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EMCOM INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code:8220

First Quarterly Report 2009

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.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

The board of Directors (the "Board") announces that the unaudited consolidated statement of comprehensive loss of the Group for the three months ended 30 June 2009, together with comparative figures for the corresponding period in 2008 were as follows:

Continuing operations

	Notes	Three months ended 30 June	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Revenue	2	130,266	–
Cost of sales		(130,585)	–
Gross loss		(319)	–
Reimbursement from licensor		1,460	–
Other revenue and other net income	2	16	99
Gain on disposal of subsidiary	8	19,073	–
Selling expenses		(28)	–
Administrative and operating expenses		(7,607)	(5,268)
Share of results of associates		(32)	–
Finance cost	3	–	(77)
Profit/(loss) before taxation		12,563	(5,246)
Income tax	4	(158)	–
Profit/(loss) for the period from continuing operation		12,405	(5,246)
Discontinued operations			
Loss for the period from discontinued operations	9	(123)	(1,793)
Profit/(Loss) for the period		12,282	(7,039)
Profit/(Loss) attributable to:			
Equity holders of the Company		12,392	(7,032)
Non-controlling interests		(110)	(7)
		12,282	(7,039)

	Notes	Three months ended 30 June	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Profit/(Loss) per share (cents per share)	6		
From continuing and discontinued operations			
Basic		0.38	(0.26)
Diluted		0.37	N/A
From continuing operations			
Basic		0.38	(0.19)
Diluted		0.37	N/A
Other comprehensive loss:			
Exchange differences on translating foreign operations – unrealised net changes arising during the period		–	–
Available-for-sale investments:			
Change in fair value		–	–
Deferred tax arising from change in fair value		–	–
		–	–
Other comprehensive loss for the period, net of tax		–	–
Total comprehensive loss for the period		–	–
Total comprehensive loss attributable to:			
Equity holders of the Company		–	–
Non-controlling interests		–	–
		–	–

NOTES:

1. Basis of Preparation

The Group's unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosures requirements of the GEM Listing Rules and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an investment property, derivative financial instruments and equity investments, which have been measured at fair value. The unaudited consolidated results are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

The principal accounting policies applied in the preparation of the unaudited consolidated results are consistent with those adopted in the preparation of the annual consolidated financial statements of the Group for the year ended 31 March 2009.

In the current period, the Group has adopted a number of new and revised HKFRSs, which are effective for accounting periods beginning on or after 1 January 2009. The adoption of these new and revised HKFRSs had no material effect on the results or financial position of the Group for the current and/or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not applied the new and revised HKFRSs, which have been issued but are not yet effective, in the unaudited consolidated results. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has anticipated that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

The unaudited consolidated results have been reviewed by the audit committee of the Company.

2. REVENUE AND OTHER OPERATING INCOME

Revenue represents amount receivable for goods sold and services provided in the normal course of business, net of sales related taxes.

An analysis of the Group's revenue and other operating income is as follows:

	Three months ended 30 June	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Revenue		
Continuing operations		
Sales of goods	129,815	–
Rendering of services	451	–
	130,266	–
Discontinued operations		
Sales of goods	–	1,493
Rendering of services	–	115
	130,266	1,608
Other revenue and net income		
Continuing operations		
Interest income	1	99
Sundry income	15	–
	16	99
Discontinued operations		
Interest income	–	8
Sundry income	–	607
	–	615
	16	714

3. FINANCE COST

	Three months ended 30 June	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Finance cost		
Continuing operations		
Interest on convertible notes	-	77
Discontinued operations		
Interest on convertible notes	-	-
	-	77

4. INCOME TAX

	Three months ended 30 June	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Continuing operations		
Current tax	158	-
	158	-
Discontinued operations		
Current tax	-	-
	158	-

5. DIVIDEND

The Directors do not recommend the payment of any dividend for the three months ended 30 June 2009 (2008: Nil).

6. LOSS PER SHARE

(a) Basic

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

Basic profit/(loss) per share is calculated as follows:

	Three months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK Cent	HK Cent
Basic profit/(loss) per share		
From continuing operations	0.38	(0.19)
From discontinuing operations	–	(0.07)
Total basic profit/(loss) per share	0.38	(0.26)

Weighted average number of ordinary shares used in the calculation of basic profit/(loss) per share are as follows:

	Three months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit/(Loss) for the period from continuing operations used in the calculation of basic profit/(loss) per share	12,515	(5,246)
Loss for the period from discontinued operations used in the calculation of basic loss per share	(123)	(1,786)
Profit/(Loss) for the period attributable to equity holders of the Company	12,392	(7,032)
	2009	2008
Weighted average number of ordinary shares for the purpose of basic loss per share	3,258,980,253	2,695,243,989

(b) Diluted

Diluted profit/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Diluted profit/loss per share is calculated as follows:

	Three months ended 30 June	
	2009 (Unaudited) HK Cent	2008 (Unaudited) HK Cent
Basic profit/(loss) per share		
From continuing operations	0.38	(0.19)
From discontinuing operations	–	(0.07)
Total basic profit/(loss) per share	0.38	(0.26)

Weighted average number of ordinary shares used in the calculation of basic profit/(loss) per share are as follows:

	Three months ended 30 June	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Profit/(Loss) for the period from continuing operations used in the calculation of basic profit/(loss) per share	12,515	(5,246)
Loss for the period from discontinued operations used in the calculation of basic loss per share	(123)	(1,786)
Profit/(Loss) for the period attributable to equity holders of the Company	12,392	(7,032)
	2009	2008
Weighted average number of ordinary shares for the purpose of basic loss per share	3,258,980,253	2,695,243,989
Effect of dilutive potential ordinary shares in respect of the share options	74,057,063	N/A
Weighted average number of ordinary shares for the purpose of diluted loss per share	3,333,037,316	N/A

	2009 (Unaudited) HK Cent	2008 (Unaudited) HK Cent
Diluted profit/(loss) per share		
From continuing operations	0.37	N/A
From discontinuing operations	–	N/A
Total diluted profit/(loss) per share	0.37	N/A

7. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Equity component capital of convertible bonds HK\$'000	Share option reserve HK\$'000	Exchange reserve HK\$'000	Accumulated loss before MI HK\$'000	Total HK\$'000	Non controlling interests HK\$'000	Total HK\$'000
At 1 April 2008	24,790	67,856	3,930	12,154	355	6,214	(77,554)	37,745	(121)	37,624
Conversion from convertible note took place on 9 April 2008	2,400	60,000	–	(12,154)	–	–	–	50,246	–	50,246
Equity-settled share option arrangement	–	–	–	–	179	–	–	179	–	179
Exchange different arising from translation of financial statements of foreign operations	–	–	–	–	–	(1,348)	–	(1,348)	–	(1,348)
Loss for the period	–	–	–	–	–	–	(7,031)	(7,031)	(7)	(7,038)
At 30 June 2008	27,190	127,856	3,930	–	534	4,866	(84,585)	79,791	(128)	79,663
At 1 April 2009	32,590	132,897	3,930	–	2,644	3,714	(172,730)	3,045	232	3,277
Exchange different arising from translation of financial statements of foreign operations	–	–	–	–	–	(75)	–	(75)	–	(75)
Profit of the period	–	–	–	–	–	–	12,392	12,392	(110)	12,282
At 30 June 2009	32,590	132,897	3,930	–	2,644	3,639	(160,338)	15,362	122	15,484

8. GAIN ON DISPOSAL OF SUBSIDIARY

On 30 June 2009, the Board of Directors agreed to dispose the entire 100% shareholding interest in Photar International Limited ("Subsidiary"), which was sales of mobile phones and DVD players, at a gain on disposal of the Subsidiary amounted to HK\$19,073,000.

9. DISCONTINUED OPERATIONS

The combined results of the discontinued operations (i.e. Telecommunication, Mobile phones and DVD players) included in the consolidated income statement are set out below.

	Three months ended	
	30 June	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss for the period from discontinued operations		
Revenue	–	2,223
Expenses	(123)	(3,295)
Loss before taxation	(123)	(1,072)
Share of loss of a jointly controlled entity	–	(721)
	(123)	(1,793)

MANAGEMENT DISCUSSION AND ANALYSIS

General

the Group is principally organized into the business segments of continuing operations including sales and trading of telecommunication and electronic equipment, commodities, and computer hardware and relevant peripherals ("Trading"), and provision of property management services ("Property Management"); and the business segments of discontinuing operations comprising telecommunication services ("Telecommunication").

Financial review

During the three months ended 30 June 2009, the Group recorded a turnover of approximately HK\$130,266,000, compared to the corresponding period in 2008 of HK\$1,608,000.

For the three months ended 30 June 2009, the Group recorded gross loss of approximately HK\$336,000 (three months ended 30 June 2008: gross loss of HK\$336,000).

Profit attributable to shareholders of the Group for the three months ended 30 June 2009 was approximately HK\$12,392,000 (three months ended 30 June 2008: loss of HK\$7,032,000).

Operation review and outlook

During the period under review, the manufacturing segments had been finally discontinued and sold off. In the meantime, we have made significant progress in building our Trading business segment in China.

On 27 May 2009, the Company as purchaser entered into an agreement with Beglobal Investments Limited, a company incorporated in the British Virgin Islands and an independent third party of the Company, and Ryoden Property Development Company Limited, a company incorporated in Hong Kong and an independent third party of the Company (the "Vendors") (the "Agreement"), pursuant to which the Company has agreed to acquire and the Vendors have agreed to sell of the (i) 2 shares of US\$1.00 each in the share capital of the Harvest Yield Investments Limited, a company incorporated in the British Virgin Islands with limited liability ("Harvest"), representing the entire issued share capital in Harvest, which is beneficially owned by the Vendors in equal portion and (ii) the amounts equal to

the entirety of the face value of the loans outstanding as at completion of the Acquisition pursuant to the terms and conditions of the Agreement made by the Vendors to Harvest for a total consideration of HK\$300 million less the Outstanding Bank Loan. As at the date of the Agreement, the consideration amounts to HK\$153 million. The details of the transaction were set out in an announcement dated 4 June 2009 and the circular dated 20 July 2009.

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, the former Chairman and chief Executive Officer of the Company, 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 will 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 would 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 was filed and served on 12 January 2009.

According to the Legal Adviser there was 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 were contained in the Company's announcement dated 7 January 2009.

Connected Transaction

On 2 March 2009, the Company had entered into the Agreement as borrower with Alliance Global Capital Finance Limited (the "Lender"), a company incorporated in Hong Kong and was wholly and beneficially owned by Mr. Lam Kwok Ho ("Mr. Lam"), the former executive director of the Company, in relation to the advancement to the Company the Loan in the sum of HK\$6,000,000 in the form of a credit line. Since the Lender was wholly and beneficially owned by Mr. Lam and the deposit as security given by the Company, the entering into of the Agreement constituted a connected transaction on the part of the Company and was subject to the requirements under Chapter 20 of the GEM Listing Rules.

The Directors were in doubt of the nature of the transaction then and so had not made announcement as such at that time. The details of the transaction were set out in an announcement dated 15 July 2009.

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

As at 30 June 2009, 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 the 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	945,652,000	29.02%
Mr. Lam Kwok Ho (<i>Note 2</i>)	Beneficial owner	16,000	0.00%
Mr. Chong Lee Chang	Beneficial owner	32,263,905	0.99%

Note:

- Mr. Yong Wai Hong was the former Chairman, Chief Executive Officer and Executive Director of the Company and resigned on 18 April 2009. Mr. Yong Wai Hong is deemed to be interested in 945,652,000 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 793,968,000 Shares or approximately 24% of the issued share capital of the Company.
- Mr. Lam Kwok Ho was the former Executive Director of the Company and resigned on 28 July 2009.

(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 2009 were as follows:

Name of Director	Date of grant	Number of options held as at 1 April 2009	Number	Number	Number of options held as at 30 June 2009	Exercise price HK\$	Exercise period
			of options granted during the period	of options lapsed during the period			
Mr. Yong Wai Hong (Note 1)	30 Dec 2008	2,700,000	-	-	2,700,000	0.027	30 Dec 2008 – 29 Dec 2011
Mr. Lam Kwok Ho (Note 2)	30 Dec 2008	2,700,000	-	-	2,700,000	0.027	30 Dec 2008 – 29 Dec 2011
Mr. Chan Cheong Yee	30 Dec 2008	2,700,000	-	-	2,700,000	0.027	30 Dec 2008 – 29 Dec 2011
Ms. Tsang Fung Chu	30 Dec 2008	2,700,000	-	-	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

Note:

1. Mr. Yong Wai Hong was the former Chairman, Chief Executive Officer and Executive Director of the Company and resigned on 18 April 2009.
2. Mr. Lam Kwok Ho was the former Executive Director of the Company and resigned on 28 July 2009.

Save as disclosed above, as at 30 June 2009, 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 2009, 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>	945,652,000	29.02%
Jolly King Limited <i>(Note 2)</i>	945,652,000	29.02%
Mr. Phang Wah <i>(Note 2)</i>	945,652,000	29.02%
Modern China Holdings Limited <i>(Note 3)</i>	945,652,000	29.02%
Mr. Chen Jijin <i>(Note 3)</i>	945,652,000	29.02%
Shieldman Limited	220,240,095	6.76%
Beauvoir Holdings Limited <i>(Note 4)</i>	192,464,000	5.91%
Mr. Tsang Chi Man <i>(Note 4)</i>	192,464,000	5.91%

Notes:

1. 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 was the former Chairman, Chief Executive Officer and Executive Director of the Company and resigned on 18 April 2009. 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 945,652,000 Shares. Emcom Limited is beneficially interested in 793,968,000 Shares or approximately 24% of the issued share capital of the Company.
2. 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 945,652,000 Shares.
3. 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 945,652,000 Shares. Modern China Holdings Limited is beneficially interested in 151,684,000 Shares or 4.65% of the issued share capital of the Company.
4. Beauvoir Holdings Limited is wholly and beneficially owned by Mr. Tsang Chi Man.

Save as disclosed above, as at 30 June 2009, 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:

Name of Director	Date of grant	Number of options held as at 1 April 2009	Number of options granted during the period	Number of options lapsed during the period	Number of options held as at 30 June 2009	Exercise price HK\$	Exercise period
Directors	30 Dec2008	13,500,000	-	-	13,500,000	0.027	30 Dec 2008 – 29 Dec 2011
Employees	30 Dec2008	640,000	-	-	640,000	0.027	30 Dec 2008 – 29 Dec 2011
Advisors	30 Dec2008 and 24 Feb 2009	220,000,000	-	-	220,000,000	0.027 and 0.036	30 Dec 2008 – 29 Dec 2011/ 24 Feb 2009 – 23 Feb 2012
Total		234,140,000	-	-	234,140,000		

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 30 June 2009.

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 2009, the Group paid no rental expenses to a company which has a common shareholder with the Company (three months ended 30 June 2008: HK\$27,000).

PURCHASE, SALE OR REDEMPTION OF SHARES

For the three months ended 30 June 2009, 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. Wong Chi Keung Patrick, and Mr. Chong Lee Chang. The Group's unaudited results for the three months ended 30 June 2009 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 2009.

By order of the Board
Emcom International Limited
Chan Cheong Yee
Executive Director

Hong Kong, 14 August 2009

As at the date of this report, the Company's executive directors are Mr. Chan Cheong Yee and Mr. Keung Kwok Hung and the Company's independent non-executive directors are Ms. Tsang Fung Chu, Mr. Wong Chi Keung Patrick and Mr. Chong Lee Chang.