



## EMCOM INTERNATIONAL LIMITED

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

Interim 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.**

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*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.*

## CONTENTS

	<i>Pages</i>
Corporate Information	3
Condensed Consolidated Statement of Comprehensive Income	4-5
Condensed Consolidated Statement of Financial Position	6-7
Consolidated Statement of Changes in Equity	8
Condensed Consolidated Cash Flow Statement	9
Notes to Financial Statements	10-20
Management Discussion and Analysis	21-24
Other Information	25-30

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

*Executive Directors*  
Chan Cheong Yee  
Keung Kwok Hung  
Yik Chok Man

*Non-Executive Director*  
Chong Lee Chang

*Independent Non-Executive Directors*  
Chen Chou Mei Mei Vivien  
Leung Ka Kui Johnny  
Tsang Fung Chu  
Tsang Zee Ho Paul  
Wong Chi Keung Patrick

### AUDIT COMMITTEE

Leung Ka Kui Johnny  
Tsang Fung Chu  
Wong Chi Keung Patrick

### REMUNERATION COMMITTEE

Leung Ka Kui Johnny  
Tsang Fung Chu  
Wong Chi Keung Patrick

### AUTHORIZED REPRESENTATIVES

Chan Cheong Yee  
Keung Kwok Hung

### COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Keung Kwok Hung

### PRINCIPAL BANKERS

Fubon Bank Limited  
The Hong Kong and Shanghai Banking Corporation Limited

### AUDITORS

Graham H.Y. Chan & Co.  
*Certified Public Accountants*

### REGISTERED OFFICE

Cricket Square, Hutchins Drive  
P.O. Box 2681, Grand Cayman  
KY1-1111, Cayman Islands

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

30th Floor, Times Media Centre  
133 Wan Chai Road, Hong Kong

### SHARE REGISTRARS AND TRANSFER OFFICES

*Principal Registrar*

HSBC Trustee (Cayman) Limited  
P.O. Box 513 G.T. Strathvale House  
North Church Street, George Town  
Grand Cayman, Cayman Islands

*British West Indies*

Branch Registrar  
Tricor Tengis Limited  
26/F, Tesbury Centre  
28 Queen's Road East  
Wanchai, Hong Kong

### STOCK CODE

8220

### WEBSITE

<http://www.emcominternational.com>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 30 September	
		2009	2008
		HK\$'000	HK\$'000
	Notes	(Unaudited)	(Unaudited)
<b>Continuing operations</b>			
Turnover	2	294,719	19,656
Cost of sales		(292,439)	(19,137)
Gross profit		2,280	519
Reimbursement from licensor		3,003	–
Other revenue and other net income		21	108
Gain on disposal of subsidiary	3(a)	19,073	–
Selling expenses		(28)	–
Administrative expenses		(16,179)	(10,620)
Share of loss of associates		(55)	–
Finance costs		(188)	(77)
Profit/(loss) before taxation	3	7,927	(10,070)
Taxation	4	(317)	–
Profit/(loss) for the period from continuing operations		7,610	(10,070)
<b>Discontinued operations</b>			
Loss for the period from discontinued operations		(186)	(3,546)
Profit/(loss) for the period		7,424	(13,616)

		<b>For the six months ended 30 September</b>	
		<b>2009</b>	2008
		<b>HK\$'000</b>	HK\$'000
<i>Notes</i>		<b>(Unaudited)</b>	(Unaudited)
Attributable to:			
	Equity holders of the Company	<b>7,538</b>	(13,016)
	Non-controlling interests	<b>(114)</b>	(600)
<b>Profit/(loss) for the period</b>		<b>7,424</b>	(13,616)
	Dividend	5	–
Profit/(loss) per share (cents per share)			
From continuing and discontinued operations			
	Basic	<b>0.36</b>	(0.48)
	Diluted	<b>0.36</b>	N/A
From continuing operations			
	Basic	<b>0.37</b>	(0.48)
	Diluted	<b>0.37</b>	N/A
<b>Other comprehensive loss:</b>			
	Exchange differences on translating foreign operations – unrealized 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		–	–
<b>Total comprehensive loss for the period</b>		–	–
Total comprehensive loss attributable to:			
	Equity holders of the Company	–	–
	Non-controlling interests	–	–
		–	–

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 September 2009 HK\$'000 (Unaudited)	As at 31 March 2009 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		2,515	3,039
Goodwill		2,700	2,700
Deposit for acquisition of subsidiary		30,000	–
		<b>35,215</b>	5,739
<b>CURRENT ASSETS</b>			
Inventories		16,229	15,050
Trade receivables	7	2,549	5,395
Other receivables, deposits and prepayments		10,720	5,307
Security deposit to a related company		–	800
Pledged bank deposit		100	150
Bank balances and cash		9,416	15,324
		<b>39,014</b>	42,026
Assets classified as held for sale		248	578
		<b>39,262</b>	42,604
<b>CURRENT LIABILITIES</b>			
Trade payables	8	7,482	2,740
Other payables, accruals and deposits		20,349	20,899
Promissory note		–	900
Amount due to an associate		118	63
Amount due to non controlling interests		966	966
Tax payables		630	313
Finance obligation		93	–
		<b>29,638</b>	25,881
Liabilities associated with assets classified as held for sale		–	19,185
		<b>29,638</b>	45,066

<i>Notes</i>	<b>As at 30 September 2009 HK\$'000 (Unaudited)</b>	As at 31 March 2009 HK\$'000 (Audited)
	<b>9,624</b>	(2,462)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		
	<b>44,839</b>	3,277
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		
<b>NON-CURRENT LIABILITIES</b>		
Finance obligation	<b>(178)</b>	—
<b>NET ASSETS</b>	<b>44,661</b>	3,277
<b>CAPITAL AND RESERVES</b>		
Share capital	9	32,590
Reserves	<b>4,360</b>	(29,545)
Non controlling Interests	<b>240</b>	232
<b>TOTAL EQUITY</b>	<b>44,661</b>	3,277



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2009

	Share capital	Share premium	Contributed surplus	Equity component of convertible bonds	Share option reserve	Exchange reserve	Accumulated loss before Non-controlling interests	Total	Non controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	-	-	-	-	359	-	-	359	-	359
Exchange difference arising from translation of financial statements of foreign operations	-	-	-	-	-	(2,071)	-	(2,071)	-	(2,071)
Loss for the period	-	-	-	-	-	-	(13,016)	(13,016)	(36)	(13,052)
At 30 September 2008	27,190	127,856	3,930	-	714	4,143	(90,570)	73,263	(157)	73,306
At 1 April 2009	32,590	132,897	3,930	-	2,644	3,714	(172,730)	3,045	232	3,277
Share issued of HK\$0.02 each under share option scheme	1,471	4,043	-	-	(1,542)	-	-	3,972	-	3,972
Share consideration of HK\$0.02 each being the deposit for acquisition of subsidiary on 7 August 2009	6,000	24,000	-	-	-	-	-	30,000	-	30,000
Exchange different arising from translation of financial statements	-	-	-	-	-	(134)	-	(134)	-	(134)
Profit for the period	-	-	-	-	-	-	7,538	7,538	8	7,546
At 30 September 2009	40,061	160,940	3,930	-	1,102	3,580	(165,192)	44,421	240	44,661

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	<b>(8,542)</b>	(16,685)
Net cash used in investing activities	<b>(381)</b>	(2,029)
Net cash generated from financing activities	<b>3,072</b>	–
NET DECREASE IN CASH AND CASH EQUIVALENTS	<b>(5,851)</b>	(18,714)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<b>15,403</b>	39,612
EFFECT OF FOREIGN RATE EXCHANGES	<b>(136)</b>	(1,959)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>9,416</b>	18,939
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	<b>9,416</b>	18,939

## NOTES TO FINANCIAL STATEMENTS

### 1. Basis of Preparation and Significant Accounting Policies

The unaudited condensed consolidated financial statements for the six months ended 30 September 2009 have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM Listing Rules") of the Stock Exchange of Hong Kong Limited and with all applicable accounting standards issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong.

The accounting policies and methods of computation used in the preparation of the interim financial results are consistent with those used in the audited annual accounts for the year ended 31 March 2009.

#### **Adoption of New and Revised Hong Kong Financial Reporting Standards**

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 April 2009. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

## 2. Turnover and Segment Information

Turnover represents amount receivable for goods sold and services provided in the normal course of business.

### Turnover and results

For the six months ended 30 September 2009

	Continuing operations			Discontinued operations		Consolidation HK\$'000
	Property			Telecommunication HK\$'000	Sub-total HK\$'000	
	Trading HK\$'000	management HK\$'000	Sub-total HK\$'000			
Turnover						
External	293,783	936	294,719	-	-	294,719
Segment result	<u>(1,586)</u>	<u>(3,217)</u>	(4,803)	<u>(186)</u>	(186)	<u>(4,989)</u>
Interest income			1		-	1
Gain from disposal of subsidiary			19,073		-	19,073
Unallocated corporate expenses			<u>(6,101)</u>		<u>-</u>	<u>(6,101)</u>
Gain/(Loss) from operation			8,170		(186)	7,984
Finance cost			(188)		-	(188)
Share of loss of an associate			<u>(55)</u>		<u>-</u>	<u>(55)</u>
Gain/(Loss) before taxation			7,927		(186)	7,741
Taxation			(317)		-	(317)
Gain/(Loss) for the period			7,610		(186)	7,424

For the six months ended 30 September 2008

	Continuing operations			Discontinued operations			Consolidation
	Trading	Property management	Sub-total	DVD players	Telecommunication	Sub-total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover							
External	19,656	-	19,656	1,490	244	1,734	21,390
Segment result	<u>478</u>	<u>-</u>	<u>478</u>	<u>317</u>	<u>(2,695)</u>	<u>(2,378)</u>	<u>(1,900)</u>
Interest income			107			8	115
Unallocated corporate expenses			<u>(10,585)</u>			<u>(449)</u>	<u>(11,034)</u>
Loss from operation			(10,000)			(2,819)	(12,819)
Finance cost			(77)			-	(77)
Share of loss of a jointly controlled entity			<u>-</u>			<u>(720)</u>	<u>(720)</u>
Loss before taxation			(10,077)			(3,539)	(13,616)
Taxation			-			-	-
Loss for the period			<u>(10,077)</u>			<u>(3,539)</u>	<u>(13,616)</u>

**Consolidated Assets and Liabilities**

At 30 September 2009

	Continuing operations				Discontinued operations		Consolidation HK\$'000
	Trading HK\$'000	Property		Sub-total HK\$'000	Telecommunication HK\$'000	Sub-total HK\$'000	
		management HK\$'000	Other HK\$'000				
<b>ASSETS</b>							
Segment assets	29,021	7,406	–	36,427	3,898	3,898	40,325
Unallocated corporate assets				<u>34,152</u>		<u>–</u>	<u>34,152</u>
Consolidated total assets				70,579		3,898	74,477
<b>LIABILITIES</b>							
Segment liabilities	18,942	7,254	–	26,196	235	235	26,431
Unallocated corporate liabilities				<u>3,385</u>		<u>–</u>	<u>3,385</u>
Consolidated total liabilities				29,581		235	29,816
<b>OTHER INFORMATION</b>							
Segment capital expenditure	55	295	16	366	–	–	366
Segment depreciation and amortization	205	33	271	509	132	132	641
Loss/(gain) on disposal of property, plant and equipment	776	–	–	776	(9)	(9)	767
Gain on disposal of subsidiary	–	–	(19,073)	(19,073)	–	–	(19,073)
Impairment on other receivables, deposits and prepayment	–	–	123	<u>123</u>	–	<u>–</u>	<u>123</u>

**Consolidated Assets and Liabilities***At 30 September 2008*

	Continuing operations				Discontinued operations			Consolidation HK\$'000
	Trading HK\$'000	Property		Sub-total HK\$'000	DVD players HK\$'000	Tele-	Sub-total HK\$'000	
		management HK\$'000	Other HK\$'000			communication HK\$'000		
<b>ASSETS</b>								
Segment assets	13,147	-	-	13,147	13,985	4,126	18,111	31,258
Interest in a jointly controlled entity				-			18,951	18,951
Unallocated corporate assets				35,792			81	35,873
Consolidated total assets				48,939			37,143	86,082
<b>LIABILITIES</b>								
Segment liabilities	5,457	-	-	5,457	4,159	103	4,262	9,719
Unallocated corporate liabilities				3,161			96	3,257
Consolidated total liabilities				8,618			4,358	12,976
<b>OTHER INFORMATION</b>								
Segment capital expenditure	-	-	3,654	3,654	-	3,047	3,047	6,701
Segment depreciation and amortization	78	-	681	759	166	181	347	1,106
Loss on disposal of property, plant and equipment	-	-	-	-	-	458	458	458

**Geographical Segments***For the six months ended 30 September 2009*

	The PRC (including Hong Kong) HK\$'000	Taiwan HK\$'000	Singapore HK\$'000	Indonesia HK\$'000	Others HK\$'000	Consolidation HK\$'000
Turnover						
External	8,668	722	153,270	132,059	–	294,719
Other Segment Information						
Segment asset	74,477	–	–	–	–	74,477
Capital expenditure	366	–	–	–	–	366

*For the six months ended 30 September 2008*

	The PRC (including Hong Kong) HK\$'000	Taiwan HK\$'000	Singapore HK\$'000	Indonesia HK\$'000	Others HK\$'000	Consolidation HK\$'000
Turnover						
External	1,490	19,656	244	–	–	21,390
Other Segment Information						
Segment assets	85,385	–	687	–	–	86,072
Capital expenditure	3,654	–	3,047	–	–	6,701



### 3. Profit/(loss) before taxation

Profit/(loss) before taxation is stated after charging/(crediting) the following:

	For the six months ended 30 September	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Interest on convertible bonds	–	77
Depreciation	641	1,106
Loss on disposal of property, plant and equipment	767	–
Impairment on receivables and deposits	123	–
Gain on disposal of subsidiary (Note (a))	(19,073)	–

- (a) On 30 June 2009, the Board of Directors agreed to dispose the entire 100% shareholding interest in Photar International Limited (“Subsidiary”) at a gain on disposal of the Subsidiary amounted to HK\$19,073,000.

### 4. Income Tax

Provision for Hong Kong Profit Tax has been calculated at the rate of 16.5% based on the estimated assessable profit for the six months ended 30 September 2009 (six months ended 30 September 2008: Nil).

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

### 5. Dividend

The directors do not recommend the payment of a dividend for the six months ended 30 September 2009 (six months ended 30 September 2008: Nil).

## 6. Profit/(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 averaged number of ordinary shares in issue during the period.

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

	<b>For the six months ended 30 September</b>	
	<b>2009</b>	2008
	<b>HK Cent</b>	HK Cent
	<b>(Unaudited)</b>	(Unaudited)
Basic profit/(loss) per share		
From continuing operations	<b>0.37</b>	(0.48)
From discontinuing operations	<b>(0.01)</b>	–
Total basic profit/(loss) per share	<b>0.36</b>	(0.48)

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

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Profit/(loss) for the period from continuing operations used in the calculation of basic profit/(loss) per share	<b>7,610</b>	(10,070)
Loss for the period from discontinued operations used in the calculation of basic loss per share	<b>(186)</b>	(3,546)
Profit/(loss) for the period attributable to equity holders of the Company	<b>7,424</b>	(13,616)
	<b>2009</b>	2008
Weighted average number of ordinary shares for the purpose of basic profit/(loss) per share	<b>2,044,605,763</b>	2,707,176,974

**(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:

	<b>For the six months ended 30 September</b>	
	<b>2009</b>	2008
	<i>HK Cent</i>	<i>HK Cent</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>Diluted profit/(loss) per share</b>		
From continuing operations	<b>0.37</b>	N/A
From discontinuing operations	<b>(0.01)</b>	N/A
<b>Total diluted profit per share</b>	<b>0.36</b>	N/A

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

	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Profit/(loss) for the period from continuing operations used in the calculation of basic profit/(loss) per share	<b>7,610</b>	(10,070)
Loss for the period from discontinued operations used in the calculation of basic loss per share	<b>(186)</b>	(3,546)
<b>Profit/(loss) for the period attributable to equity holders of the Company</b>	<b>7,424</b>	(13,616)
	<b>2009</b>	2008
Weighted average number of ordinary shares for the purpose of basic profit/(loss) per share	<b>2,044,605,763</b>	2,707,176,974
Effect of dilutive potential ordinary shares in respect of the share options	<b>5,980,856</b>	N/A
<b>Weighted average number of ordinary shares for the purpose of diluted profit/(loss) per share</b>	<b>2,050,586,619</b>	N/A

## 7. Trade Receivables

The credit period granted by the Group to its customers is normally 60-90 days.

The aging of the Group's trade receivables in analysed as follows:

	<b>As at 30 September 2009 HK\$'000 (Unaudited)</b>	As at 31 March 2009 HK\$'000 (Audited)
Within 30 days	793	702
31 – 60 days	6	81
61 – 90 days	36	42
Over 90 days	1,714	4,570
	<b>2,549</b>	5,395

## 8. Trade Payables

The aging of the Group's trade receivables in analysed as follows:

	<b>As at 30 September 2009 HK\$'000 (Unaudited)</b>	As at 31 March 2009 HK\$'000 (Audited)
Within 30 days	2,684	2,680
31 – 60 days	72	–
61 – 90 days	4,530	60
Over 90 days	196	7,544
	<b>7,482</b>	10,284

## 9. Share Capital

	As at 30 September 2009 (Unaudited)		As at 31 March 2009 (Audited)	
	No of shares '000	Amount HK\$'000	No of shares '000	Amount HK\$'000
<i>Authorised:</i>				
Beginning of the period/year				
Shares of HK\$0.01 each	10,000,000	100,000	10,000,000	100,000
Consolidation of share from 2 old shares into one consolidated share ("Consolidated Share")	(5,000,000)	-	-	-
End of the period/year				
Shares of HK\$0.02 each	5,000,000	100,000	10,000,000	100,000
<i>Issued and fully paid:</i>				
At the beginning of the period/year	3,258,980	32,590	2,478,980	24,790
Conversion of convertible note	-	-	240,000	2,400
Placing of new shares	-	-	540,000	5,400
Share allotment under share option scheme before share consolidation	66,898	669	-	-
Share allotment under share option scheme after share consolidation	40,100	802	-	-
Share consolidation	(1,662,939)	-	-	-
Share consideration for the deposit of acquisition of subsidiary	300,000	6,000	-	-
At the end of the period/year	2,003,039	40,061	3,258,980	32,590

## 10. Operating lease commitments

	As at 30 September 2009 HK\$'000 (Unaudited)	As at 31 March 2009 HK\$'000 (Unaudited)
Within one year	552	1,708
In the second to fifth year, inclusive	36	703
	<b>588</b>	<b>2,411</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### GENERAL

During the six months ended 30 September 2009 (the "Period"), Emcom International Limited (the "Company") and its subsidiaries (collectively, the "Group") was principally engaged in 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 Period, the Group recorded a total turnover of approximately HK\$294,719,000, representing increase of approximately 1,278% as compared with HK\$21,390,000 for the period ended 30 September 2008.

Profit attributable to shareholders for the Period was approximately HK\$7,538,000 compared with a loss of HK\$13,016,000 for the period ended 30 September 2008.

### LIQUIDITY

As at 30 September 2009, the Group had total assets of approximately HK\$74,477,000 (31 March 2009: approximately HK\$48,343,000), including cash and cash equivalents of approximately HK\$9,416,000 (31 March 2009: approximately HK\$15,324,000). There was pledged bank deposit of HK\$100,000 (31 March 2009: HK\$150,000).

During the Period, the Group financed its operations mainly with its own working capital. As at 30 September 2009, the Group did not have any bank overdraft (31 March 2009: Nil) and there was no other charge on the Group's assets (31 March 2009: Nil).

As at 30 September 2009, the debt ratio (defined as the ratio between total liabilities over total assets) was approximately 0.40 (31 March 2009: approximately 0.93).

On 2 October 2009, the Company entered into a top-up placing and subscription agreement with its placing agent, pursuant to which the Company agreed to place 150 million existing shares at a price of HK\$0.1 per top-up placing share and to subscribe for 150 million top-up subscription shares at a price of HK\$0.1 per top-up subscription share (the "Top-up Placing and Top-up Subscription"). The Top-up Placing and Top-up Subscription was completed on 14 October 2009, of which the gross proceeds from the Top-up Subscription were approximately HK\$15,000,000 and the net proceeds from the Top-up Subscription were approximately HK\$14,700,000. Such amount of proceeds increases the working capital of the Company and enhances the liquidity strength of the Group.

## LITIGATION

On 6 May 2008, the Company entered into a conditional sale and purchase agreement (the "Conditional 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 "Mr. Lee and Ms. Lin") 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 Mr. Lee and Ms. Lin 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 Mr. Lee and Ms. Lin for approximately HK\$180,000,000 alleging the breach of the Conditional 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 defence to the Litigation and further advises the Company to vigorously contest the Litigation once the writ is served by the solicitors representing Mr. Lee and Ms. Lin.

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 Mr. Lee and Ms. Lin 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 Mr. Lee and Ms. Lin 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, Mr. Lee and Ms. Lin 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 Defence 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 Mr. Lee and Ms. Lin either in the Litigation or in a separate action and reserves the right to claim against Mr. Lee and Ms. Lin for any damages incurred. Details of the latest progress of the Litigation were contained in the Company's announcement dated 7 January 2009.

## **FOREIGN EXCHANGE EXPOSURE**

The Group's transactions during the Period were mainly denominated in Renminbi, Hong Kong dollars and United States dollars. Based on the exchange fluctuation during the Period, the risk of fluctuation in exchange rates was considered insignificant to the Group.

## **EMPLOYEES**

As at 30 September 2009, the Group had 65 (31 March 2009: 32) staff in the Hong Kong and the People's Republic of China (the "PRC"). Total staff costs including directors' remuneration were approximately HK\$4,928,000 during the Period (30 September 2008: HK\$4,040,000).

## **CONTINGENT LIABILITIES**

As at 30 September 2009, the Group had no significant contingent liabilities (31 March 2009: Nil).

## **COMMITMENTS**

As at 30 September 2009, the Group had capital commitments of approximately HK\$5,255,000 (31 March 2009: HK\$5,255,000).

Details of the Group's operating lease commitments are set out in note 10 to the condensed consolidated interim financial information of the Group for the six months ended 30 September 2009.



## OPERATION REVIEW AND PROSPECTS

During the Period under review, the Group had continued its business of Trading and Property Management. For the Period, the Group recorded a total of approximately HK\$294,719,000 (30 September 2008: HK\$21,390,000). Profit attributable to shareholders was approximately HK\$7,538,000 (30 September 2008: loss of HK\$13,016,000).

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 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. The Acquisition was completed on 7 October 2009. Following the completion, the Group beneficially owns the entire interest of the shopping mall named "Granville Identity" or "gi", located at No.34 and 36, Granville Road, Tsimshatsui, Kowloon, Hong Kong with a gross floor area of 1,526.20 square meters (the "Property").

The Group considers that it is in the benefits of the Company to seek for suitable investment opportunities and broaden its sources of income. The Group believes that the rental income from the Property will generate stable income for the Group and will also broaden its sources of income. In addition, the Property represents an excellent investment opportunity as the Company can benefit from the gain in value of the Property as the Hong Kong property market grows.

## SUBSEQUENT EVENTS

Subsequent to 30 September 2009, the following significant events took place:

- (i) On 2 October 2009, the Company entered into a top-up placing and subscription agreement with its placing agent, pursuant to which the Company agreed to place 150 million existing shares at a price of HK\$0.1 per top-up placing share and to subscribe for 150 million top-up subscription shares at a price of HK\$0.1 per top-up subscription share (the "Top-up Placing and Top-up Subscription"). The Top-up Placing and Top-up Subscription was completed on 14 October 2009, of which the gross proceeds from the Top-up Subscription were approximately HK\$15,000,000 and the net proceeds from the Top-up Subscription were approximately HK\$14,700,000.
- (ii) On 7 October 2009, the acquisition of the sale shares and sale debt of Harvest was completed.

## OTHER INFORMATION

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

As at 30 September 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 (note 2)
Mr. Chan Cheong Yee	Beneficial owner	10,000	0.00%
Mr. Chong Lee Chang (note 1)	Beneficial owner	133,131,999	6.65%
Ms. Tsang Fung Chu	Beneficial owner	1,350,000	0.07%
Mr. Wong Chi Keung, Patrick	Beneficial owner	1,350,000	0.07%

Note:

1. Mr. Chong Lee Chang had been re-designated from an Independent Non-Executive Director to a Non-Executive Director of the Company with effect from 10 September 2009. He had personally owned 16,131,952 Shares and had been deemed to be interested in 117,000,047 shares through his beneficial interest in 100% of the entire issued share capital of Shieldman Limited.
2. The total number of the issued share capital of the Company as at 30 September 2009 was 2,003,039,126.

**(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 September 2009 were as follows:

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 exercised/lapsed during the Period	Number of options held as at 30 September 2009	Exercise price	Exercise period HK\$
Mr. Chan Cheong Yee	30 Dec 2008	2,700,000	-	(2,700,000)	-	0.054	30 Dec 2008 – 29 Dec 2011
	26 Aug 2009	-	10,000,000	-	10,000,000	0.1012	26 Aug 2009 – 25 Aug 2012
Mr. Keung Kwok Hung	26 Aug 2009	-	8,000,000	-	8,000,000	0.1012	26 Aug 2009 – 25 Aug 2012
Mr. Tsang Fung Chu	30 Dec 2008	2,700,000	-	(2,700,000)	-	0.054	30 Dec 2008 – 29 Dec 2011
Mr. Wong Chi Keung Patrick	30 Dec 2008	2,700,000	-	(2,700,000)	-	0.054	30 Dec 2008 – 29 Dec 2011

Save as disclosed above, as at 30 September 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 September 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
Mega Charming Limited	300,000,000	14.98%
Emcom Limited ( <i>Note 1</i> )	279,826,000	13.97%
Jolly King Limited ( <i>Note 2</i> )	279,826,000	13.97%
Mr. Phang Wah ( <i>Note 2</i> )	279,826,000	13.97%
Modern China Holdings Limited ( <i>Note 3</i> )	279,826,000	13.97%
Mr. Chen Jijin ( <i>Note 3</i> )	279,826,000	13.97%
Shieldman Limited	117,000,047	5.84%

#### 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 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 279,826,000 Consolidated Shares. Emcom Limited is beneficially interested in 203,984,000 Consolidated Shares or approximately 10.18% 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 279,826,000 Consolidated 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 279,826,000 Consolidated Shares. Modern China Holdings Limited is beneficially interested in 75,842,000 Consolidated Shares or 3.79% of the issued share capital of the Company.

## 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 adviser, 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:

Grantees	Date of grant	Number of options held as at 1 April 2009	Number of options granted during the Period	Number of options lapsed/consolidated/exercised during the Period	Number of options held as at 30 September 2009	Exercise price HK\$	Exercise period
Directors	30 Dec 2008	8,100,000	-	(8,100,000)	-	0.054	30 Dec 2008 – 29 Dec 2011
	26 Aug 2009	-	18,000,000	-	18,000,000	0.1012	26 Aug 2009 – 25 Aug 2012
Former directors	30 Dec 2008	5,400,000	-	(5,400,000)	-	0.054	30 Dec 2008 – 29 Dec 2011
Employees	30 Dec 2008	640,000	-	(619,000)	21,000	0.054	30 Dec 2008 – 29 Dec 2011
Advisers	30 Dec 2008	171,000,000	-	(152,000,000)	19,000,000	0.054	30 Dec 2008 – 29 Dec 2011
	24 Feb 2009	49,000,000	-	(24,500,000)	24,500,000	0.072	24 Feb 2009 – 23 Feb 2012
	26 Aug 2009	-	146,500,000	-	146,500,000	0.1012	26 Aug 2009 – 25 Aug 2012
<b>Total</b>		<b>234,140,000</b>	<b>164,500,000</b>	<b>(190,619,000)</b>	<b>208,021,000</b>		

## **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 September 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 six months ended 30 September 2009, the Group had no transactions entered into with related parties (six months ended 30 September 2008: Nil).

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

For the six months ended 30 September 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. Leung Ka Kui Johnny. The Group's unaudited results for the six months ended 30 September 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 six months ended 30 September 2009. An independent non-executive Director, Ms. Chen Chou Mei Mei, Vivien has inadvertently and unintentionally acquired 500,000 shares of the Company on 28 October 2009, which did not fully comply with Rule 5.56 of the GEM Listing Rules. In such consideration, the Company has explained to all the Directors the standard and requirements to be complied with in securities dealings to ensure no recurrence of such similar event.

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

Hong Kong, 9 November 2009

*As at the date of this report, the Company's executive directors are Mr. Chan Cheong Yee, Mr. Keung Kwok Hung and Mr. Yik Chok Man and the Company's non-executive director is Mr. Chong Lee Chang and the Company's independent non-executive directors are Ms. Chen Chou Mei Mei Vivien, Mr. Leung Ka Kui Johnny, Ms. Tsang Fung Chu, Mr. Tsang Zee Ho Paul and Mr. Wong Chi Keung Patrick.*