

e-KONG Group Limited

Interim Report 2006

Stock Code: 524



Looking ahead



Corporate Information

Board of Directors

Executive Directors

Richard John Siemens (*Chairman*)

Kuldeep Saran (*Deputy Chairman*)

Lim Shyang Guey

Non-executive Director

William Bruce Hicks

Independent Non-executive Directors

Shane Frederick Weir

John William Crawford J.P.

Gerald Clive Dobby

Company Secretary

Lau Wai Ming Raymond

Auditors

Moores Rowland Mazars

Chartered Accountants

Certified Public Accountants

Legal Advisers

Deacons

Angela Wang & Co.

Lily Fenn & Partners

Conyers Dill & Pearman

Principal 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

3705 Gloucester Tower

The Landmark

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Central, 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

Level 25

Three Pacific Place

1 Queen's Road East

Hong Kong

ADR Depositary

The Bank of New York

101 Barclay Street

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 2006, together with comparative figures for the corresponding period in 2005. The results were unaudited but have been reviewed by the Company’s Audit Committee and the Company’s auditors.

	<i>Notes</i>	Six months ended 30 June	
		2006 (Unaudited) HK\$’000	2005 (Unaudited) HK\$’000
Turnover	2	330,709	192,354
Cost of sales		(234,882)	(120,918)
Gross profit		95,827	71,436
Interest income		1,220	209
Other income		8	35
		97,055	71,680
Selling and distribution expenses		(26,620)	(19,077)
Business promotion and marketing expenses		(2,760)	(1,297)
Operating and administrative expenses		(39,411)	(37,723)
Depreciation and amortisation		(2,688)	(2,391)
Profit from operations		25,576	11,192
Finance costs		(1,379)	(18)
Profit before taxation		24,197	11,174
Taxation	3	(1,423)	—
Profit for the period		22,774	11,174
Attributable to:			
Equity holders of the Company		22,774	11,174
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	4		
Basic		4.8	2.4
Diluted		N/A	N/A
		<i>HK\$’000</i>	<i>HK\$’000</i>
EBITDA	5	28,264	13,583

Condensed Consolidated Balance Sheet

	<i>Notes</i>	As at 30 June 2006 (Unaudited) <i>HK\$'000</i>	As at 31 December 2005 (Audited) <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	6	13,308	12,144
Deferred tax assets		10,612	10,881
		<u>23,920</u>	<u>23,025</u>
Current assets			
Trade and other receivables	7	124,633	67,140
Pledged deposits		2,024	2,476
Bank balances and cash		78,238	58,742
		<u>204,895</u>	<u>128,358</u>
Current liabilities			
Trade and other payables	8	68,310	59,502
Current portion of bank borrowings		8,244	—
Current portion of obligations under finance leases		194	191
Provision for taxation		1,138	—
		<u>77,886</u>	<u>59,693</u>
Net current assets		<u>127,009</u>	<u>68,665</u>
Total assets less current liabilities		<u>150,929</u>	<u>91,690</u>
Non-current liabilities			
Bank borrowings		36,584	—
Obligations under finance leases		519	618
		<u>37,103</u>	<u>618</u>
NET ASSETS		<u>113,826</u>	<u>91,072</u>
Capital and reserves			
Issued capital		4,709	4,709
Reserves		109,117	86,363
		<u>113,826</u>	<u>91,072</u>
TOTAL EQUITY		<u>113,826</u>	<u>91,072</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2005

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Exchange reserve (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
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>

For the six months ended 30 June 2006

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Exchange reserve (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
As at 1 January 2006	4,709	23,461	(1,011)	6	607,462	(543,555)	91,072
Exchange difference on translation of foreign subsidiaries	—	—	(20)	—	—	—	(20)
Profit for the period	—	—	—	—	—	22,774	22,774
As at 30 June 2006	<u>4,709</u>	<u>23,461</u>	<u>(1,031)</u>	<u>6</u>	<u>607,462</u>	<u>(520,781)</u>	<u>113,826</u>

Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Net cash (used in) / generated from operating activities	(21,917)	824
Net cash used in investing activities	(3,771)	(2,335)
Net cash generated from / (used in) financing activities	44,732	(91)
Net increase / (decrease) in cash and cash equivalents	19,044	(1,602)
Cash and cash equivalents as at 1 January	61,218	47,194
Cash and cash equivalents as at 30 June	80,262	45,592
Analysis of the balances of cash and cash equivalents		
Pledged deposits	2,024	2,433
Bank balances and cash	78,238	43,159
	80,262	45,592

Notes to the Condensed Financial Statements

For the six months ended 30 June 2006

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 and applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The accounting policies and basis of preparation adopted in these interim financial statements are consistent with those adopted in the Company’s 2005 Annual Report.

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					
	2006			2005		
	Telecom- munication services (Unaudited) HK\$’000	Other (Unaudited) HK\$’000	Consolidated (Unaudited) HK\$’000	Telecom- munication services (Unaudited) HK\$’000	Other (Unaudited) HK\$’000	Consolidated (Unaudited) HK\$’000
Turnover						
External sales	<u>325,772</u>	<u>4,937</u>	<u>330,709</u>	<u>192,083</u>	<u>271</u>	<u>192,354</u>
Results						
Profit from operations	<u>28,863</u>	<u>20</u>	<u>28,883</u>	<u>19,587</u>	<u>26</u>	<u>19,613</u>
Finance costs			(1,379)			(18)
Other operating income and expenses			<u>(3,307)</u>			<u>(8,421)</u>
Profit before taxation			<u>24,197</u>			<u>11,174</u>
Taxation			<u>(1,423)</u>			<u>—</u>
Profit for the period			<u>22,774</u>			<u>11,174</u>

Notes to the Condensed Financial Statements (continued)

For the six months ended 30 June 2006

2. TURNOVER AND SEGMENTAL INFORMATION (continued)

(b) by geographical segments:

	Six months ended 30 June					
	2006			2005		
	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>276,158</u>	<u>54,551</u>	<u>330,709</u>	<u>138,157</u>	<u>54,197</u>	<u>192,354</u>
Results						
Profit from operations	<u>15,477</u>	<u>13,406</u>	<u>28,883</u>	<u>9,963</u>	<u>9,650</u>	19,613
Finance costs			(1,379)			(18)
Other operating income and expenses			<u>(3,307)</u>			<u>(8,421)</u>
Profit before taxation			<u>24,197</u>			11,174
Taxation			<u>(1,423)</u>			—
Profit for the period			<u>22,774</u>			<u>11,174</u>

3. TAXATION

	Six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
The charge comprises:		
Profits tax		
Hong Kong	—	—
Overseas	<u>1,138</u>	—
	<u>1,138</u>	—
Deferred tax		
Reversal of temporary difference	<u>285</u>	—
	<u>1,423</u>	—

Overseas taxation represents profits tax provided by a subsidiary, calculated at the tax rate prevailing in the country in which the subsidiary operates.

4. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2006 was based on the consolidated profit attributable to equity holders of the Company of HK\$22,774,000 (30 June 2005: HK\$11,174,000) and on the 470,894,200 (30 June 2005: 470,894,200) shares in issue during the period.

The diluted earnings per share for the six months ended 30 June 2006 and 2005 have not been presented as the exercise prices of the share options were higher than the average market price per share.

5. EBITDA

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

6. ACQUISITIONS AND DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment for an amount of HK\$3,772,000 (31 December 2005: HK\$9,045,000) and disposals were HK\$8,000 (31 December 2005: HK\$169,744,000).

7. TRADE AND OTHER RECEIVABLES

	As at 30 June 2006 (Unaudited) <i>HK\$'000</i>	As at 31 December 2005 (Audited) <i>HK\$'000</i>
Trade receivables	59,785	54,364
Other receivables		
Deposits, prepayments and other debtors	14,148	12,776
Deposit under escrow	50,700	—
	124,633	67,140

Deposit under escrow represents the amount deposited with an escrow agent for the acquisition of assets in connection with the provision of long distance telecommunication services in the United States, as approved by shareholders of the Company in March 2006.

The credit period granted to customers mainly ranges 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 2006 (Unaudited) <i>HK\$'000</i>	As at 31 December 2005 (Audited) <i>HK\$'000</i>
Current	48,766	46,109
1 to 3 months	9,073	8,020
More than 3 months but less than 12 months	1,946	235
	59,785	54,364

Notes to the Condensed Financial Statements (continued)

For the six months ended 30 June 2006

8. TRADE AND OTHER PAYABLES

	As at 30 June 2006 (Unaudited) <i>HK\$'000</i>	As at 31 December 2005 (Audited) <i>HK\$'000</i>
Trade payables	32,393	25,930
Other payables		
Accrued charges and other creditors	<u>35,917</u>	<u>33,572</u>
	<u>68,310</u>	<u>59,502</u>

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

	As at 30 June 2006 (Unaudited) <i>HK\$'000</i>	As at 31 December 2005 (Audited) <i>HK\$'000</i>
Current	30,937	16,756
1 to 3 months	1,289	9,011
More than 3 months but less than 12 months	<u>167</u>	<u>163</u>
	<u>32,393</u>	<u>25,930</u>

9. 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

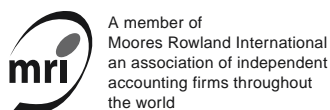
On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2006.

Moores Rowland Mazars

Chartered Accountants

Certified Public Accountants

Hong Kong, 14 September 2006



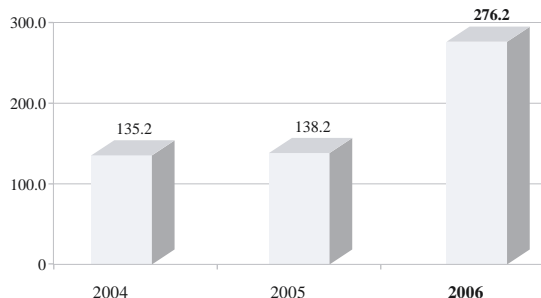
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Business Review and Outlook

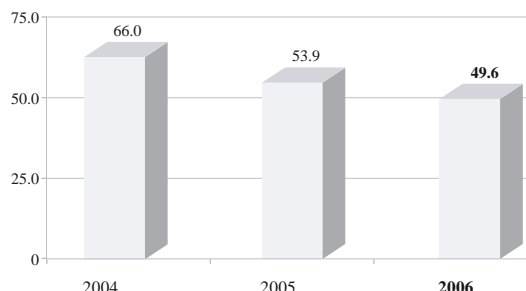
During the period under review, the Group continued the upward trend in its operating performance with robust growth in both turnover and profitability. Turnover of the Group reached HK\$330.7 million, up 71.9% from the corresponding period last year. This increase was mainly driven by the considerably higher revenue contributions from ZONE telecommunication operations in the United States. Overall, the Group achieved a record net profit of HK\$22.8 million, more than double the net profit for the corresponding period in 2005. The balance sheet of the Group remains healthy as the Group further expands its ZONE business.

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



Turnover from ZONE operations in the United States (“ZONE US”) doubled to HK\$276.2 million from HK\$138.2 million for the corresponding period in 2005. Profit from operations for this period amounted to HK\$15.5 million, representing an increase of 55.3% compared to HK\$10.0 million for the previous corresponding period. Such increase was principally contributed from the newly-developed wholesale business of ZONE US. The organic growth of the ZONE US existing business further augmented the increase in its business performance. The acquisition of assets in connection with the provision of long distance telecommunication services in the United States (“WRLD Alliance Transaction”), as approved by shareholders of the Company in March 2006, was completed and integration of those assets with ZONE US existing operations is underway smoothly. The businesses relating to IP service offerings continue to advance, particularly in the IP-transport sector.

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



* ZONE Hong Kong and ZONE Singapore

Turnover from ZONE Hong Kong and ZONE Singapore (collectively, “ZONE Asia”) for this period totalled HK\$49.6 million compared to HK\$53.9 million for the corresponding period in 2005. Profit from ZONE Asia’s operations for this period amounted to HK\$13.4 million representing an increase of 39.1% compared to HK\$9.6 million for the previous corresponding period. A higher operating profit was recorded despite the slight decrease in turnover mainly due to further improvements in gross margins and continuing efforts to enhance operating efficiencies.

ZONE Asia maintained its efforts to expand beyond its current geographical locations firstly by using ZONE’s Voice-over Internet Protocol (“VoIP”) technology platform to extend its services outside its current locations and secondly by setting up a presence in China through its technology partner in Shenzhen. ZONE Asia has already made available for public-testing its multi-functional peer-to-peer (P2P) “softphone” under the brandname “ZoiPPE” (www.zoippe.com) which empowers its users to communicate with other ZoiPPE users and other people around the world by way of instant messaging, voice calls and SMS. In China, ZONE Asia has started to provide business process and management expertise to assist its partner to expand its current operations.

In March 2006, ZONE Hong Kong was awarded a Services-Based Operator (SBO) Licence from the Office of the Telecommunications Authority (“OFTA”) of Hong Kong, and it has already obtained an agreement-in-principle from a fixed network operator that it will host and interconnect the local Hong Kong telephone numbers allocated to ZONE Hong Kong. To date, however, ZONE has not been able to provide VoIP services equipped with local Hong Kong telephone numbers allocated by OFTA since some fixed network and mobile operators have not yet agreed to open up access to such blocks of telephone numbers. ZONE will continue to work with its hosting network provider and the regulator to resolve this issue.

In Singapore, ZONE’s focus on providing quality, service, competitive pricing and value has paid off, resulting in steady revenue growth and further improvement in its operating results during the period under review. This strategy has contributed to ZONE’s

large base of loyal corporate customers ranging from multi-national corporations, local publicly-listed companies to government-linked institutions. With its strong branding and established customer base, ZONE plans to introduce new voice and data service offerings that will compliment its current services as well as generate higher per customer revenue.

Looking ahead to the next period, the Group will remain focused on expanding its ZONE telecommunications business. Key strategies to meet this objective will include (i) maintaining sustainable organic growth and pursuing acquisition targets that can help strengthen its market position in the United States and Asia, (ii) rolling-out its VoIP service offerings to the market, particularly in the Asian region and (iii) expanding its presence in China through working with its current partners as well as seeking new business opportunities.

Financial Review

Results

During the period under review, the Group's turnover recorded significant growth and reached HK\$330.7 million, representing an increase of 71.9% when compared to HK\$192.4 million for the corresponding period in 2005.

The gross profit for this period increased by 34.1% to HK\$95.8 million, compared to HK\$71.4 million for the corresponding period in the previous year.

The Group's EBITDA for the period under review reached HK\$28.3 million, representing a growth of 108.1% from HK\$13.6 million for the same period last year.

The operating profit for the period amounted to HK\$25.6 million, representing an increase of 128.5% when compared to HK\$11.2 million for the first six months of 2005.

Consolidated net profit attributable to equity holders of the Company increased by 103.8% to HK\$22.8 million when compared to HK\$11.2 million for the previous corresponding period.

Interim dividend

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2006 (30 June 2005: Nil).

Assets

As at 30 June 2006, the net assets of the Group amounted to HK\$113.8 million (31 December 2005: HK\$91.1 million).

Liquidity and financing

Cash and bank balances (excluding pledged deposits) were HK\$78.2 million as at 30 June 2006 (31 December 2005: HK\$58.7 million). The Group had pledged deposits amounting to HK\$2.0 million as at 30 June 2006 (31 December 2005: HK\$2.5 million) to banks for guarantees made by the banks to certain telecommunication carriers for payments due by the Group.

As at 30 June 2006, the Group's bank borrowings amounted to HK\$44.8 million (31 December 2005: Nil) which was represented by the bank loan advanced to a subsidiary of the Company for the purpose of the WRLD Alliance Transaction. The Group's bank borrowings were made in United States dollars at a fixed interest rate and secured through, among others, a pledge of the trade receivables of the subsidiary.

As at 30 June 2006, the Group's liabilities under equipment lease financing amounted to HK\$0.7 million (31 December 2005: HK\$0.8 million).

The Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets, was 40.0% (31 December 2005: 0.9%). Such increase was principally caused by the bank borrowings referred to above.

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 action to reduce such exchange risks.

Contingent liabilities and commitments

As at 30 June 2006, 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 Company's 2005 Annual Report.

Additional Information

Directors' interests in securities

As at 30 June 2006, the directors and the chief executive of the Company and their respective associates had the following interests and short positions (if any) in the 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")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV

of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to section 352 of the SFO to be recorded in the register maintained by the Company, or as otherwise notified to the Company and 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	Capacity	Number of Shares* held	Approximate percentage of shareholding
Richard John Siemens	Held by controlled corporations	105,000,200 (Note 1)	22.3%
Kuldeep Saran	Personal	341,200	0.1%
	Held by a controlled corporation	71,860,147 (Note 2)	15.3%
William Bruce Hicks	Personal	3,249,914	0.7%
	Held by a controlled corporation	67,962,428 (Note 3)	14.4%
Lim Shyang Guey	Personal	1,020,000	0.2%
Shane Frederick Weir	Personal	10,000	0.0%

* "Shares" means ordinary shares of HK\$0.01 each in the share capital of the Company.

Notes:

- 5,000,000 Shares are beneficially owned by Siemens Enterprises Limited and 100,000,200 Shares are beneficially owned by Goldstone Trading Limited, both companies being controlled by Mr. Richard John Siemens.
- 71,860,147 Shares are beneficially owned by Future (Holdings) Limited, a company controlled by Mr. Kuldeep Saran.
- 67,962,428 Shares are beneficially owned by Great Wall Holdings Limited, a company controlled by Mr. William Bruce Hicks.

All interests disclosed above represent long positions in the shares of the Company and there were no underlying shares held by directors as at 30 June 2006.

Save as disclosed above, as at 30 June 2006, 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) which are 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 and short positions which are deemed or taken to have been under such provisions of the SFO), or which are required pursuant to section 352 of the SFO to be recorded in the register referred to therein, or which are required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Additional Information (continued)

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 entitled “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.

Name of shareholder	Number of Shares held	Approximate percentage of shareholding
Goldstone Trading Limited	100,000,200*	21.2%
Future (Holdings) Limited	71,860,147*	15.3%
Great Wall Holdings Limited	67,962,428*	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. Kuldeep Saran (being held through Future (Holdings) Limited) and Mr. William Bruce Hicks (being held through Great Wall Holdings Limited) as disclosed in the notes to the description under the heading of “Directors’ interests in securities” above.*

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

Save as disclosed above, as at 30 June 2006, according to the register kept by the Company pursuant to section 336 of the SFO and so far as is known to the directors and the chief executive of the Company, no other person (not being a director or the chief executive of the Company) had any interests or short positions in the shares, underlying shares or debentures of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, nor were there any persons, directly or indirectly, interested in 10% or more of the nominal value of any class of shares carrying rights to vote in all circumstances at general meetings of the Company.

Substantial shareholders

As at 30 June 2006, according to the register kept by the Company pursuant to section 336 of the SFO and so far as is known to the directors or the chief executive of the Company, 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 which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of shares carrying rights to vote in all circumstances at general meetings of the Company:

Share option 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 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”). 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 activated their share option scheme powers 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.

There have not been any movements on the share options since 31 December 2005. Details of the share options granted and remaining outstanding as at 30 June 2006 were as follows:

Date of grant	Exercisable period	Exercise price HK\$	Number of share options				
			As at 1 January 2005	Lapsed during the year	As at 31 December 2005	Lapsed during the period	As at 30 June 2006
25.10.1999	25.10.2000 - 24.10.2009	1.40	15,000	—	15,000	—	15,000
16.11.1999	16.11.2000 - 24.10.2009	1.60	7,500	—	7,500	—	7,500
23.12.1999	23.12.2000 - 24.10.2009	2.00	370,000	(335,000)	35,000	—	35,000
28.04.2000	28.04.2001 - 24.10.2009	3.30	147,500	(107,500)	40,000	—	40,000
09.08.2000	09.08.2001 - 24.10.2009	2.30	30,000	—	30,000	—	30,000
25.10.2000	25.10.2001 - 24.10.2009	1.20	20,000	—	20,000	—	20,000
Total			590,000	(442,500)	147,500	—	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 2006, 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 2006.

Additional Information (continued)

Audit committee

The Audit Committee has reviewed, with 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 a review of the unaudited consolidated financial statements of the Company for the six months ended 30 June 2006.

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

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

Employee remuneration policies

As at 30 June 2006, the Group had 144 employees (31 December 2005: 136 employees) in Hong Kong and overseas. The Group's total staff costs for the six months ended 30 June 2006 amounted to HK\$23.6 million (30 June 2005: HK\$23.6 million).

The Group's remuneration policies are formulated on the basis of the performance and experience of individual employees 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

14 September 2006