

e-KONG Group Limited

Interim Report 2005

Looking ahead

e-KONG

Corporate Information

Board of Directors

Executive Directors

Mr. Richard John Siemens (*Chairman*)

Mr. Kuldeep Saran (*Deputy Chairman*)

Mr. Lim Shyang Guey

Non-executive Director

Mr. William Bruce Hicks

Independent Non-executive Directors

Mr. Shane Frederick Weir

Mr. Matthew Brian Rosenberg

Mr. John William Crawford J.P.

Company Secretary

Mr. Lau Wai Ming Raymond

Auditors

Moores Rowland Mazars

Chartered Accountants

Certified Public Accountants

Legal Advisers

Deacons

Angela Wang & Co.

Conyers Dill & Pearman

Bankers

The Hongkong and Shanghai Banking Corporation Limited

Bank of China (Hong Kong) Limited

DBS Bank Limited

The Bancorp Bank

Registered Office

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Principal Office

3805 Tower II, Lippo Centre

89 Queensway

Hong Kong

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Stock Codes

Hong Kong Stock Exchange: 524

Ticker Symbol for ADR: EKONY

CUSIP Reference Number: 26856N109

Website Address

www.e-kong.com

Share Registrar

Butterfield Fund Services (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

Hong Kong Branch Share Registrar

Secretaries Limited

G/F Bank of East Asia Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

ADR Depository

The Bank of New York

101 Barclay Street, 22nd Floor

New York, NY 10286

USA

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Condensed Consolidated Income Statement

The board of directors (the “Board”) of e-Kong Group Limited (the “Company”) is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2005, together with comparative figures for the corresponding period in 2004. The results were unaudited but have been reviewed by the Company’s Audit Committee and the Company’s auditors.

	Notes	Six months ended 30 June	
		2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Turnover	2	192,354	201,456
Cost of sales		<u>(120,918)</u>	<u>(126,754)</u>
Gross profit		71,436	74,702
Other revenue	3	<u>244</u>	<u>474</u>
		71,680	75,176
Distribution costs		(18,527)	(20,235)
Business promotion and marketing expenses		(1,297)	(3,434)
Operating and administrative expenses		(38,273)	(43,707)
Depreciation and amortisation		<u>(2,391)</u>	<u>(25,508)</u>
Profit / (Loss) from operations		11,192	(17,708)
Finance costs		<u>(18)</u>	<u>(22)</u>
Profit / (Loss) before taxation		11,174	(17,730)
Taxation	4	<u>—</u>	<u>—</u>
Profit / (Loss) for the period		<u>11,174</u>	<u>(17,730)</u>
Attributable to:			
Equity holders of the Company		11,174	(17,700)
Minority interests		<u>—</u>	<u>(30)</u>
		<u>11,174</u>	<u>(17,730)</u>
		<i>HK\$</i>	<i>HK\$</i>
Earnings / (Loss) per share	5		
Basic		<u>0.02</u>	<u>(0.04)</u>
Diluted		<u>N/A</u>	<u>N/A</u>
		<i>HK\$'000</i>	<i>HK\$'000</i>
EBITDA	6	<u>13,583</u>	<u>7,800</u>

Condensed Consolidated Balance Sheet

	<i>Notes</i>	As at 30 June 2005 (Unaudited) HK\$'000	As at 31 December 2004 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	7	7,771	7,916
Available-for-sale investments		1,894	1,894
Deferred tax assets		2,305	2,369
		<u>11,970</u>	<u>12,179</u>
Current assets			
Trade and other receivables	8	57,457	45,569
Pledged deposits		2,433	2,817
Bank balances and cash		43,159	44,377
		<u>103,049</u>	<u>92,763</u>
Current liabilities			
Trade and other payables	9	58,875	60,326
Current portion of obligations under finance leases		188	184
		<u>59,063</u>	<u>60,510</u>
Net current assets		<u>43,986</u>	<u>32,253</u>
Total assets less current liabilities		<u>55,956</u>	<u>44,432</u>
Long-term liabilities			
Obligations under finance leases		714	809
NET ASSETS		<u>55,242</u>	<u>43,623</u>
CAPITAL AND RESERVES			
Issued capital		4,709	4,709
Reserves		50,533	38,914
TOTAL EQUITY		<u>55,242</u>	<u>43,623</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2004

	Share capital (Unaudited) <i>HK\$'000</i>	Share premium (Unaudited) <i>HK\$'000</i>	Exchange reserve (Unaudited) <i>HK\$'000</i>	Capital redemption reserve (Unaudited) <i>HK\$'000</i>	Contributed surplus (Unaudited) <i>HK\$'000</i>	Accumulated losses (Unaudited) <i>HK\$'000</i>	Total equity (Unaudited) <i>HK\$'000</i>
As at 1 January 2004	4,709	23,461	—	6	607,462	(459,024)	176,614
Loss for the period	—	—	—	—	—	(17,700)	(17,700)
As at 30 June 2004	<u>4,709</u>	<u>23,461</u>	<u>—</u>	<u>6</u>	<u>607,462</u>	<u>(476,724)</u>	<u>158,914</u>

For the six months ended 30 June 2005

	Share capital (Unaudited) <i>HK\$'000</i>	Share premium (Unaudited) <i>HK\$'000</i>	Exchange reserve (Unaudited) <i>HK\$'000</i>	Capital redemption reserve (Unaudited) <i>HK\$'000</i>	Contributed surplus (Unaudited) <i>HK\$'000</i>	Accumulated losses (Unaudited) <i>HK\$'000</i>	Total equity (Unaudited) <i>HK\$'000</i>
As at 1 January 2005	4,709	23,461	(1,384)	6	607,462	(590,631)	43,623
Exchange difference on translation of foreign subsidiaries	—	—	445	—	—	—	445
Profit for the period	—	—	—	—	—	11,174	11,174
As at 30 June 2005	<u>4,709</u>	<u>23,461</u>	<u>(939)</u>	<u>6</u>	<u>607,462</u>	<u>(579,457)</u>	<u>55,242</u>

Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2005 (Unaudited) <i>HK\$'000</i>	2004 (Unaudited) <i>HK\$'000</i>
Net cash generated from operating activities	824	5,664
Net cash used in investing activities	(2,335)	(2,269)
Net cash used in financing activities	(91)	(112)
Net (decrease) / increase in cash and cash equivalents	(1,602)	3,283
Cash and cash equivalents as at 1 January	47,194	34,177
Cash and cash equivalents as at 30 June	45,592	37,460
Analysis of the balances of cash and cash equivalents		
Pledged deposits	2,433	3,153
Bank balances and cash	43,159	34,307
	45,592	37,460

Notes to the Condensed Financial Statements

For the six months ended 30 June 2005

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements are unaudited and have been prepared in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). They have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 December 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter, collectively, referred to as “new HKFRSs”) issued by the HKICPA that became effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in changes in presentation of the income statement, the balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Financial Instruments

In the current period, the Group has applied HKAS 32 “Financial Instruments: Disclosure and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement”. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the financial statements to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below.

Prior to 1 January 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 (“SSAP 24”). Under SSAP 24, investments in debt or equity securities were classified as “investment securities” or “other investments” as appropriate. Investment securities are carried at cost less impairment losses (if any) while other investments are measured at fair value, with realised/unrealised gains or losses included in the profit and loss account. From 1 January 2005 onwards, the Group has classified and measured its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as “financial assets at fair values through profit or loss”, “available-for-sale financial assets”, “loans and receivables” or “held-to-maturity financial assets”. “Financial assets at fair values through profit or loss” and “available-for-sale financial assets” are carried at fair values, with changes in fair values being recognised in profit or loss and equity. “Loans and receivables” and “held-to-maturity financial assets” are measured at amortised cost using the effective interest method.

As a result of the adoption of HKAS 39, the Group has reclassified its “investment securities” as “available-for-sale financial assets” and the recognised impairment losses in previous periods are not reversed through profit or loss. Accordingly, no adjustments to the previous carrying amounts of assets at 1 January 2005 have been required.

Share-based Payment

Under HKFRS 2 “Share-based Payment”, which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares (“equity-settled transactions”), or in exchange for other assets equivalent in value to given numbers of shares or rights over shares (“cash-settled transactions”). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors’ and employees’ share options of the Company determined at the date of grant of the share options over the relevant vesting periods to the profit and loss account. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of those share options until they were exercised. From 1 January 2005 onwards, the Group has applied HKFRS 2 to share options granted on or after 7 November 2002 and had not yet been vested on 1 January 2005. In relation to share options granted before 7 November 2002, the Group has not applied HKFRS 2 in accordance with the relevant transitional provisions. As at 30 June 2005, all share options of the Company had been granted before 7 November 2002 and, therefore, are not subject to the requirements of HKFRS 2.

Notes to the Condensed Financial Statements (continued)

For the six months ended 30 June 2005

2. TURNOVER AND SEGMENTAL INFORMATION

The analysis of the Group's turnover and results by business and geographical segments during the period is as follows:

(a) *by business segments:*

	Six months ended 30 June					
	2005			2004		
	Telecom- munications services (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000	Telecom- munications services (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Turnover						
External sales	<u>192,083</u>	<u>271</u>	<u>192,354</u>	<u>201,240</u>	<u>216</u>	<u>201,456</u>
Results						
Profit / (Loss) from operations	<u>19,587</u>	<u>26</u>	<u>19,613</u>	<u>(10,161)</u>	<u>(138)</u>	<u>(10,299)</u>
Finance costs			(18)			(22)
Other operating income and expenses			<u>(8,421)</u>			<u>(7,409)</u>
Profit / (Loss) for the period			<u>11,174</u>			<u>(17,730)</u>

(b) *by geographical segments:*

	Six months ended 30 June					
	2005			2004		
	North America (Unaudited) HK\$'000	Asia Pacific (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000	North America (Unaudited) HK\$'000	Asia Pacific (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Turnover						
External sales	<u>138,157</u>	<u>54,197</u>	<u>192,354</u>	<u>135,183</u>	<u>66,273</u>	<u>201,456</u>
Results						
Profit / (Loss) from operations	<u>9,963</u>	<u>9,650</u>	<u>19,613</u>	<u>(13,903)</u>	<u>3,604</u>	<u>(10,299)</u>
Finance costs			(18)			(22)
Other operating income and expenses			<u>(8,421)</u>			<u>(7,409)</u>
Profit / (Loss) for the period			<u>11,174</u>			<u>(17,730)</u>

3. OTHER REVENUE

	Six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Interest income	209	134
Others	35	340
	<u>244</u>	<u>474</u>

4. TAXATION

Hong Kong Profits Tax and overseas taxation have not been provided as the Group's estimated assessable profit for the period is wholly absorbed by available tax losses brought forward from previous years (30 June 2004: Nil).

5. EARNINGS / (LOSS) PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2005 was based on the consolidated profit attributable to equity holders of the Company of HK\$11,174,000 (30 June 2004: loss of HK\$17,700,000) and on the 470,894,200 (30 June 2004: 470,894,200) shares in issue during the period.

The diluted earnings / (loss) per share for the six months ended 30 June 2005 and 2004 have not been presented as the exercise prices of the share options were higher than the average market price.

6. EBITDA

EBITDA represents earnings before interest expenses, taxation, depreciation and amortisation.

7. ACQUISITIONS AND DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment for an amount of approximately HK\$2.3 million (31 December 2004: HK\$4.8 million) and disposals were approximately HK\$0.1 million (31 December 2004: HK\$9.9 million).

8. TRADE AND OTHER RECEIVABLES

	As at 30 June 2005 (Unaudited) HK\$'000	As at 31 December 2004 (Audited) HK\$'000
	Trade receivables	47,283
Other receivables		
Deposits, prepayments and other debtors	<u>10,174</u>	<u>6,045</u>
	<u>57,457</u>	<u>45,569</u>

Notes to the Condensed Financial Statements (continued)

For the six months ended 30 June 2005

8. TRADE AND OTHER RECEIVABLES (continued)

The Group's credit terms on sales mainly range from 30 days to 90 days. Included in trade and other receivables are trade debtors (net of provision for bad and doubtful debts) with the following ageing analysis:

	As at 30 June 2005 (Unaudited) HK\$'000	As at 31 December 2004 (Audited) HK\$'000
Current	41,433	33,069
1 to 3 months	5,592	6,103
More than 3 months but less than 12 months	258	352
	47,283	39,524

9. TRADE AND OTHER PAYABLES

	As at 30 June 2005 (Unaudited) HK\$'000	As at 31 December 2004 (Audited) HK\$'000
Trade payables	26,518	26,955
Other payables		
Accrued charges and other creditors	32,357	33,371
	58,875	60,326

Included in trade and other payables are trade creditors with the following ageing analysis:

	As at 30 June 2005 (Unaudited) HK\$'000	As at 31 December 2004 (Audited) HK\$'000
Current	22,212	19,900
1 to 3 months	1,585	3,582
More than 3 months but less than 12 months	2,721	3,473
	26,518	26,955

10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period presentation.

Independent Review Report

Moores Rowland Mazars

摩斯倫·馬賽會計師事務所

To the Audit Committee of

e-Kong Group Limited

(incorporated in Bermuda with limited liability)

We have been instructed by the Audit Committee of the Company to review the interim financial report set out on pages 1 to 8.

Respective responsibilities of Directors, Audit Committee and Auditors

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) require the preparation of an interim financial report to be in compliance with the Hong Kong Accounting Standard 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the relevant provisions thereof.

The interim financial report is the responsibility of, and has been approved by, the directors.

The Listing Rules require the Audit Committee to review the interim financial report.

It is our responsibility to report our conclusion, based on our review, on the interim financial report to the Audit Committee for the purpose of assisting the Audit Committee to discharge its responsibility under the Listing Rules in relation to the interim financial report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports” issued by the HKICPA. A review consists principally of making enquiries of the Company’s management and applying analytical procedures to the interim financial report based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the interim financial report.

Review conclusion

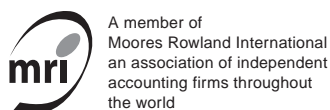
On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2005.

Moores Rowland Mazars

Chartered Accountants

Certified Public Accountants

Hong Kong, 8 September 2005



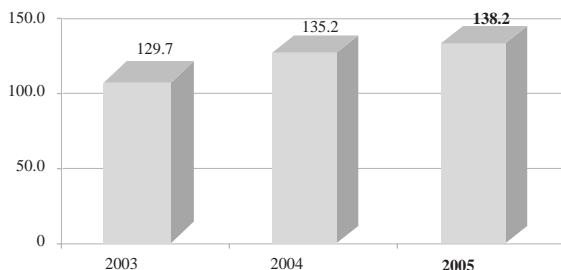
A member firm of Mazars



Business Review and Outlook

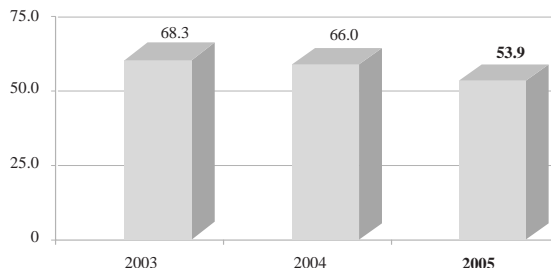
During the period under review, the Group achieved an important milestone in recording a net profit of HK\$11.2 million. This milestone result was reached despite the competitive market environment and the challenging dynamics in the telecommunications industry. Turnover for the period showed a modest decline to HK\$192.4 million compared to HK\$201.5 million for the previous period, in line with the Group's current objective to stay focused on increasing margins, improving operational efficiencies and attaining profitability. **Looking ahead**, the Group foresees increases in revenue growth from a number of new initiatives, including contributions from its Voice-over Internet Protocol ("VoIP") related business.

Turnover of ZONE US
For the six months ended 30 June
(HK\$ millions)



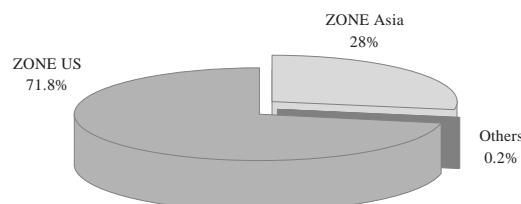
Turnover from ZONE operations in the United States ("ZONE US") increased by 2.2%, from HK\$135.2 million for the prior period to HK\$138.2 million. ZONE US accounted for 71.8% of the total Group turnover for the period, compared to 67.1% for the corresponding period in 2004, and its existing business continues to grow in size and geographic scope. ZONE US has also launched components of its VoIP offerings. ZONE US has developed defined VoIP product strategies for its consumer, commercial and wholesale market space. ZONE US's consumer VoIP product "ZONE Broadband Phone" is in its final stages of user acceptance testing, and is expected to be available for commercial deployment in the fourth quarter of 2005. At the same time, the integration of the ZONE US business set-up with the systems of its business process outsourcing partner is progressing smoothly. Coupled with the revamp of its website to become more feature-rich, ZONE US will soon be in a position to offer additional services in an efficient and cost-saving manner.

Turnover of ZONE Asia
For the six months ended 30 June
(HK\$ millions)



Turnover from ZONE Hong Kong and ZONE Singapore (collectively, "ZONE Asia") for this period was HK\$53.9 million compared to HK\$66.0 million for the prior period. In Hong Kong, while the international direct dialling (IDD) business remains as the main revenue driver, the VoIP and other value-added service initiatives are beginning to generate increasing margins and revenue contributions to operations. In Singapore, ZONE continues to focus on growing its core business through its direct sales as well as working with strategic channel partners. ZONE is reviewing the licensing and regulatory framework for IP telephony services recently released by the Infocomm Development Authority of Singapore (IDA) and is also assessing the business opportunities for providing regional VoIP services in the South-east Asian countries.

% Turnover Contribution



Looking ahead, the Group expects its operations in the US, Hong Kong and Singapore to remain profitable for the coming period. ZONE US anticipates its feature-rich and competitively priced VoIP broadband phone services, when commercially launched, will be well-received by the market. In Asia, a number of new opportunities are emerging in the VoIP arena. For example, various countries including Singapore have made determinations on the regulatory framework for VoIP services and also there has been significant interest shown by investors to participate in the expected growth of this service sector. As the Group stays focused on improving operational efficiencies and maintaining profitability, it will also actively seek new opportunities to increase its revenue, including progressively penetrating into the VoIP and related markets in the US and in Asia.

Financial Review

Results

The Group's turnover for the period under review was HK\$192.4 million compared to HK\$201.5 million for the corresponding period in 2004.

The gross profit for this period was HK\$71.4 million compared to HK\$74.7 million for the corresponding period in the previous year.

The gross profit for the period as a percentage of total turnover maintained at 37.1% as in the period ended 30 June 2004.

The Group's EBITDA for the period under review reached HK\$13.6 million, representing a growth of 74.1% from the same period last year.

The operating profit for the period was HK\$11.2 million compared to the loss of HK\$17.7 million for the previous corresponding period.

Consolidated net profit attributable to equity holders of the Company was HK\$11.2 million compared to the loss of HK\$17.7 million for the previous corresponding period.

Interim dividend

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2005 (30 June 2004: Nil).

Assets

As at 30 June 2005, the net assets of the Group amounted to HK\$55.2 million (31 December 2004: HK\$43.6 million).

Liquidity and financing

The Group relied on its internal resources to fund its operations during the period.

Cash and bank balances (excluding pledged deposits) were HK\$43.2 million as at 30 June 2005 (31 December 2004: HK\$44.4 million). The Group had pledged deposits amounting to HK\$2.4 million as at 30 June 2005 (31 December 2004: HK\$2.8 million) and had no bank borrowings during the period under review.

As at 30 June 2005, the Group's liabilities under equipment lease financing was HK\$0.9 million (31 December 2004: HK\$1.0 million).

The Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets, improved to 1.6% (31 December 2004: 2.3%).

Foreign exchange exposure

Since most of the Group's assets and liabilities, revenue and payments are denominated in Hong Kong dollars and United States dollars, the Group considers that there is no significant exposure to foreign exchange fluctuations so long as the Hong Kong-United States dollar exchange rate remains pegged. As the cash contribution from the Singapore operations continues to grow, the Group will closely monitor the Singapore-United States dollar exchange rate and, whenever appropriate, will take any necessary actions to reduce such exchange risks.

Contingent liabilities and commitments

As at 30 June 2005, there were no material contingent liabilities and commitments.

Save as aforesaid, the directors are not aware of any other material changes from information disclosed in the 2004 annual report.

Additional Information

Directors' interests in securities

As at 30 June 2005, the directors and the chief executive of the Company and their respective associates had the following interests and short positions (if any) in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as

recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules:

Name of director	Number of ordinary shares of HK\$0.01 each ("Shares") held			Percentage of issued Share capital
	Personal interests	Corporate interests	Total interests	
Mr. Richard John Siemens	—	100,631,627 (Note 1)	100,631,627	21.4%
Mr. William Bruce Hicks	2,749,914	67,962,428 (Note 2)	70,712,342	15.0%
Mr. Kuldeep Saran	341,200	67,632,428 (Note 3)	67,973,628	14.4%
Mr. Lim Shyang Guey	720,000	—	720,000	0.2%
Mr. Shane Frederick Weir	10,000	—	10,000	0.0%

Notes:

- 2,400,000 Shares are beneficially owned by Siemens Enterprises Limited, a company controlled by Mr. Richard John Siemens. 98,231,627 Shares are beneficially owned by Goldstone Trading Limited, a company controlled by Mr. Richard John Siemens.
- 67,962,428 Shares are beneficially owned by Great Wall Holdings Limited, a company controlled by Mr. William Bruce Hicks.
- 67,632,428 Shares are beneficially owned by Future (Holdings) Limited, a company controlled by Mr. Kuldeep Saran.

All interests disclosed above represent long position in the shares of the Company and there were no underlying shares held by the directors as at 30 June 2005.

Save as disclosed above, as at 30 June 2005, none of the directors, the chief executive of the Company or their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Arrangement to enable directors to acquire shares or debentures

Apart from the share option schemes that are adopted or may be adopted by the Company or any of its subsidiaries and referred to in the paragraph below titled "Share option schemes", at no time during the

period was the Company or any of its subsidiaries a party to any arrangement to enable any director or the chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors, the chief executive of the Company nor any of their spouses or children under the age of 18 had any interests in, or had been granted, any rights to subscribe for shares in or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights during the period.

Substantial shareholders

As at 30 June 2005, the following persons, other than the directors or the chief executive of the Company, had interests and short positions (if any) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Number of Shares held	Percentage of issued Share capital
Goldstone Trading Limited	98,231,627*	20.9%
Great Wall Holdings Limited	67,962,428*	14.4%
Future (Holdings) Limited	67,632,428*	14.4%

* *The interests herein disclosed represent the same interests as the corporate interests of Mr. Richard John Siemens (being held through Goldstone Trading Limited), Mr. William Bruce Hicks (being held through Great Wall Holdings Limited) and Mr. Kuldeep Saran (being held through Future (Holdings) Limited) as disclosed in the notes to the description under the paragraph above titled "Directors' interests in securities".*

All interests disclosed above represent long position in the shares of the Company.

Save as disclosed herein, the Company has not been notified of any other persons (other than the directors or the chief executive of the Company) who had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 30 June 2005.

Share options schemes

The Company

Pursuant to an employee share option scheme of the Company (the "Old Share Option Scheme") adopted in a special general meeting held on 25 October 1999, the directors of the Company might, at their discretion, invite eligible employees of the Group, including executive directors of the Company, to take up options to subscribe for shares in the Company under the terms and conditions stipulated therein. The Old Share Option Scheme was subsequently terminated by the Company in a special general meeting held on 28 June 2002 but the share options granted but not yet exercised thereunder remain effective and are bound by the scheme terms.

On 28 June 2002, the Company adopted a new share option scheme (the "New Share Option Scheme") to comply with the requirements of Chapter 17 of the Listing Rules. Under the New Share Option Scheme, the directors of the Company may at their discretion grant share options to (i) any director, employee, consultant, customer, supplier, business introduction agent, or legal, financial or marketing adviser of or

contractor to any company in the Group or any affiliate; and/or (ii) any discretionary trust the discretionary objects of which include any of the foregoing, under the terms and conditions stipulated therein. No share options have been granted by the Company under the New Share Option Scheme since adoption.

Subsidiaries

On 28 June 2002, the Company adopted scheme rules and procedures for share option schemes for its subsidiaries (the "Subsidiary Scheme Rules and Procedures"). In accordance with the Subsidiary Scheme Rules and Procedures, the subsidiaries may adopt their own respective share option schemes in line with the terms and conditions of the Subsidiary Scheme Rules and Procedures, pursuant to which the board of directors of each of the relevant subsidiaries may at its discretion grant share options to (i) any director, employee, consultant, customer, supplier, business introduction agent, or legal, financial or marketing adviser of or contractor to the subsidiaries and their subsidiaries, any of their holding companies or any affiliate; and/or (ii) any discretionary trust the discretionary objects of which include any of the foregoing. No subsidiaries have adopted their respective share option schemes pursuant to the terms and conditions of the Subsidiary Scheme Rules and Procedures since adoption.

During the period, no share options were held by the directors, the chief executive or substantial shareholders of the Company, or suppliers of goods or services or other participants other than eligible employees under the Old Share Option Scheme.

Additional Information (continued)

Details of the share options granted and remaining outstanding as at 30 June 2005 were as follows:

Date of grant	Exercisable period	Exercise price HK\$	Number of share options		
			As at 1 January 2005	Lapsed during the period	As at 30 June 2005
25.10.1999	25.10.2000 - 24.10.2009	1.40	15,000	—	15,000
16.11.1999	16.11.2000 - 24.10.2009	1.60	7,500	—	7,500
23.12.1999	23.12.2000 - 24.10.2009	2.00	370,000	335,000	35,000
28.04.2000	28.04.2001 - 24.10.2009	3.30	147,500	107,500	40,000
09.08.2000	09.08.2001 - 24.10.2009	2.30	30,000	—	30,000
25.10.2000	25.10.2001 - 24.10.2009	1.20	20,000	—	20,000
Total			590,000	442,500	147,500

Corporate governance

The Company is committed to maintaining high standards of corporate governance. No director of the Company is aware of any information which would reasonably indicate that the Company is not, or was not, at any time during the six months ended 30 June 2005, acting in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

Model code for securities transactions by directors

The Company has adopted the Model Code as its own securities code. All directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standards set out in the Model Code throughout the six months ended 30 June 2005.

Audit committee

The Audit Committee has reviewed with the management and the auditors of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the undertaking of a review of the draft unaudited consolidated financial results for the six months ended 30 June 2005.

Purchase, sale or redemption of the Company's listed securities

During the period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Employee remuneration policies

As at 30 June 2005, the Group had 134 employees (31 December 2004: 144 employees) in Hong Kong and overseas. The Group's total staff costs for the six months ended 30 June 2005 amounted to HK\$23.6 million (30 June 2004: HK\$29.8 million).

The Group's remuneration policies are formulated on the basis of the performance and experience of individual employee and are in line with local market practices where the Group operates. The Group has established incentive bonus schemes to motivate and reward employees at all levels to achieve the Group's objectives. In addition to salary and bonus payments, the Group also offers other fringe benefits, including provident fund and medical benefits, to its employees.

Appreciation

The Board would like to thank the customers, shareholders, business associates and professional advisers for their support and extend its appreciation to all employees for their hard work, dedication and commitment to the Group.

By Order of the Board
Lau Wai Ming Raymond
Company Secretary

8 September 2005