

Chairman's Statement

2006 was an exciting and fruitful year for the Group. Our ZONE telecommunication businesses delivered another stellar year of record turnover growth and the operating profit of the Group increased by 23.1% to HK\$47.5 million, reflecting an increased contribution from all of our three ZONE operations. Our acquisition made in the United States, following successful integration with the ZONE US existing operations, is now providing return on investment. In the meantime, business development activities heightened in Asia, the Group successfully launched its new global Voice-over-Internet Protocol (VoIP) service "ZoiPPE" in December 2006, and formalised its presence in China through establishing a wholly foreign-owned enterprise (WFOE) in March 2007. The progress made and milestones achieved are key components of the Group's strategy formulated to deliver long term sustainable growth and to enhance shareholders value.

In the United States, ZONE US almost doubled its turnover from HK\$308.7 million in 2005 to HK\$599.0 million in 2006. The Group is very pleased with the acquisition of the WRLD Alliance assets which have not only contributed significantly to the Group's turnover but have also made available to the ZONE US existing team the skills, know-how and relationships that can help bring ZONE to its next level of market growth in the United States, and expand its geographical reach to the Mid-West and North Western regions. Having completed the smooth integration of the business processes of the ZONE US and WRLD Alliance customer accounts, the ZONE US team is now focused on growing its market share in providing telecommunication services to both the corporate and the independent local exchange carrier (ILEC) markets. Besides the expected cost savings from improved margins and productivity, ZONE US is seeing the enthusiasm from its ILEC customers to partner with it to introduce new products and services, including VoIP services and mobile services, to their large end user base.

In Asia, ZONE Singapore further improved on both its revenue growth and operating profits. This helped to offset the decline in revenue contribution from the ZONE Hong Kong business which continued to face stiff competition and price erosion. The Group

foresees ZONE Singapore will further improve its operating results for the coming year through an increase in marketing activities to increase market share, introduction of new services and improvements in operating margins. The Group also anticipates that the current business development and strategic alliance initiatives to expand into other South and South-east Asian countries will deliver positive results.

The Group's ZONE Hong Kong operations continue to actively explore the China market and expand the VoIP business globally. Towards the end of 2005 and in 2006, ZONE Hong Kong, while continuing to carry on its Hong Kong business, deployed technical and business teams to China to oversee development of its VoIP technology platform and also to share our expertise, knowledge and experience with its partners in China. Such efforts have helped the Group to better understand the existing regulatory landscape, business opportunities and challenges and have also helped to formulate the Group's development and operating strategies for China. In March 2007, the Group formalised its presence in China by establishing a WFOE named 深圳盈港科技有限公司 under the laws of China. The formation of this WFOE is an important milestone as it readies the Group for the next level of direct investment and operations in China.

ZONE Hong Kong continues to expand its VoIP services targeted at the business segment. Since obtaining the Service-based Operators (SBO) Licence and following successful interconnection with the Hong Kong public switched telephone network (PSTN), ZONE Hong Kong is now offering VoIP services with local telephone numbers to customers both within and outside Hong Kong.

In the near future, it is expected that most computers and mobile devices will have high speed broadband connectivity while more and more private and public venues and locations worldwide will have WiFi and even WiMAX coverage. People will use computer devices not just at work but also for entertainment and everyday communications. With this in mind, over the last few years the Group has actively been developing, evaluating and piloting various IP-based technologies for internet and mobile delivery platforms to provide global communications services culminating with the launch of our ZoiPPE service in

December 2006. ZoiPPE's mission is *"To be the preferred means of communication for everyone to stay connected anytime and anywhere. To bring business and social communities closer together by providing the most convenient, cost effective and innovative interactive services available on all computers and mobile devices"*. In order to achieve this objective, the Group will deploy resources to develop and build a state-of-the-art, scalable and robust integrated technology platform that is able to offer innovative services to millions of users.

Since its launch, ZoiPPE has embarked on a number of marketing initiatives to promote its services and has received significant publicity and press coverage from both the online and traditional mediums. Growing ZoiPPE's user base cost-effectively, through viral marketing and strategic co-branding / white-labelling alliances and partnerships, will be a priority for the coming year. While Skype remains the key global player in the area of PC-to-PC voice calls, we believe there will be many opportunities for other players, including ZoiPPE, to capture sizeable portions of the large paid-services market. For example, an opportunity has arisen recently from Skype's introduction of connection fees for all PC-to-Phone calls which now gives ZoiPPE an even more competitive price advantage.

In February 2007, the Company concluded a placement and top-up offering of shares which raised approximately HK\$46.8 million. At the same time, the Group also raised US\$2.5 million from an institutional investor for the acquisition of a 5% stake in ZONE Resources Limited which is the subsidiary providing

the ZoiPPE services. We believe both of these transactions demonstrate the strong confidence in the investment community for the Group's business model and long-term strategy, as the placement price was set at a premium to the closing price of the Company's shares prior to the transaction, and the 5% investment in ZONE Resources Limited recognises the ZoiPPE business at a valuation of US\$50 million.

Looking ahead, in 2007 the Group expects to continue to execute its strategy of growing market share and improving the operating results of its existing ZONE businesses within the countries and areas it operates, and exploring opportunities to bring the ZONE business model globally to larger markets by starting up new operations or through acquisitions. The Group will also further invest in appropriate technologies and marketing efforts to grow its user base for ZoiPPE services.

I would like to thank all customers, shareholders, business associates and professional advisors for their support and extend our appreciation to all employees for their hard work, dedication and commitment to the Group.



Richard John Siemens
Chairman

23 March 2007