joint venture agreement with an independent third party to subscribe 49% shareholding of a joint venture company at not more than RMB2,450,000. The details of the transaction were set out in an announcement dated 5 November 2008.

On 2 December 2008, Easybuild Assets Management Limited (Easybuild"), a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party pursuant to which Easybuild agreed to acquire 100% shareholdings of GI Space Limited ("GI") and TY Space Limited ("TY") at HK\$6.8 million to be settled by way of issuing a promissory note. The details of the transaction were set out in an announcement dated 2 December 2008 and 19 December 2008 respectively and the circular dated 22 December 2008.

Operation Review and Prospects

For the period under review, the Trading business segment had been successfully launched and exceedingly expanded, while the business segments for Telecommunication, Mobiles Phones and DVD Players had been significantly scaled down due to the current difficult operating environments in China.

Following the acquisition of GI and TY, the Group will step in the business segment of provision of services in property management that is expected to contribute steady income to the Group immediately.

To take advantage of expanding business opportunities in the mobile note-books industry, the Group will reallocate and consolidate scarce financial resources and management time, and may close down or dispose its manufacturing facilities in China in due course.

With the above measures to re-position the Group itself, the Group is optimistic about its long term prospects.

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

As at 31 December 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 Directors	Nature of interest	Number of Shares held	Approximate percentage of issued share capital of the Company
Mr. Yong Wai Hong (<i>Note 1</i>)	Interest of controlled corporation	1,640,500,000	50.34%
Mr. Lam Kwok Ho	Beneficial owner	16,000	0.00%

Note:

- Mr. Yong Wai Hong is deemed to be interested in 1,640,500,000 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 1,488,816,000 Shares or 45.68% of the issued share capital of the Company. Pursuant to the top-up placing and subscription agreement dated 24 December 2008, Emcom Limited agreed to place 540 million existing shares of the Company and agreed to subscribe for 540 million new shares of the Company.
- It was based on the enlarged share capital of the Company after top-up placing 540 million existing shares of the Company and top-up subscription 540 million new shares of the Company. The details of the Top-up Placing and Top-up Subscription were/would be set out in an announcement dated 24 December 2008 and 7 January 2009 respectively.

(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 31 December 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 cancelled during the period	Number of options held as at 31 December 2008	Exercise price HK\$	Exercise period
Mr. Yong Wai Hong	30 Dec 2008	-	2,700,000	-	2,700,000	0.027	30 Dec 2008 - 29 Dec 2011
Mr. Lam Kwok Ho	30 Dec 2008	200,000	2,700,000	200,000	2,700,000	0.027	30 Dec 2008 - 29 Dec 2011
Mr. Chan Cheong Yee	30 Dec 2008	200,000	2,700,000	200,000	2,700,000	0.027	30 Dec 2008 - 29 Dec 2011
Ms. Tsang Fung Chu	30 Dec 2008	200,000	2,700,000	200,000	2,700,000	0.027	30 Dec 2008 - 29 Dec 2011
Mr. Wong Chi Keung Patrick	30 Dec 2008	-	2,700,000	-	2,700,000	0.027	30 Dec 2008 - 29 Dec 2011

Save as disclosed above, as at 31 December 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 31 December 2008, the following person (not being Directors or chief executive of the Company) 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:

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>	1,640,500,000	50.34%
Jolly King Limited <i>(Note 2)</i>	1,640,500,000	50.34%
Mr. Phang Wah <i>(Note 2)</i>	1,640,500,000	50.34%
Modern China Holdings Limited <i>(Note 3)</i>	1,640,500,000	50.34%
Mr. Chen Jijin <i>(Note 3)</i>	1,640,500,000	50.34%
Beauvoir Holdings Limited <i>(Note 4)</i>	240,000,000	7.36%
Mr. Tsang Chi Man <i>(Note 4)</i>	240,000,000	7.36%
Ms. Lai Mei Kuen Michelle <i>(Note 5)</i>	270,000,000	8.28%

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 1,640,500,000 Shares. Emcom Limited is beneficially interested in 1,488,816,000 Shares or 45.68% 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 1,640,500,000 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 1,640,500,000 Shares. Modern China Holdings Limited is beneficially interested in 151,684,000 Shares or 4.65% of the issued share capital of the Company.
- Beauvoir Holdings Limited is wholly and beneficially owned by Mr. Tsang Chi Man.
- Ms. Lai Mei Kuen Michelle is beneficially interested in 2,500,000 share options and is also deemed to be interested in 2,500,000 share options through her spouse Mr. Leung Tze Hang David.
- It was based on the enlarged share capital of the Company after top-up placing 540 million existing shares of the Company and top-up subscription 540 million new shares of the Company. The details of the Top-up Placing and Top-up Subscription were/would be set out in an announcement dated 24 December 2008 and 7 January 2009 respectively.

Save as disclosed above, as at 31 December 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 period:

Category	Date of grant	Number of options held as at 1 April 2008	Number of options granted during the period	Number of options Cancelled/ lapsed during the period	Number of options held as at 31 December 2008	Exercise price HK\$	Exercise period
Directors	30 Dec 2008	600,000	13,500,000	600,000	13,500,000	0.027	30 Dec 2008 - 29 Dec 2011
Employees	30 Dec 2008	2,264,000	640,000	2,264,000	640,000	0.027	30 Dec 2008 - 29 Dec 2011
Advisors	30 Dec 2008	9,296,000	171,000,000	9,296,000	171,000,000	0.027	30 Dec 2008 - 29 Dec 2011
Total		12,160,000	185,140,000	12,160,000	185,140,000		

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 31 December 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 nine months ended 31 December 2008, the Group does not pay rental expenses to a company which has a common shareholder with the Company (nine months ended 31 December 2007: HK\$192,000).

PURCHASE, SALE OR REDEMPTION OF SHARES

For the nine months ended 31 December 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 nine months ended 31 December 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.

BOARD PRACTICES AND PROCEDURES

During the nine months ended 31 December 2008, the Company has complied with the requirement of board practices and procedures of Rule 5.34 of the GEM Listing Rules throughout the period under review, except for the Code Provision A.2.1 in Appendix 15 of the GEM Listing Rules which stipulates that the role of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Yong Wai Hong currently holds both positions. The board of directors (the "Board") believes that vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Company with strong and consistent leadership and allows for more effective planning and execution of long term business strategies.

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 nine months ended 31 December 2008.

By order of the Board

Emcom International Limited
Yong Wai Hong

Chairman & Chief Executive Officer

Hong Kong, 12 February 2009

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.