e-KONG Group Limited

Annual Report 2007

Stock code: 524

Looking ahead

Corporate Information

Board of Directors

Executive Directors

Richard John Siemens *(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

Mazars CPA Limited
Certified Public Accountants

Legal Advisers

Deacons
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 Place of Business

3705 Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong
Tel: +852 2801 7188
Fax: +852 2801 7238

Stock Codes

Hong Kong Stock Exchange:	524
Ticker Symbol for ADR:	EKONY
CUSIP Reference Number:	26856N109

Website

www.e-kong.com

Principal Share Registrar

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Branch Share Registrar in Hong Kong

Tricor Secretaries Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

ADR Depositary

The Bank of New York Mellon
BNY Mellon Shareowner Services
P.O. Box 11258
Church Street Station
New York, NY 10286-1258
USA

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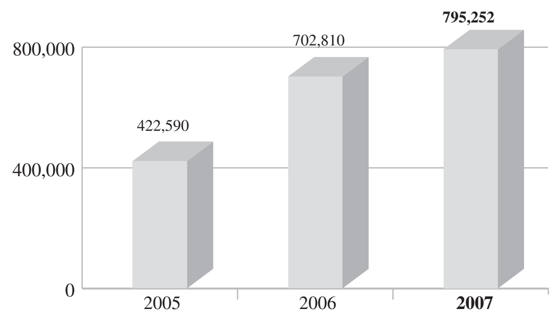
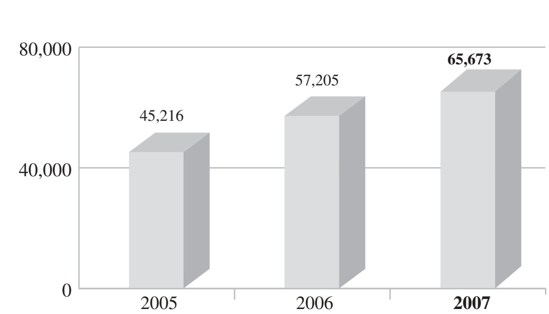
Financial Highlights

	2007 *HK$'000*	2006 *HK$'000*	% change
Turnover	**795,252**	702,810	+13%
EBITDA	**65,673**	57,205	+15%
Net Assets	**224,490**	132,117	+70%
Cash and Bank Balances	**181,662**	100,362	+81%

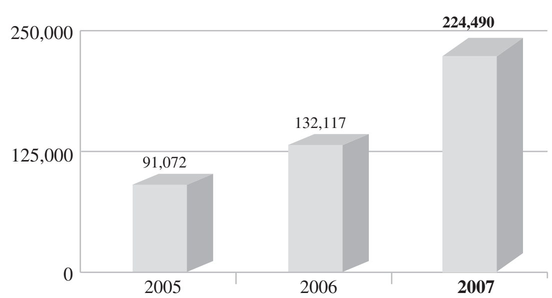
Turnover
(HK$'000)



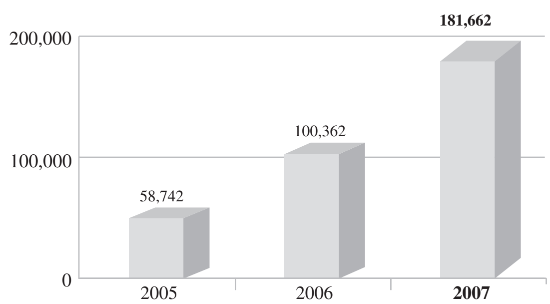
EBITDA
(HK$'000)



Net Assets
(HK$'000)



Cash and Bank Balances
(HK$'000)



e-KONG Group's principal operating subsidiaries are in the business of providing telecommunication services. The Company is listed on the main board of the Hong Kong Stock Exchange (SEHK: 524) and maintains a sponsored Level 1 ADR programme through The Bank of New York Mellon (Ticker Symbol: EKONY).

The Group's key operating business ZONE, currently having operations in the United States, China, Hong Kong and Singapore, provides a diverse range of voice and data telecommunication solutions and services, utilising the latest technology and IP-based facilities that offers customers a variety of features and value-added services tailor-made to suit their needs while empowering them with tools to manage their telecommunications requirements. ZONE also offers global IP-based communication services under the brandname *ZoiPPE* which, besides allowing users to stay connected with their friends and family via a softphone, also offer web-enabled click-to-call and multi-party conferencing features.

Chairman's Statement

The Group continued to build up its core ZONE telecommunication business in 2007. We achieved a record annual turnover of HK$795.3 million with a double digit year-on-year increase of 13.2%, while during the same period EBITDA and net profit increased by 14.8% and 8.8%, respectively, over last year. These encouraging results further enhance our strong balance sheet and cash position. The above revenue and profit growth was achieved amid mounting pressures on profit margins resulting from an increasingly competitive market and inflationary operating costs in the countries which our business is located. Ongoing efforts and innovations by the ZONE operating units, including our commitment to deliver high quality services, streamlining of business processes and procedures, maintaining long-term partnerships with key suppliers, introducing new products and services and expanding into offshore markets, have been a vital ingredient to maintaining our business growth in 2007.

Over the past few years, we have been able to sustain our growth by progressively evolving the ZONE business model to keep abreast with the rapid changes in the telecommunications industry. ZONE, which started out as a reseller of "commoditised" IDD and domestic long distance voice services, is gradually transforming itself to become a solution-based telecom service provider by offering a diverse range of telecom products and value-added services tailor-made to suit customers' needs.

During 2007, ZONE made further progress in remodelling itself so as to evolve with the changes in this dynamic industry.

ZONE, having recognised early the need to embrace Next Generation Networks (NGN) technologies, has progressively replaced its TDM-based equipment with IP-based switch technology having softswitch functionalities and multiple protocol capabilities. Benefiting from the upgraded service platform, we have extended our international market reach, increased our routing and carrier flexibility and introduced new suites of products and services. For example, in addition to providing traditional voice services over local telephone lines, we are able to broaden our revenue base by utilising these facilities to provide new and high quality service offerings such as IP-transport and wholesale services as well as innovative web services such as *ZoiPPE* softphone and other web applications like *Zoip-Me* click-to-call services and the upgraded *ZoiPPE Link-up* with multi-party teleconference features.

The rapid growth in demand for mobile services as well as the development of fixed-mobile convergence (FMC) is likely to cause a significant ongoing impact on the Group's existing business. This evolution in the telecommunications industry is progressively blurring the distinction between fixed and mobile networks and offerings as well as diminishing the demarcation between voice and data services. Again recognising the challenges and opportunities of this development, and capitalising on the management team's expertise and experience in operating wireless networks around the world, the Group has made its initial foray into the wireless industry by entering into the mobile voice and data services market in the United States as a Mobile Virtual Network Operator (MVNO). ZONE US is rolling out these services first to its existing independent local exchange carrier (ILEC) customers, while at the same time it has achieved some early success in securing contracts with other local exchange carriers including competitive local exchange carriers (CLECs).

In Asia, further liberalisation of the telecommunications industry and the issuance of new licences such as the Broadband Wireless Access (BWA) and Unified Access Services Licence (UASL) have also presented copious opportunities for the Group to participate in acquiring some of these licences. Also, the deployment of advanced BWA technologies, such as the "disruptive" Worldwide Interoperability for Microwave Access (WiMAX) technology, offers non-incumbent players like us the ability to quickly and cost-effectively offer broadband services via wireless access, particularly in the developing markets and the multimedia infotainment services in the more developed and mature markets. The timely alignment of these factors is attracting the interest of many global industry players and financial investors to participate in this potentially lucrative business. Realising the strategic importance of penetrating into the wireless business in Asia, we will invest substantial resources and efforts in pursuing BWA opportunities in various Asian countries.

Looking ahead, the Group expects that ZONE will continue its growth path through an increasing contribution from the non-traditional voice business such as international IP-wholesale and direct dedicated services, and also a growing contribution from its operations in China. In line with the market trend moving towards fixed-mobile convergence of services, we will focus on promoting our mobile services in the United States and actively pursue opportunities to participate in the roll out and provision of BWA services in Asia.

On behalf of the board, I would like to extend our appreciation to all employees for their invaluable efforts, dedication and commitment to the Group and to thank all customers, shareholders, business associates and professional advisers for their continuous support.

Richard John Siemens
Chairman
1 April 2008

Business Review

For the year ended 31 December 2007, the Group's core telecommunication business maintained its momentum with steady growth. The Group achieved a record turnover of HK$795.3 million, representing a year-on-year growth of 13.2%. The increase in revenue was mainly contributed by operations in the United States. The Group's net profit rose by 8.8%, from HK$40.6 million in 2006 to HK$44.2 million. EBITDA increased 14.8% to HK$65.7 million when compared to HK$57.2 million for the previous year. The Group's balance sheet position remained healthy with total net assets of HK$224.5 million, representing an increase of 69.9% over the prior year, while cash and bank balances further strengthened to HK$181.7 million.

In 2007, ZONE operations in the United States ("ZONE US") posted a year-on-year turnover increase of 16.7% from HK$599.0 million to HK$698.9 million. The increase in turnover was due primarily to facility improvements made to expand the offering of IP-based services which attracted more application-driven domestic US customers. Also, the IP technology improvements allowed ZONE US to expand sales outside the US to international customers. The wholesale segment of business expanded beyond the successful Independent Local Exchange Carrier ("ILEC") market to encompass smaller resellers across the US, as ZONE US's buying power with first and second tier carriers improved due to increased buying volume and technology improvements at its facilities. ZONE US also continued, through the collaboration with its counterparts in Asia, to provide more competitive rates and quality routes to Asia for its customers.

During the year under review, ZONE US entered into an agreement with a first tier long distance carrier to extend a national network to its facilities in Los Angeles. This provides ZONE US with the ability to offer direct dedicated services to enterprise and wholesale customers and to allow for improved margins while providing more competitive pricing to customers. It also provides redundancy and diversity routing for ZONE's VoIP customers, a unique offering which most VoIP providers in the US are not able to offer.

ZONE US, in addition, expanded its service offerings to include mobile voice and data services after reaching an agreement with a major US wireless network provider in the first half of the year. Following timely completion of technical and business process integration, ZONE US successfully launched its Mobile Virtual Network Operator ("MVNO") services and has signed contracts with both its ILEC and Competitive Local Exchange Carrier (CLEC) customers for reselling mobile services.

Turnover from ZONE's operations in Asia ("ZONE Asia") for 2007 amounted to HK$94.4 million compared to HK$97.5 million for 2006. ZONE operations in Singapore continued to be the major revenue contributor in Asia. While ZONE Asia's turnover is mainly derived from the retail IDD segment, contributions from the wholesale voice business particularly benefiting from the collaboration between ZONE US and ZONE Asia, have recorded gradual increases.

ZONE Hong Kong operations made significant progress in strengthening its presence in the telecom market in China. Its wholly foreign-owned enterprise ("WFOE") was incorporated in March 2007 and its plan to penetrate the marketing and reselling sector of the Chinese telecommunication market have been progressing well. During the year, the WFOE successfully concluded business management and consultancy arrangements with two local Chinese enterprises which have contracted with Chinese state-owned telecom operators, namely, China Netcom (中國網通) and China Tietong (中國鐵通), in reselling their voice and data products and services in Shenzhen. Through these business arrangements, the China operation has started to contribute towards the Group's turnover. In March 2008, the WFOE also concluded an agreement with another Chinese state-owned telecom operator, China Telecom (中國電信), to market and resell its Internet Data Centre (IDC) facilities in Shenzhen. This is an important milestone achieved by ZONE Asia as we have been able to create close business ties with three incumbent telecom operators in China within such a short period while at the same time expanding into the data-related segment of the China telecom market.

ZONE Singapore forged ahead with its business strategies for 2007 and delivered on its business plan. Initiatives to broaden its revenue base to a diverse range of corporate customers and aggressive marketing efforts resulted in further turnover and income growth despite operating in a mature and competitive market. ZONE Singapore effectively harnessed the benefits of new IP-based technology deployments which facilitated the increase in business volume. For 2008, ZONE Singapore will continue to create opportunities to expand its service offerings and widen its revenue base while differentiating itself through innovative sales and marketing efforts in order to stay ahead of the competition.

ZONE Asia's global offering *ZoiPPE* (*www.zoippe.com*) continues to explore and implement different innovative and creative methods of expanding its user base. Besides viral marketing and co-branding / white labelling of its "softphone", *ZoiPPE* has also expanded its user reach through *Zoip-me* web applications which allow people to "click-to-call" users via normal phones. Such web applications are made available at the *ZoiPPE* service platform, other mass-market community websites (including popular websites such as Facebook, Friendster and MySpace) and e-commerce marketplace websites. *ZoiPPE* has also recently expanded the social networking element of its service (*www.zoippefriends.com*) through partnership with a company that currently has more than a million members. Users of this social networking platform are now able to enjoy an enhanced level of social interaction through the added *Zoip-me* functionalities including voice and SMS features.

Looking ahead to 2008, while the Group continues to focus on growing its core business, it is also pursuing other business opportunities that are complementary to its existing businesses or have potential capabilities in offering significant return on investment. In parallel with expanding ZONE's MVNO services in the United States, the Group anticipates itself actively participating in the wireless industry in Asia, in particular in the Broadband Wireless Access (BWA) arena. The Group, having in-depth knowledge on the development of the WiMAX technology and its applications as well as the regulatory and operating landscape in Asia, believes now is the opportune time to enter the broadband wireless market in Asian countries, including Hong Kong. The Group will carefully evaluate different business models, identify potential investors, technology vendors and operating partners and establish an appropriate strategy for entering into these markets.

Financial Review

Results

For the year ended 31 December 2007, the Group achieved a record consolidated turnover of HK$795.3 million representing an increase of HK$92.4 million, or 13.2%, as compared to 2006.

Operating costs for 2007 amounted to HK$185.1 million compared to HK$148.3 million in 2006.

ZONE US recorded a 16.7% increase in turnover from HK$599.0 million in 2006 to HK$698.9 million in 2007, while turnover from ZONE Asia, comprising the Group's telecommunication business in China, Hong Kong and Singapore, decreased by 3.2% to HK$94.4 million for 2007 as compared to HK$97.5 million for 2006.

The Group's gross profit increased by 9.7% from HK$193.1 million in 2006 to HK$211.8 million in 2007.

The operating profit for the year increased by 2.3% to HK$48.6 million when compared to HK$47.5 million for the previous year.

The consolidated net profit for the year was up HK$3.6 million to HK$44.2 million, compared to a net profit of HK$40.6 million for 2006.

EBITDA for the Group increased by 14.8%, or HK$8.5 million, from HK$57.2 million for 2006 to HK$65.7 million in 2007.

Assets

The Group's liquidity position was further strengthened as a result of contributions from the profitable ZONE telecommunication business, as well as the private placement of shares of the Company and the allotment of 5% shareholding interest in a subsidiary in February 2007. The net assets of the Group rose to HK$224.5 million as at 31 December 2007 (2006: HK$132.1 million).

Liquidity and Financing

With an enhanced capital structure and positive operating cash flow, cash and bank balances (excluding pledged bank deposits) reached HK$181.7 million as at 31 December 2007 (2006: HK$100.4 million). The Group had pledged bank deposits amounting to HK$2.1 million as at 31 December 2007 (2006: HK$1.5 million) to banks for guarantees made by them to certain telecommunication carriers for payments due by the Group.

As at 31 December 2007, the Group's bank borrowings, represented by the bank loan advanced to a subsidiary for the purpose of the WRLD Alliance transaction in 2006, reduced to HK$14.7 million (2006: HK$31.8 million) as a result of partial early repayment of principal during the year. The Group's bank borrowings are 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 31 December 2007, the Group's liabilities under equipment lease financing amounted to HK$0.4 million (2006: HK$0.6 million).

The Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets, improved to 6.7% (2006: 24.5%) primarily due to the partial repayment of the bank loan, the enhanced capital structure and profits for the year.

Foreign Exchange Exposure

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

Contingent Liabilities and Commitments

As at 31 December 2007, there were no material contingent liabilities or commitments.

Board of Directors and Senior Management

Board of Directors

Richard John Siemens, 63, Chairman, was appointed in January 2000. Mr. Siemens is the Chairman and a founding member of the Distacom Group, a privately-held group of companies engaging in mobile telecommunication business. Trained as a Chartered Accountant, Mr. Siemens's financial acumen and entrepreneurial leadership has been instrumental in the establishment of many well-known international telecommunication and broadcasting companies such as Hutchison Telecom, Orange, AsiaSat, STAR TV, Metro Radio, and mobile telecommunication businesses in Hong Kong, Italy, India, Japan and Madagascar led by Distacom.

Lim Shyang Guey, 48, Executive Director, was appointed in October 1999. Prior to coming to Hong Kong, Mr. Lim gained wide-ranging international exposure in the telecommunications and technology-related industries, including in New Zealand, Russia, Malaysia and Singapore. Mr. Lim holds a Bachelor of Engineering degree and a Master of Engineering degree, both from the University of Auckland in New Zealand.

William Bruce Hicks, 45, Non-executive Director, was appointed in December 2001. He is currently a founder of TPIZ Resources Limited, a Hong Kong-based firm which invests in and develops environmental projects in China. Mr. Hicks has been a director of various Distacom Group companies since 1994. Prior to that, Mr. Hicks worked at Hutchison Telecom in Hong Kong and Motorola, Inc. in the United States. He holds a B.S.E.E. degree from Michigan Technological University and an M.B.A. from the International Management Institute in Geneva, Switzerland.

Shane Frederick Weir, 53, Independent Non-executive Director, was appointed in August 2001. Mr. Weir is a qualified solicitor and consultant with Weir & Associates, Solicitors & Notaries. He has practiced in Hong Kong since 1985, including several years as an associate with Phillips & Vineberg. Mr. Weir is qualified as a solicitor, barrister, and notary public in Canada and a solicitor in the United Kingdom and Hong Kong.

John William Crawford J.P., 65, Independent Non-executive Director, was appointed in September 2004. He is also an independent non-executive director of Titan Petrochemicals Group Limited and Regal Portfolio Management Limited (being the manager of Regal Real Estate Investment Trust) as well as Elixir Gaming Technologies, Inc. He was a founding partner of Ernst & Young, Hong Kong and vice chairman of the firm. Since his retirement from accounting practice, Mr. Crawford has been particularly involved in the education sector, including setting up international schools and providing consulting services. He is also actively involved in various community service areas such as being a founding member of UNICEF Hong Kong Committee and the Hong Kong Institute of Directors. In 1997, he was appointed a Justice of the Peace.

Gerald Clive Dobby, 68, Independent Non-executive Director, was appointed in December 2005. Mr. Dobby, previously held senior positions within the HSBC Group, is currently a director of several companies in Hong Kong and overseas.

Senior Management

Chan Yee Bun, 56, Chief Financial Officer, joined the Company in January 2004. Mr. Chan has over 30 years' experience working in industries ranging from telecommunications, infrastructure, manufacturing to shipping and banking. Mr. Chan is a fellow member of the Hong Kong Institute of Certified Public Accountants.

Lau Wai Ming Raymond, 37, Legal Counsel and Company Secretary, joined the Company in June 2000. Mr. Lau is qualified as a solicitor in Hong Kong. Prior to joining the Company, he has been acting as the legal advisor to another company listed on the Hong Kong Stock Exchange. Mr. Lau graduated from the University of Hong Kong with LL.B., and holds a Certificate in Civil and Commercial Law issued by the China University of Political Science and Law.

Report of Directors

The board of directors (the "Board") of the Company herein presents its report and the audited financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2007.

Principal activities

The principal activity of the Company is investment holding.

The Group's principal operating subsidiaries are in the business of providing telecommunication services. The Group's ZONE telecommunication business currently has operations in the United States, China, Hong Kong and Singapore. The Group's turnover during the financial year consisted primarily of revenue generated from these operations.

In the United States, ZONE Telecom, Inc. ("ZONE US"), a wholly-owned subsidiary of the Company, is a United States Federal Communications Commission licensed telecommunication carrier. ZONE US *(www.zonetelecom.com)* operates in the consumer and corporate sectors as well as serving a number of independent local exchange carriers (ILECs) throughout the United States. ZONE US provides switched long distance voice services, IP-transport services, dedicated local and long-distance voice services, managed enhanced toll-free services, and enhanced voice and web conferencing services. In addition, ZONE US provides a number of data services including frame relay, international private lines, direct internet access and other IP-centric offerings as well as mobile voice and data services through a Mobile Virtual Network Operator ("MVNO") arrangement with a major wireless network provider in the United States.

In Hong Kong, ZONE Limited ("ZONE Hong Kong"), a wholly-owned subsidiary of the Company, is a telecommunication service provider licensed by the Telecommunications Authority of Hong Kong. By using a web-enabled platform (*www.zone1511.com*), ZONE Hong Kong allows customers to choose from a range of value-added services including SMS, international call forwarding, virtual global calling cards and fax management services to complement its basic IDD services. In addition, ZONE Hong Kong offers conferencing, fax-to-e-mail, call back and other value-added services to meet with the business needs of its corporate customers. Taking advantage of the latest IP-based technologies, ZONE Hong Kong is now able to offer Voice-over-Internet Protocol (VoIP) services with or without local telephone numbers, particularly targeting Hong Kong corporate customers with overseas presences.

In China, 深圳盈港科技有限公司 ("ZONE China"), a wholly-owned subsidiary of the Company, was established to penetrate into the marketing and reselling sector of the Chinese telecom market. Through its business management and consultancy arrangements with local Chinese enterprises, ZONE China is engaged in marketing and reselling voice and data products and services of China Netcom (中國網通) and China Tietong (中國鐵通) in Shenzhen. In addition, ZONE China markets and resells Internet Data Centre (IDC) facilities of China Telecom (中國電信) in Shenzhen.

In Singapore, ZONE Telecom Pte Ltd ("ZONE Singapore"), a wholly-owned subsidiary of the Company, is a telecommunication service provider licensed by the Infocomm Development Authority of Singapore. Besides offering basic IDD services, ZONE Singapore (*www.zone1511.com.sg*) also offers a host of value-added services that help customers' businesses improve operation efficiencies.

ZONE Resources Limited, a majority-owned subsidiary of the Company, provides global IP-based communication services under the brandname *ZoiPPE (www.zoippe.com)*. Besides allowing users to stay connected with their friends and family via a softphone with PC-to-PC, PC-to-Phone, Phone-to-Phone, SMS, IM and email functionalities, its web applications also offer click-to-call and multi-party conferencing features.

Descriptions of the activities of other principal subsidiaries are set out in note 13 to the financial statements.

Segmental information

Analyses of the Group's turnover and contribution to operating results by geographical and business segments of operations for the year ended 31 December 2007 are set out in note 27 to the financial statements.

Results and dividends

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 23.

The Board does not recommend the payment of a dividend for the year ended 31 December 2007 (2006: Nil).

Group financial summary

A summary of results, assets and liabilities of the Group for the last five financial years is set out on page 60.

Major customers and suppliers

In the year under review, the aggregate turnover attributable to the five largest customers of the Group accounted for approximately 21.4% of total turnover for the year, and sales to the largest customer included therein amounted to approximately 6.1%.

The aggregate purchases attributable to the five largest suppliers accounted for approximately 69.9% of total purchases for the year, and purchases from the largest supplier included therein amounted to approximately 32.0%.

At no time during the year have the directors of the Company, their associates or those shareholders which, to the knowledge of the directors of the Company, owned more than 5% of the Company's share capital, had any interest in any of the five largest customers and suppliers.

Property, plant and equipment

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 11 to the financial statements.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 21 to the financial statements.

Board of directors

The directors of the Company during the year and up to the date of this report were:

Executive Directors:

Richard John Siemens *(Chairman)*
Kuldeep Saran *(Deputy Chairman)*
(passed away on 16 June 2007)
Lim Shyang Guey

Non-executive Director:

William Bruce Hicks

Independent Non-executive Directors:

Shane Frederick Weir
John William Crawford J.P.
Gerald Clive Dobby

Biographical details of directors of the Company are set out on page 8 under the section titled "Board of Directors and Senior Management".

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Company considers such directors to be independent.

In accordance with bye-laws 86 and 87 of the Company's Bye-laws, Mr. Lim Shyang Guey and Mr. Gerald Clive Dobby shall retire by rotation at the forthcoming annual general meeting and are eligible for re-election.

Report of Directors (continued)

Directors' interests in securities

As at 31 December 2007, the interests of the directors and the chief executive of the Company in the shares and underlying shares of the Company and 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 or 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 are set out below.

Name of director	Capacity	Number of Shares* held	Approximate percentage of shareholding
Richard John Siemens	Held by controlled corporations	111,200,200 *(Note 1)*	21.3%
Kuldeep Saran, deceased	Personal	341,200 *(Note 2)*	0.1%
	Held by a controlled corporation	74,676,461 *(Note 2)*	14.3%
William Bruce Hicks	Personal	3,949,914	0.8%
	Held by a controlled corporation	67,962,428 *(Note 3)*	13.0%
Lim Shyang Guey	Personal	1,850,000	0.4%
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:

1. 11,200,000 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.

2. Mr. Kuldeep Saran held 341,200 Shares as at the date of his death on 16 June 2007. In addition, 74,676,461 Shares are beneficially owned by Future (Holdings) Limited, a company controlled by Mr. Saran until his death. So far as the Company is aware, since the passing away of Mr. Saran, probate of the will of Mr. Saran has not been granted and the executor(s) thereof have not yet registered as holders of the shares in the Company nor has there been any change in beneficial ownership of Future (Holdings) Limited to date.

3. 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 the directors as at 31 December 2007.

Save as disclosed above, as at 31 December 2007, none of the directors or the chief executive of the Company (including their spouse and children under the age of 18) had any interest or short position in the shares, underlying shares and 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 the kept pursuant to 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 entitled "Share option schemes", at no time during the year was the Company or any of its subsidiaries a party to any arrangements 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 year.

Directors' service contracts

The service contracts with all non-executive directors, including the independent non-executive directors, will expire on 31 December 2008 or, in the case of Mr. Gerald Clive Dobby, on 31 December 2009 and thereafter all will be renewable for fixed terms of three years provided that either party may terminate the appointment by giving to the other party not less than one month's notice in writing.

As at 31 December 2007, none of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

Directors' interests in contracts of significance

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Substantial shareholders

As at 31 December 2007, the interests and short positions of the persons, other than the directors or the chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company, are set out below.

Name of shareholder	Number of Shares held	Approximate percentage of shareholding
Goldstone Trading Limited	100,000,200*	19.1%
Future (Holdings) Limited	74,676,461*	14.3%
Great Wall Holdings Limited	67,962,428*	13.0%
Cannizaro Asia Master Fund Limited	34,600,000	6.6%

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

Report of Directors (continued)

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

Save as disclosed above, as at 31 December 2007, the Company was not notified of any persons, other than the directors and the chief executive of the Company, having any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company.

Share capital

Details of movements in the Company's share capital during the year are set out in note 19 to the financial statements.

Share option schemes

Details of the share option schemes of the Company and rules and procedures for share option schemes of subsidiaries of the Company are set out in note 20 to the financial statements.

Particulars of principal subsidiaries

Particulars regarding the principal subsidiaries of the Company are set out in note 13 to the financial statements.

Liquidity

As at 31 December 2007, the Group managed to maintain stable liquidity with cash and cash equivalents of approximately HK$183.8 million (2006: HK$101.9 million).

Bank borrowings

Details of bank borrowings as at 31 December 2007 are set out in note 17 to the financial statements.

Retirement benefit schemes

Details of the retirement benefit schemes operated by the Group are set out in note 2 to the financial statements.

Remuneration policies and employee relations

As at 31 December 2007, the Group had 176 (2006: 145) employees in the United States, China, Hong Kong and Singapore. The Group's total staff costs amounted to HK$79.8 million (2006: HK$71.3 million). Pursuant to the share option schemes adopted by the Company, share options may be granted to, among others, eligible employees of the Group to subscribe for shares in the Company under the terms and conditions stipulated therein. Altogether, 132,500 share options remained outstanding as at 31 December 2007. The Group maintains good relationships with its employees and none of the Group's employees is represented by a labour union.

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.

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

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

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda although there are no restrictions against such rights under such laws.

Public float

Based on information that is publicly available to the Company and to the best knowledge and belief of the directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued share capital as required under the Listing Rules.

Auditors

The Company announced on 5 June 2007 that Messrs. Moores Rowland Mazars resigned as auditors of the Group following the reorganisation of the firm and Mazars CPA Limited was appointed as auditors of the Group on 1 June 2007.

The financial statements of the Company for the years ended 31 December 2005 and 2006 were audited by Messrs. Moores Rowland Mazars, while those for the year ended 31 December 2007 were audited by Mazars CPA Limited, *Certified Public Accountants.*

A resolution will be submitted to the annual general meeting to re-appoint Mazars CPA Limited as auditors of the Company.

By Order of the Board

Lau Wai Ming Raymond
Company Secretary

1 April 2008

Corporate Governance Report

Introduction

The directors of the Company are committed to maintaining high standards of corporate governance in discharging their obligations to act in the best interests of shareholders and enhance long-term shareholder value.

The board of directors (the "Board") of the Company has adopted the principles as set out in the Code of Best Practice under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") which was in force prior to 1 January 2005 and, where applicable, has established various self-regulatory monitoring mechanisms.

The Board has also established written policies that provide a framework and guidelines for its members so that they are able to discharge their respective duties in an efficient and consistent manner, whereby corporate governance practices of the Company are strengthened, the corporate image is improved and the confidence of shareholders, regulators and the public can be assured.

In November 2004, The Stock Exchange of Hong Kong Limited (the "Stock Exchange") issued the Code on Corporate Governance Practices (the "Corporate Governance Code") which came into effect for accounting periods commencing after 1 January 2005. The Stock Exchange thereafter made further amendments to the Listing Rules relating to corporate governance practices. The Board has amended the written policies of the Company and taken other necessary steps to align with all code provisions and certain recommended best practices in the Corporate Governance Code. The Board reviews these written policies regularly and is committed to continuously improving the practices and ensuring an ethical corporate culture is maintained.

Board of directors

The Board is collectively responsible for all business and affairs of the Company. Pursuant to the Company's Bye-laws, the Board has delegated the day-to-day management of the Company's business to the executive directors and focuses its attention on overall strategic matters related to policies, finance and shareholding issues, while matters such as determining mechanisms for setting the Group's remuneration structure and policies and approving the annual remuneration and incentive plans of the Group are delegated to the Remuneration Committee.

As at 31 December 2007, the Board was comprised of two executive directors, namely, Mr. Richard John Siemens and Mr. Lim Shyang Guey, a non-executive director, Mr. William Bruce Hicks, and three independent non-executive directors, namely, Mr. Shane Frederick Weir, Mr. John William Crawford J.P. and Mr. Gerald Clive Dobby.

Code provision A.2.1. of the Corporate Governance Code stipulates that the roles of chairman and chief executive officer should be segregated and should not be performed by the same individual so that the responsibilities are not concentrated with any one person. The Company has, by formulating as part of its written policies, established and recorded in writing the respective responsibilities of the Chairman and the chief executive officer (being undertaken by the Managing Director) of the Company, in which it is specified that the Chairman is responsible for providing leadership to and effective running of the Board, while the Managing Director is delegated with the authority and responsibility for overseeing the realisation of the budgets and objectives set by the Board. During the year under review, the roles of chairman and chief executive officer were respectively performed by the Chairman, Mr. Richard John Siemens, and the Deputy Chairman and Managing Director, Mr. Kuldeep Saran, until 16 June 2007 when Mr. Saran passed away. Since then, with the unanimous approval of the Board, Mr. Siemens assumed the role of the Managing Director of the Company. The Board anticipates that the assumption of the role of the Managing Director by Mr. Siemens is only an interim measure.

The Board meets regularly and on those occasions when a Board decision is required for major issues. Members of the Board are provided with adequate and timely information prior to Board meetings to ensure that the directors can make informed decisions when fulfilling their responsibilities. During the year under review, the Board held four meetings and the attendance record is set out below.

Name of Director	Attendance / Number of Board Meetings in 2007	Attendance Rate
Richard John Siemens *(Chairman)*	4 / 4	100%
Kuldeep Saran *(Deputy Chairman) (until 16 June 2007)*	1 / 2	50%
Lim Shyang Guey	4 / 4	100%
William Bruce Hicks	3 / 4	75%
Shane Frederick Weir	4 / 4	100%
John William Crawford J.P.	4 / 4	100%
Gerald Clive Dobby	4 / 4	100%

On those occasions where it was not practical to convene physical meetings, in lieu thereof, written resolutions of the Board together with full copies of related documents were circulated to all directors for consideration and approval. All such written resolutions were approved by all directors unanimously.

Minutes of meetings and written resolutions of the Board as well as its committees are kept by the Company Secretary and such records are available for inspection at any reasonable time by a director.

Appointment and re-election

All non-executive directors are appointed for specific terms and upon expiry thereof, the terms are renewable for fixed terms of three years provided that either party may terminate such appointment by giving to the other party not less than one month's notice in writing. All directors, including the executive and non-executive directors, retire from office by rotation and are eligible for re-election at annual general meetings.

In accordance with the Company's Bye-laws, not less than one-third of the directors for the time being will retire from office by rotation at each annual general meeting, provided that every director shall be subject to retirement by rotation at least once every three years. Any director appointed to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

Board committees

The Board has delegated certain powers, authorities and discretion to a number of Board committees consisting of such directors as it deems appropriate. Such committees act in conformity with the guidelines and regulations (where applicable) as provided in the code provisions in the Corporate Governance Code and the written policies as promulgated by the Board, and in fulfilment of the purposes for which the committees were appointed.

Corporate Governance Report (continued)

Executive Management Committee

The Executive Management Committee is currently comprised of the two executive directors. The committee is principally responsible for directing, planning and managing the Group's businesses and operations, formulating strategies and policies for the consideration of the Board and implementing the same to best achieve the Group's overall business objectives in an effective and efficient manner.

The committee meets regularly every month to review the Group's business performance with the senior management of each operation within the Group. Ad hoc meetings are also held on an as-needed basis and the committee is also engaged in frequent informal discussions. In 2007, fourteen formal meetings were held and the attendance record is set out below.

Name of Director	Attendance / Number of Executive Management Committee Meetings in 2007	Attendance Rate
Richard John Siemens *(Chairman of the Committee)*	14 / 14	100%
Kuldeep Saran *(until 16 June 2007)*	6 / 7	86%
Lim Shyang Guey	13 / 14	93%

Audit Committee

The Audit Committee was established on 29 September 1999 by the Board and comprises three Board members, all of whom are independent non-executive directors. A set of written terms of reference, which describes the authority and duties of the committee as well as proceedings of its meetings and is based on the recommendations as set out in "A Guide For Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants, was adopted by the Board in the past and subsequently revised in accordance with the Corporate Governance Code and incorporated in the written policies of the Company. Such terms of reference and related written policies of the Company are under regular review by the Board to ensure alignment with the Corporate Governance Code and market practices.

The committee's principal role is to review the quality and fairness of the financial reports of the Company and consider the nature and scope of audit reviews. It also assesses the effectiveness of the accounting, financial and internal control systems of the Group.

The committee is granted the authority to conduct or authorise investigations into any activities within its terms of reference.

In 2007, two meetings were held to review and make recommendation to the Board on the consolidated financial statements of the Group for the interim and annual results, and, in particular, assess any changes in accounting policies and practices, major judgmental areas and compliance with applicable legal and accounting requirements and standards, and other matters like an assessment of internal control systems. In particular, the Audit Committee also 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 a review of the audited consolidated financial statements of the Group for the year ended 31 December 2007.

The attendance rate at the meetings in 2007 was 100% as set out below. As deemed necessary by the committee, the external auditors and executive officers of the Company attended the meetings to answer any questions raised. Full minutes of the meetings were recorded and submitted to the Board for its information and review. In addition, several ad hoc meetings were held during the year with the management of the Company to discuss accounting, reporting and other issues.

Name of Director	Attendance / Number of Audit Committee Meetings in 2007	Attendance Rate
John William Crawford J.P. *(Chairman of the Committee)*	2 / 2	100%
Shane Frederick Weir	2 / 2	100%
Gerald Clive Dobby	2 / 2	100%

The Company's external auditors carried out, in the course of the statutory audit process, a review of the effectiveness of the Company's material internal financial controls to the extent of the scope as laid out in their audit plan. Any non-compliance matters and internal control weaknesses noted during their audit and the auditors' recommendations thereon were reported to and dealt with by the committee.

Remuneration Committee

The Remuneration Committee was established on 18 December 2001 and comprises the Chairman, Mr. Richard John Siemens, and Mr. Shane Frederick Weir and Mr. John William Crawford J.P., both independent non-executive directors. Mr. Lim Shyang Guey, another executive director, is the alternate member for Mr. Richard John Siemens. A set of written terms of reference, which describes the authority and duties of the committee as well as proceedings of its meetings, was adopted by the Board in accordance with the Corporate Governance Code and incorporated in the written policies of the Company. Such terms of reference and related written policies of the Company are under regular review by the Board to ensure alignment with the Corporate Governance Code and market practices.

The committee is responsible for determining mechanisms for setting the Group's remuneration structure and policies with reference to fair and objective standards, approving the annual remuneration and incentive plans of the Group, and, in particular, determining the remuneration packages of executive directors and senior management, reviewing and approving performance-based remuneration programmes with reference to corporate goals and objectives and dealing with such other matters relating to remuneration issues as directed by the Board. During the year under review, two meetings were held and the attendance record is set out below.

Name of Director	Attendance / Number of Remuneration Committee Meetings in 2007	Attendance Rate
Richard John Siemens *(Chairman of the Committee)*	2 / 2	100%
Shane Frederick Weir	2 / 2	100%
John William Crawford J.P.	2 / 2	100%

Consideration on Nomination Committee

In addition to the establishment of the above committees, the Board has considered and reviewed the establishment of a nomination committee as recommended in the Recommended Best Practices in the Corporate Governance Code, but given the current size of the Board and the scale of operation of the Group, it was concluded that at this moment it was not efficient to create another committee to regulate matters on nomination and appointment of directors and left those responsibilities to the Board.

Internal control

The Board has overall responsibilities for maintaining the Group's systems of internal control and reviewing their effectiveness. The internal control systems of the Group are designed to provide reasonable assurance against material misstatement or loss, to manage the risk of system failures, and to assist in the achievement of Group goals. The systems are also structured to safeguard Group assets, to ensure the maintenance of proper accounting records and compliance with applicable laws, rules and regulations.

The Board considers that it is a continuous process for the Group to review and improve its internal control systems in order to ensure that they can meet with the dynamic and ever-changing business environment and regulatory framework. A review of the Group's internal control systems is conducted annually by the Audit Committee in conjunction with work undertaken by the auditors of the Company. During the year under review, as part of an on-going process for identifying, evaluating and managing material risks faced by the Group, the Board engaged a professional firm to conduct an independent review of the key internal control systems of the Group. The Board considers that the Group's internal control systems are reasonably implemented. Nevertheless, the Group will continue the process of reviewing the effectiveness of the internal control systems of the Group, focusing on specific business processes, and will consider, if deemed necessary in future, to set up an internal audit department to assist in fulfilling the objectives of the process.

Directors and officers liability insurance

The Company has arranged for appropriate liability insurance to indemnify directors and officers of the Group for their liabilities accrued in respect of, among others, legal actions against them and arising out of corporate activities, as recommended in the Recommended Best Practices in the Corporate Governance Code. The insurance coverage is reviewed on an annual basis.

Model code for securities transactions by directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules, (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 year ended 31 December 2007.

Auditors' remuneration

For the year ended 31 December 2007, the remuneration payable to the auditors of the Group amounted to approximately HK$1,479,000, of which HK$1,332,000 related to audit services and HK$147,000 to taxation and other non-audit services.

Independent Auditors' Report

MAZARS

MAZARS CPA LIMITED
馬賽會計師事務所有限公司
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33 Hysan Avenue, Causeway Bay, Hong Kong
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Website 網址: www.mazars.com.hk

To the members of

e-Kong Group Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of e-Kong Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 59, which comprise the consolidated and the Company's balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda (as amended), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Independent Auditors' Report (continued)

MAZARS

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Group's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2007 and of the profit and cash flows of the Group for the year then ended in accordance with HKFRS and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 1 April 2008

Eunice Y M Kwok
Practising Certificate number: P04604

Consolidated Income Statement

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Turnover	*3*	**795,252**	702,810
Cost of sales		**(583,405)**	(509,718)
Gross profit		**211,847**	193,092
Other revenue and income	*4*	**21,788**	2,723
		233,635	195,815
Selling and distribution expenses		**(57,144)**	(55,343)
Business promotion and marketing expenses		**(7,143)**	(4,635)
Operating and administrative expenses		**(99,234)**	(76,419)
Other operating expenses		**(21,549)**	(11,928)
Profit from operations		**48,565**	47,490
Finance costs	*5*	**(1,951)**	(2,859)
Profit before taxation	*5*	**46,614**	44,631
Taxation	*7*	**(2,394)**	(3,999)
Profit for the year	*8 & 21*	**44,220**	40,632
Profit for the year attributable to:			
Equity holders of the Company		**44,303**	40,632
Minority interests		**(83)**	–
Profit for the year		**44,220**	40,632
EBITDA	*9*	**65,673**	57,205
		HK cents	*HK cents*
Earnings per share	*10*		
Basic		**8.6**	8.6
Diluted		**N / A**	N / A

Consolidated Balance Sheet

As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	11	**18,799**	17,117
Intangible assets	12	**41,504**	51,659
Deferred tax assets	26	**13,634**	10,866
		73,937	79,642
Current assets			
Trade and other receivables	14	**91,589**	86,630
Pledged bank deposits	15	**2,137**	1,547
Cash and bank balances		**181,662**	100,362
		275,388	188,539
Current liabilities			
Trade and other payables	16	**104,935**	99,686
Current portion of bank borrowings	17	**10,430**	9,188
Current portion of obligations under finance leases	18	**206**	198
Taxation payable		**4,288**	3,996
		119,859	113,068
Net current assets		**155,529**	75,471
Total assets less current liabilities		**229,466**	155,113
Non-current liabilities			
Bank borrowings	17	**4,250**	22,577
Obligations under finance leases	18	**213**	419
Deferred tax liabilities	26	**513**	–
NET ASSETS		**224,490**	132,117
Capital and reserves			
Share capital	19	**5,229**	4,709
Reserves	21	**218,256**	127,408
Equity attributable to equity holders of the Company		**223,485**	132,117
Minority interests	21	**1,005**	–
TOTAL EQUITY		**224,490**	132,117

Approved and authorised for issue by the Board of Directors on 1 April 2008

Richard John Siemens
Director

Lim Shyang Guey
Director

Balance Sheet

As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	11	**3,737**	5,387
Interests in subsidiaries	13	**101,146**	75,787
		104,883	81,174
Current assets			
Trade and other receivables	14	**1,380**	1,389
Pledged bank deposits	15	**910**	886
Cash and bank balances		**88,497**	30,227
		90,787	32,502
Current liabilities			
Trade and other payables	16	**18,126**	2,011
Net current assets		**72,661**	30,491
NET ASSETS		**177,544**	111,665
Capital and reserves			
Share capital	19	**5,229**	4,709
Reserves	21	**172,315**	106,956
TOTAL EQUITY		**177,544**	111,665

Approved and authorised for issue by the Board of Directors on 1 April 2008

Richard John Siemens
Director

Lim Shyang Guey
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Attributable to equity holders of the Company								
	Share capital	Share premium	Exchange reserve	Capital redemption reserve	Contributed surplus	Accumulated profits / (losses)	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2006	4,709	23,461	(1,011)	6	607,462	(543,555)	91,072	–	91,072
Exchange differences on translation of foreign subsidiaries	–	–	413	–	–	–	413	–	413
Profit for the year	–	–	–	–	–	40,632	40,632	–	40,632
Transfer between reserves	–	–	–	–	(523,973)	523,973	–	–	–
As at 31 December 2006	4,709	23,461	(598)	6	83,489	21,050	132,117	–	132,117
New shares issued	520	46,280	–	–	–	–	46,800	–	46,800
Shares issue expenses	–	(1,400)	–	–	–	–	(1,400)	–	(1,400)
Exchange differences on translation of foreign subsidiaries	–	–	1,665	–	–	–	1,665	–	1,665
Deemed partial disposal of a subsidiary	–	–	–	–	–	–	–	1,088	1,088
Profit / (Loss) for the year	–	–	–	–	–	44,303	44,303	(83)	44,220
As at 31 December 2007	**5,229**	**68,341**	**1,067**	**6**	**83,489**	**65,353**	**223,485**	**1,005**	**224,490**

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	**2007**	2006
		HK$'000	*HK$'000*
OPERATING ACTIVITIES			
Cash generated from operations	22	**45,948**	75,932
Income taxes paid		**(4,350)**	(71)
Interest received		**4,206**	2,326
Interest on bank loan paid		**(1,931)**	(2,832)
Interest on obligations under finance leases		**(20)**	(27)
Net cash generated from operating activities		**43,853**	75,328
INVESTING ACTIVITIES			
Payments for intangible assets		**(460)**	(56,070)
Purchases of property, plant and equipment		**(9,095)**	(10,212)
Proceeds from disposals of property, plant and equipment		**9**	72
Proceeds from deemed partial disposal of a subsidiary		**18,490**	–
Net cash generated from / (used in) investing activities		**8,944**	(66,210)
FINANCING ACTIVITIES			
New bank loan raised		**–**	46,800
Repayment of bank loan		**(17,085)**	(15,035)
Repayment of obligations under finance leases		**(198)**	(192)
Issue of shares		**45,400**	–
Net cash generated from financing activities		**28,117**	31,573
Net increase in cash and cash equivalents		**80,914**	40,691
Cash and cash equivalents as at 1 January		**101,909**	61,218
Exchange gains on cash and cash equivalents		**976**	–
Cash and cash equivalents as at 31 December		**183,799**	101,909
Analysis of the balances of cash and cash equivalents			
Pledged bank deposits		**2,137**	1,547
Cash and bank balances		**181,662**	100,362
		183,799	101,909

Notes to the Financial Statements

For the year ended 31 December 2007

1. CORPORATE INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its ordinary shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's principal place of business is located at 3705 Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong. The principal activity of the Company is investment holding. Details of the principal subsidiaries of the Company are disclosed in note 13 to the financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2006 financial statements. The adoption of the new / revised HKFRS that are relevant to the Group and effective from the current year has had no significant effects on the Group's results and financial position of the Group and the Company for the current and prior years, except for the presentation and disclosures of certain financial statement items have been revised. Comparative information has been restated to achieve a consistent presentation. A summary of the principal accounting policies adopted by the Group is set out below.

Adoption of new / revised HKFRS

HKAS 1 (Amendment) Capital disclosures

The amendment requires financial statements to provide additional disclosures in relation to the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 24 to the financial statements.

HKFRS 7 Financial instruments: Disclosures

HKFRS 7 superseded *HKAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions* and incorporates all the disclosure requirements previously in *HKAS 32 Financial Instrument: Disclosure and Presentation*, while the presentation requirements in *HKAS 32* remain unchanged. *HKFRS 7* requires financial statements to disclose information for the purpose of evaluating the significance of the Group's financial instruments, the nature and risks arising from those financial instruments to which the Group is exposed to and how the Group manages them. The new disclosures are included throughout the financial statements.

Basis of measurement

The measurement basis used in the preparation of the financial statements is historical cost.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Company using consistent accounting policies.

All inter-company balances, transactions, income and expenses and profits and losses resulting from inter-company transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from the equity holders of the parent. Losses applicable to minorities in excess of the minority interests in a subsidiary's equity are allocated against the interests of the Group except to the extent that the minority have a binding obligation and are able to make an additional investment to cover the losses.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests resulting in gains or losses to the Group are recorded in the income statement.

Subsidiaries

A subsidiary is an entity (including special purpose entities) in which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's balance sheet, investments in subsidiaries are stated at cost less impairment losses. The carrying amounts of the investments are reduced to their respective recoverable amounts on an individual investment basis. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the income statement during the year in which they are incurred.

Depreciation is provided to write off the cost, net of accumulated impairment losses, of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold improvements	Over the remaining lease terms
Machinery and equipment	20% – 33%
Office equipment, furniture and fittings	20% – 33%
Motor vehicles	20%

Assets held under finance leases are depreciated over the shorter of their expected useful lives or the terms of the leases.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over the estimated useful lives which is 5 years in the case of the existing intangible assets. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Research and development costs

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The capitalised expenditure includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised as an expense in the period in which it is incurred. When the asset is available for use, the capitalised development costs are amortised and subject to impairment review on the same basis as intangible assets acquired separately.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is expensed in the income statement when incurred.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis. Financial assets and financial liabilities are measured as set out below.

Loans and receivables

Loans and receivables including trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less any impairment loss. Amortised cost is calculated by taking into account any discounts or premiums on acquisition, over the year to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in the income statement.

Impairment of financial assets

At each balance sheet date, the Group assesses whether there is objective evidence that financial assets are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through the income statement when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities

The Group's financial liabilities include trade and other payables, bank loans and other borrowings and obligations under finance leases. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Derecognition of financial assets and liabilities

A financial asset is derecognised when the Group's contractual rights to future cash flows from the financial asset expires or when the Group transfers the contractual rights to future cash flows to a third party. A financial liability is derecognised when, and only when, the liability is extinguished.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

Impairment of non-financial assets

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets with finite useful lives and investment in subsidiaries to determine whether there are any indications that such assets have suffered impairment losses or that impairment losses previously recognised no longer exist or may be reduced. If the recoverable amount of an asset is estimated to be less than its carrying amount, the latter is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably.

Income in respect of telecommunication services provided to customers is recognised when the services are rendered.

Interest income is accrued on a time proportion basis on the principal outstanding and at the effective interest rate applicable.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the terms of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are recognised as an expense on the straight-line basis over the terms of the relevant leases.

Lease incentives are recognised in the income statement as an integral part of the net consideration agreed for the use of the leased asset.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Hong Kong dollars which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

On consolidation, the balance sheets of entities denominated in currencies other than Hong Kong dollars, being the presentation currency, are translated at the approximate rates of exchange ruling at the balance sheet date while the income statements are translated at average rates for the year. All exchange differences arising from the translation of an entity are recognised as a separate component of equity.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss, it is not accounted for.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Retirement benefit schemes

Since December 2000, the Group, other than overseas subsidiaries, has operated Mandatory Provident Fund ("MPF") schemes to provide retirement benefits for its full time permanent employees in Hong Kong. The obligations for contributions to retirement benefit schemes are recognised as expenses in the income statement as incurred. The assets of the schemes are held separately from those of the Group with independent trustees.

Under the MPF schemes, both the Group and each eligible employee are required to contribute 5% of the employee's basic monthly income, up to a maximum of HK$1,000 (as mandatory contributions) and they may choose to make additional or voluntary contributions. The Group makes the same additional contribution if an employee chooses to make a voluntary contribution of up to a maximum limit of HK$1,000.

Under the MPF schemes, employees are entitled to the Group's mandatory contributions in accordance with the provisions in the Hong Kong Mandatory Provident Fund Schemes Ordinance, and are entitled to 100% of the Group's voluntary contributions after completion of the first year of service.

Overseas subsidiaries also operate pension schemes or similar arrangements for their employees in accordance with the statutory requirements prescribed by the relevant legal authorities.

As at balance sheet date, the Group had no significant forfeited voluntary contributions which arose as a result of employees leaving the MPF schemes and which are available to reduce the contributions payable by the Group in future years.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Share based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at the grant date, taking into account the terms and conditions upon which the options were granted. Where employees have to meet vesting conditions before becoming unconditionally entitled to share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged / credited to the income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the equity. On the vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest with a corresponding adjustment to the equity account.

Related parties

A party is related to the Group if (a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by or is under common control with the Group; or has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group; (b) the party is an associate of the Group; (c) the party is a joint venture in which the Group is an investor; (d) the party is a member of the key management personnel of the Group; (e) the party is a close member of the family of any individual referred to in (a) or (d); (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or (g) the party is a post-employment benefit plan for the benefit of employees of the Group or of any entity that is a related party of the Group.

Critical accounting estimates and judgements

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of the trade receivables and on management judgments. A considerable amount of judgment is required in assessing the ultimate realisation of receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

Recognition of deferred tax assets

Deferred tax assets are recognised principally for unused tax losses carried forward to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgment regarding the future performance of the particular legal subsidiary in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each balance sheet date and, to the extent that there is sufficient evidence that taxable profits will be available within the utilisation periods to allow utilisation of the carry-forward tax losses, the asset balance will be increased and such increase will be charged in the income statement.

Future changes in HKFRS

At the date of approval of these financial statements, the Group has not early adopted the new / revised HKFRS issued by HKICPA that are not yet effective for the current year. The directors do not anticipate that the adoption of these new / revised HKFRS in future periods will have a material impact on the results of the Group.

Notes to the Financial Statements (continued)

For the year ended 31 December 2007

3. TURNOVER

Turnover, recognised by category, is analysed as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Turnover		
Telecommunication services income	**793,261**	696,494
Other	**1,991**	6,316
	795,252	702,810

4. OTHER REVENUE AND INCOME

	Group	
	2007	2006
	HK$'000	*HK$'000*
Interest income on bank deposits	**4,206**	2,326
Gain on deemed partial disposal of subsidiary *(Note)*	**17,402**	–
Other	**180**	397
	21,788	2,723

Note: The gain on the deemed partial disposal of a subsidiary arose from the subscription by an institutional investor for 5% of the share capital of the subsidiary.

5. PROFIT BEFORE TAXATION

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
(a) Finance costs		
Interest on bank loan and other borrowings wholly repayable within five years	**1,931**	2,832
Finance charges on obligations under finance leases	**20**	27
	1,951	2,859
(b) Other items		
Employee salaries and other benefits	**77,401**	69,343
Retirement benefit scheme contributions	**2,381**	2,005
	79,782	71,348
Auditors' remuneration	**1,332**	1,167
Cost of services provided	**583,405**	509,718
Depreciation of property, plant and equipment	**6,493**	5,304
Amortisation of intangible assets included in other operating expenses	**10,615**	4,411
Bad debts written off	**14**	337
Allowance for doubtful debts	**1,978**	1,348
Losses / (Gains) on disposal of property, plant and equipment	**971**	(8)
Operating lease charges on premises	**6,819**	5,475
Exchange losses / (gains), net	**244**	(618)

Notes to the Financial Statements (continued)

For the year ended 31 December 2007

6. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION

The aggregate amounts of remuneration received and receivable by Company directors are as follows:

	2007			
	Director fees	**Salaries, gratuities and other emoluments**	**Retirement benefit scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Richard John Siemens	–	1,500	24	1,524
Kuldeep Saran	–	1,849	12	1,861
Lim Shyang Guey	–	2,240	24	2,264
Non-executive director				
William Bruce Hicks	38	–	–	38
Independent non-executive directors				
Shane Frederick Weir	150	–	–	150
John William Crawford J.P.	150	100	–	250
Gerald Clive Dobby	150	–	–	150
	488	**5,689**	**60**	**6,237**

	2006			
	Director fees	Salaries, gratuities and other emoluments	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Richard John Siemens	–	1,500	24	1,524
Kuldeep Saran	–	1,826	24	1,850
Lim Shyang Guey	–	1,950	24	1,974
Non-executive director				
William Bruce Hicks	–	–	–	–
Independent non-executive directors				
Shane Frederick Weir	100	–	–	100
John William Crawford J.P.	100	100	–	200
Gerald Clive Dobby	100	–	–	100
	300	5,376	72	5,748

6. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION *(continued)*

Individuals with highest emoluments

Of the five *(2006: five)* individuals with the highest emoluments, two *(2006: two)* are directors whose emoluments are disclosed above. The aggregate of the emoluments in respect of the other three *(2006: three)* individuals are as follows:

	2007	2006
	HK$'000	*HK$'000*
Salaries, gratuities and other emoluments	**6,639**	5,116
Retirement benefit scheme contributions	**39**	122
	6,678	5,238

The emoluments of the three *(2006: three)* individuals with the highest emoluments are within the following bands:

	2007	2006
	Number of individuals	*Number of individuals*
HK$1,500,001 to HK$2,000,000	**–**	3
HK$2,000,001 to HK$2,500,000	**2**	–
HK$2,500,001 to HK$3,000,000	**1**	–
	3	3

The executive directors of the Company, together with the above-mentioned three *(2006: three)* highest paid individuals, are regarded as the key management personnel of the Group for disclosure purposes.

7. TAXATION

Hong Kong Profits Tax has not been provided as the Group's assessable profit for the year is wholly absorbed by unrelieved tax losses brought forward from previous years.

Overseas taxation represents income tax of certain subsidiaries, calculated at the tax rates prevailing in the countries in which the subsidiaries operate.

	Group	
	2007	2006
	HK$'000	*HK$'000*
Current tax		
Overseas income taxes	**(4,642)**	(3,964)
Deferred tax		
Depreciation allowances	**(623)**	(9)
Tax losses	**2,871**	(26)
	2,248	(35)
	(2,394)	(3,999)

Further details of the Group's deferred taxation status are set out in note 26.

7. TAXATION *(continued)*

Reconciliation of effective tax rate

	Group	
	2007	2006
	%	%
Applicable tax rate	**26**	27
Non-deductible expenses	**1**	3
Tax exempt revenue	**(5)**	(4)
Unrecognised tax losses arising in current year	**5**	5
Utilisation of previously unrecognised tax losses	**(21)**	(17)
Recognition of previously unrecognised tax losses	**(7)**	(2)
Reversal / (Recognition) of previously unrecognised deferred tax assets	**4**	(4)
Other	**2**	1
Effective tax rate for the year	**5**	9

The applicable tax rate is the average of the tax rates prevailing in the territories in which the Group operates.

8. PROFIT FOR THE YEAR

The profit for the year includes a profit of HK$20,479,000 *(2006: HK$20,355,000)* which has been dealt with in the financial statements of the Company.

9. EBITDA

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

10. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2007 is based on the consolidated profit attributable to equity holders of the Company of HK$44,303,000 *(2006: HK$40,632,000)* and on the weighted average number of 514,773,652 *(2006: 470,894,200)* shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2007 and 2006 have not been presented as the exercise prices of the share options were higher than the average market price of the shares.

11. PROPERTY, PLANT AND EQUIPMENT

	Group				
	Leasehold improvements	Machinery and equipment	Office equipment, furniture and fittings	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2006	2,016	4,687	5,441	–	12,144
Additions	–	5,086	2,326	2,800	10,212
Disposals	–	–	(124)	–	(124)
Write-back of accumulated depreciation on disposals	–	–	60	–	60
Depreciation	(685)	(2,100)	(1,959)	(560)	(5,304)
Exchange adjustments	–	(1)	130	–	129
As at 31 December 2006	1,331	7,672	5,874	2,240	17,117
As at 1 January 2007	1,331	7,672	5,874	2,240	17,117
Additions	125	5,698	3,272	–	9,095
Disposals	–	(8,882)	(1,906)	(1,400)	(12,188)
Write-back of accumulated depreciation on disposals	–	8,882	1,906	420	11,208
Depreciation	(701)	(3,303)	(2,069)	(420)	(6,493)
Exchange adjustments	–	–	60	–	60
As at 31 December 2007	**755**	**10,067**	**7,137**	**840**	**18,799**
Representing:					
Cost	2,091	50,277	24,257	2,800	79,425
Accumulated depreciation	(760)	(42,605)	(18,383)	(560)	(62,308)
As at 1 January 2007	1,331	7,672	5,874	2,240	17,117
Cost	2,216	47,439	26,229	1,400	77,284
Accumulated depreciation	(1,461)	(37,372)	(19,092)	(560)	(58,485)
As at 31 December 2007	**755**	**10,067**	**7,137**	**840**	**18,799**

The carrying amount of the Group's property, plant and equipment as at 31 December 2007 includes an amount of HK$397,000 *(2006: HK$596,000)* in respect of assets held under finance leases.

Notes to the Financial Statements (continued)

For the year ended 31 December 2007

11. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Company			
	Leasehold improvements *HK$'000*	**Office equipment, furniture and fittings** *HK$'000*	**Motor vehicles** *HK$'000*	**Total** *HK$'000*
As at 1 January 2006	1,631	1,924	–	3,555
Additions	–	393	2,800	3,193
Disposals	–	(33)	–	(33)
Write-back of accumulated depreciation on disposals	–	33	–	33
Depreciation	(593)	(208)	(560)	(1,361)
As at 31 December 2006	1,038	2,109	2,240	5,387
As at 1 January 2007	1,038	2,109	2,240	5,387
Additions	–	533	–	533
Disposals	–	–	(1,400)	(1,400)
Write-back of accumulated depreciation on disposals	–	–	420	420
Depreciation	(593)	(190)	(420)	(1,203)
As at 31 December 2007	**445**	**2,452**	**840**	**3,737**
Representing:				
Cost	1,631	2,707	2,800	7,138
Accumulated depreciation	(593)	(598)	(560)	(1,751)
As at 1 January 2007	1,038	2,109	2,240	5,387
Cost	1,631	3,240	1,400	6,271
Accumulated depreciation	(1,186)	(788)	(560)	(2,534)
As at 31 December 2007	**445**	**2,452**	**840**	**3,737**

12. INTANGIBLE ASSETS

	Group		
	Development costs	**Customer contracts**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Additions	3,137	52,933	56,070
Amortisation	–	(4,411)	(4,411)
As at 31 December 2006	3,137	48,522	51,659
As at 1 January 2007	3,137	48,522	51,659
Additions	460	–	460
Amortisation	–	(10,615)	(10,615)
As at 31 December 2007	**3,597**	**37,907**	**41,504**
Representing:			
Costs	3,137	52,933	56,070
Accumulated amortisation	–	(4,411)	(4,411)
As at 31 December 2006	3,137	48,522	51,659
Costs	3,597	52,933	56,530
Accumulated amortisation	–	(15,026)	(15,026)
As at 31 December 2007	**3,597**	**37,907**	**41,504**

13. INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	**–**	–
Due from subsidiaries	**601,068**	683,683
Less: Provisions	**(499,922)**	(607,896)
	101,146	75,787

The amounts due from subsidiaries are unsecured, interest-free and have no fixed term of repayment, except for an amount of HK$57,948,000 *(2006: HK$57,948,000)* which bears interest at 5.5% per annum, is unsecured and repayable on 23 April 2009. The carrying values of the amounts due approximate their fair values.

Notes to the Financial Statements (continued)

For the year ended 31 December 2007

13. INTERESTS IN SUBSIDIARIES *(continued)*

Details of the principal subsidiaries at the balance sheet date are as follows:

Name of subsidiary	Place of incorporation and operation	Particulars of issued share capital	Effective ownership interest held by the Company		Principal activities
			Directly	*Indirectly*	
ZONE USA, Inc. (i)	United States of America	US$10	–	100%	Investment holding
ZONE Telecom Pte Ltd	Singapore	S$100,000	–	100%	Provision of telecommunication services
ZONE Telecom, Inc. (i)	United States of America	US$10	–	100%	Provision of telecommunication services
ZONE Resources Limited	British Virgin Islands	US$10,000	–	95%	Provision of IP-based communication services
ZONE Limited	Hong Kong	HK$2	–	100%	Provision of telecommunication services
ZONE Global Limited	British Virgin Islands	US$1	–	100%	Investment holding
ZONE Channel Services Limited	Hong Kong	HK$2	–	100%	Provision of marketing and promotion services
speedinsure.com Limited	Hong Kong	HK$10,000	–	70.3%	Provision of sales and fulfilment solutions
speedinsure Global Limited	British Virgin Islands	US$10,102	–	70.3%	Investment holding
e-Kong Pillars Holdings Limited	British Virgin Islands	US$1	100%	–	Investment holding
e-Kong Pillars Limited	British Virgin Islands	US$1	–	100%	Investment holding
Cyber Insurance Brokers Limited	Hong Kong	HK$5,000,000	–	70.3%	Insurance brokerage
China Portal Limited	British Virgin Islands	US$1	–	100%	Provision of consultancy services
深圳盈港科技有限公司 (ii)	The People's Republic of China	RMB1,000,000 Registered capital	–	100%	Provision of technical consultancy services

(i) – Companies not audited by Mazars.

(ii) – A wholly foreign-owned enterprise established in the People's Republic of China.

The above summary includes those subsidiaries which, in the opinion of the Company's directors, principally affected the results or formed a substantial portion of the net assets of the Group. The classes of shares held are ordinary shares unless otherwise stated. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables	**87,367**	80,627	**–**	–
Allowance for doubtful debts	**(4,570)**	(4,508)	**–**	–
	82,797	76,119	**–**	–
Other receivables				
Deposits, prepayments and other debtors	**8,792**	10,511	**1,380**	1,389
	91,589	86,630	**1,380**	1,389

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
Less than 1 month	**74,197**	68,042
1 to 3 months	**8,377**	7,858
More than 3 months but less than 12 months	**223**	219
	82,797	76,119

The Group's credit policy is set out in note 23.

14. TRADE AND OTHER RECEIVABLES *(continued)*

The movements in allowance for doubtful debts are as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
As at 1 January	**4,508**	5,650	**–**	–
Increase in allowance	**1,978**	1,348	**–**	–
Amounts written off	**(1,916)**	(2,490)	**–**	–
As at 31 December	**4,570**	4,508	**–**	–

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
1 to 3 months past due	**9,783**	9,579
More than 3 months but less than 12 months past due	**635**	522
Amounts past due	**10,418**	10,101
Neither past due nor impaired	**72,379**	66,018
	82,797	76,119

The Group has not provided for any impairment losses on the above trade debtors as there has not been a significant change in credit quality and the directors believe that the amounts are still considered receivable. The Group does not hold any collateral over the balances.

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there has been no history of default.

15. PLEDGED BANK DEPOSITS

At the balance sheet date, the Group and the Company had pledged bank deposits amounting to HK$2,137,000 *(2006: HK$1,547,000)* and HK$910,000 *(2006: HK$886,000)*, respectively, to banks for guarantees made by them to certain telecommunication carriers for due payments by the Group.

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables	**51,203**	44,924	**–**	–
Other payables				
Accrued charges and other creditors	**53,732**	54,762	**1,458**	1,232
Due to subsidiaries	**–**	–	**16,668**	779
	104,935	99,686	**18,126**	2,011

The amounts due to subsidiaries are unsecured, interest-free and have no fixed term of repayment.

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
Less than 1 month	**40,462**	26,733
1 to 3 months	**10,284**	17,992
More than 3 months but less than 12 months	**457**	199
	51,203	44,924

17. BANK BORROWINGS

The bank loan is repayable as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**10,430**	9,188
After one year but within two years	**4,250**	9,860
After two years but within five years	**–**	12,717
	14,680	31,765

Notes to the Financial Statements (continued)

For the year ended 31 December 2007

17. BANK BORROWINGS *(continued)*

	Group	
	2007	2006
	HK$'000	*HK$'000*
Reported as:		
Current liabilities	**10,430**	9,188
Non-current liabilities	**4,250**	22,577
	14,680	31,765

The loan requires monthly principal and interest payments of US$118,575 (equivalent to HK$924,885). It also requires a quarterly payment equal to 10% of EBITDA for the previous quarter. The loan bears interest at 7% per annum and is secured by all assets of two subsidiaries in the U.S.A., with an aggregate carrying value of HK$182,547,000 (consisting of intangible assets of HK$37,907,000, property, plant and equipment of HK$11,215,000, trade and other receivables of HK$73,028,000 and cash and bank balances of HK$60,397,000).

18. OBLIGATIONS UNDER FINANCE LEASES

The obligations under finance leases are repayable as follows:

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Finance leases due:				
Within one year	**218**	218	**206**	198
After one year but within two years	**217**	218	**213**	198
After two years but within five years	**–**	217	**–**	221
	435	653	**419**	617
Future finance charges	**(16)**	(36)	**–**	–
Present value of lease obligations	**419**	617	**419**	617

	Group	
	2007	2006
	HK$'000	*HK$'000*
Reported as:		
Current liabilities	**206**	198
Non-current liabilities	**213**	419
	419	617

The finance lease payments are repayable in 60 instalments, mature in December 2009 and bear interest at 3.7% per annum. The carrying value of the finance leases approximate their fair values.

19. SHARE CAPITAL

	2007		2006	
	Number of shares	**Amount** ***HK$'000***	*Number of shares*	Amount *HK$'000*
Ordinary shares				
Authorised				
12,000,000,000 ordinary shares of HK$0.01 each	**12,000,000,000**	**120,000**	12,000,000,000	120,000
Issued and fully paid				
As at 1 January	**470,894,200**	**4,709**	470,894,200	4,709
New shares issued	**52,000,000**	**520**	–	–
As at 31 December	**522,894,200**	**5,229**	470,894,200	4,709

On 27 February 2007, the Company completed a top-up placement of 52,000,000 ordinary shares in the Company at a price of HK$0.90 per share. The net proceeds of HK$45,400,000 were reported to be for use as general working capital, capital expenditure and business expansion.

Details of the above are set out in the announcement of the Company dated 16 February 2007.

The shares issued during the year rank pari passu with the then existing shares in issue in all respects.

20. SHARE OPTIONS

(a) The Company

Pursuant to an employee share option scheme of the Company adopted in a special general meeting held on 25 October 1999, the directors of the Company, at their discretion, could 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. This scheme was subsequently terminated in a special general meeting held on 28 June 2002 but the share options granted that were 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. 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.

20. SHARE OPTIONS *(continued)*

(b) 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.

Summary of principal terms

A summary of the principal terms of the new share option scheme of the Company and Subsidiary Scheme Rules and Procedures is as follows:

(i) Purpose

The schemes are designed to enable the board to grant share options to eligible participants as (i) incentives and / or rewards in recognition or acknowledgement of the contributions that eligible participants have made and will make to the Group and (ii) motivation to worthy employees for high levels of performance in order to enhance long-term shareholder value.

(ii) Maximum number of shares

The total number of shares in respect of which share options may be granted (together with share options exercised and then outstanding) under the schemes and to be granted under any other share option schemes of the Company or the relevant subsidiary, shall not in aggregate exceed 10% of the shares in issue as at the date of approval of the schemes unless shareholder approval has been obtained. As at 1 April 2008, 13,689,261 shares of the Company, representing about 2.6% of its issued share capital, are available for issue under the new share option scheme.

The maximum number of shares issued and which may fall to be issued upon the exercise of the share options granted under the scheme and any other share option schemes (including both exercised and outstanding share options) to each eligible participant shall not exceed 1% of the shares in issue for the time being in any 12 month period up to and including the date of grant.

(iii) Exercise period and payment on acceptance of share options

A share option may be exercised in accordance with the terms of the scheme at any time during a period to be determined and notified by the directors to each grantee, subject to a maximum period of 10 years from the date of grant.

A share option shall be deemed to have been granted and accepted and to have taken effect when the duplicate letter comprising acceptance of the offer of the grant of a share option duly signed by the grantee (for the new share option scheme) or the acceptance of the offer of the grant of a share option duly acknowledged by the grantee in such form as the board may from time to time determine (for the Subsidiary Scheme Rules and Procedures) together with a remittance in favour of the Company of HK$1.00 (or its US$ equivalent) in consideration of the grant thereof is received by the Company on a business day not later than 28 days from the offer date.

20. SHARE OPTIONS *(continued)*

Summary of principal terms *(continued)*

(iv) Basis of determining the subscription price

New share option scheme of the Company

Subject to the terms of the scheme and the provisions of the Listing Rules, the subscription price in respect of any share option shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets over the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share.

Subsidiary scheme rules and procedures

Subject to the terms of the scheme and the provisions of the Listing Rules, the subscription price in respect of any share option shall not be less than the par value of a share provided that if the share option is intended to qualify as an incentive stock option under the tax laws of the United States, the subscription price thereof shall not be less than the fair market value of a share as detailed therein.

(v) Remaining life of the scheme

The Company scheme is valid and effective, at the discretion of the board of directors, subject to a maximum period of 10 years from the date of its adoption.

During the year, no share options were held by the directors, chief executive or substantial shareholders of the Company, suppliers of goods or services or other participants, other than eligible employees under the old share option scheme.

Details of the share options granted and remaining outstanding at the balance sheet date were as follows:

			Number of share options				
Date of grant	**Exercisable period**	**Exercise price** *HK$*	**As at 1 January 2006**	**Lapsed during 2006**	**As at 31 December 2006**	**Lapsed during 2007**	**As at 31 December 2007**
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	35,000	–	35,000	–	35,000
28.04.2000	28.04.2001 – 24.10.2009	3.30	40,000	–	40,000	(15,000)	25,000
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			147,500	–	147,500	(15,000)	132,500

The options outstanding as at 31 December 2007 had an exercise price of between HK$1.20 and HK$3.30 *(2006: between HK$1.20 and HK$3.30)* and a weighted average remaining contractual life of 1.83 years *(2006: 2.83 years)*.

Notes to the Financial Statements (continued)

For the year ended 31 December 2007

21. RESERVES

	Attributable to equity holders of the Company							
	Share premium	**Exchange reserve**	**Capital redemption reserve**	**Contributed surplus**	**Accumulated profits / (losses)**	**Total**	**Minority interests**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Group								
As at 1 January 2006	23,461	(1,011)	6	607,462	(543,555)	86,363	–	86,363
Exchange differences on translation of foreign subsidiaries	–	413	–	–	–	413	–	413
Profit for the year	–	–	–	–	40,632	40,632	–	40,632
Transfer between reserves *(Note)*	–	–	–	(523,973)	523,973	–	–	–
As at 31 December 2006	23,461	(598)	6	83,489	21,050	127,408	–	127,408
New shares issued	46,280	–	–	–	–	46,280	–	46,280
Shares issue expenses	(1,400)	–	–	–	–	(1,400)	–	(1,400)
Exchange differences on translation of foreign subsidiaries	–	1,665	–	–	–	1,665	–	1,665
Deemed partial disposal of a subsidiary	–	–	–	–	–	–	1,088	1,088
Profit / (Loss) for the year	–	–	–	–	44,303	44,303	(83)	44,220
As at 31 December 2007	**68,341**	**1,067**	**6**	**83,489**	**65,353**	**218,256**	**1,005**	**219,261**
Company								
As at 1 January 2006	23,461	–	6	607,462	(544,328)	86,601	–	86,601
Profit for the year	–	–	–	–	20,355	20,355	–	20,355
Transfer between reserves *(Note)*	–	–	–	(523,973)	523,973	–	–	–
As at 31 December 2006	23,461	–	6	83,489	–	106,956	–	106,956
New shares issued	46,280	–	–	–	–	46,280	–	46,280
Share issue expenses	(1,400)	–	–	–	–	(1,400)	–	(1,400)
Profit for the year	–	–	–	–	20,479	20,479	–	20,479
As at 31 December 2007	**68,341**	**–**	**6**	**83,489**	**20,479**	**172,315**	**–**	**172,315**

Contributed surplus represents the amounts transferred from the share premium account as a result of the capital reorganisation undertaken by the Company in November 2002. Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

21. RESERVES *(continued)*

Subject to the conditions mentioned in the foregoing paragraph, the Company had the following reserves available for distribution to shareholders at the balance sheet date:

	2007	2006
	HK$'000	*HK$'000*
Contributed surplus	**83,489**	83,489
Accumulated profits	**20,479**	–
	103,968	83,489

Note: Pursuant to a board resolution on 21 December 2006, contributed surplus amounting to HK$523,973,000 was approved for application towards set-off against accumulated losses of the Company.

22. CASH GENERATED FROM OPERATIONS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Profit before taxation	**46,614**	44,631
Interest income	**(4,206)**	(2,326)
Interest expenses	**1,931**	2,832
Interest on obligations under finance leases	**20**	27
Depreciation	**6,493**	5,304
Amortisation of intangible assets	**10,615**	4,411
Gain on deemed partial disposal of a subsidiary	**(17,402)**	–
Exchange differences	**622**	367
Losses / (Gains) on disposals of property, plant and equipment	**971**	(8)
Bad debts written off	**14**	337
Allowance for doubtful debts	**1,978**	1,348
Changes in working capital:		
Trade and other receivables	**(6,549)**	(21,175)
Trade and other payables	**4,847**	40,184
Cash generated from operations	**45,948**	75,932

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank borrowings, finance leases, cash and short-term deposits. The main purpose of these financial instruments is to raise or maintain financial resources for Group operations. The Group has various other financial instruments such as trade receivables and trade payables which arise directly from its business activities.

Exposure to currency, credit and liquidity risks arise in the normal course of the Group's business. Management of the Group monitors and manages these exposures to ensure appropriate measures are implemented on a timely and effective manner. The key policies on monitoring and controlling these risks are set out below.

Currency risk

The transactions of several subsidiaries are denominated in foreign currencies which expose the Group to foreign currency risks. However, most of the Group's assets and liabilities, revenues and payments are denominated in Hong Kong dollars and United States dollars in which the Group considers there is no significant exposure to foreign exchange fluctuations as long as the Hong Kong-United States dollar exchange rate remains pegged. In addition to United States dollars there are also transactions made in Singapore dollars for which the Group closely monitors the Singapore-United States dollar exchange rate and, whenever appropriate, takes any necessary action to reduce the exchange risk.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the balance sheet date are as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Assets				
United Stated dollars	**172,155**	147,668	**93,442**	85,301
Singapore dollars	**32,435**	17,512	**–**	–
Renminbi	**566**	–	**–**	–
	205,156	165,180	**93,442**	85,301
Liabilities				
United Stated dollars	**106,161**	119,490	**–**	–
Singapore dollars	**8,426**	6,058	**–**	–
Renminbi	**356**	–	**–**	–
	114,943	125,548	**–**	–

Credit risk

The Group's credit risks are primarily attributable to trade and other receivables. Management of the Group has a credit limit policy in place and exposures to credit risks are monitored on an ongoing basis. In order to minimise credit risk, management of the Group has established credit limits, credit approvals and other monitoring procedures to ensure appropriate actions are taken to recover overdue debts.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

Individual operating units within the Group are responsible for their own cash management. To minimize liquidity risks, management of the Group regularly reviews the current and expected liquidity requirements of operating units to ensure they maintain sufficient reserves of cash to meet their liquidity requirements in the short and longer terms.

The maturity profile of the Group's financial liabilities at the balance sheet date based on contractual undiscounted payments are summarised below.

	2007				
	On demand	**Less than 3 months**	**3 to 12 months**	**After 1 year but within 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing borrowings	–	2,835	8,511	4,538	15,884
Trade and other payables	10,001	93,753	1,181	–	104,935
	10,001	**96,588**	**9,692**	**4,538**	**120,819**

	2006				
	On demand	Less than 3 months	3 to 12 months	After 1 year but within 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing borrowings	–	2,836	8,503	24,858	36,197
Trade and other payables	10,793	87,986	907	–	99,686
	10,793	90,822	9,410	24,858	135,883

24. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure to maintain a balance between liquidity, investment and borrowings, and makes adjustments, including payment of dividends to shareholders or issues new shares in the light of changes in the economic environment. No changes were made in the Group's objectives, policies or processes for managing capital during the years ended 31 December 2007 and 2006.

The Group monitors capital on the basis of its net debt-to-equity ratio, which is net debt divided by total equity. The net debt-to-equity ratio at the balance sheet date was as follows:

	2007	2006
	HK$'000	*HK$'000*
Interest-bearing borrowings	**(15,099)**	(32,382)
Trade and other payables	**(104,935)**	(99,686)
Taxation payables	**(4,288)**	(3,996)
Less: Cash and short term deposits	**181,662**	100,362
Net surplus / (debts)	**57,340**	(35,702)
Total equity	**224,490**	132,177
Net debt-to-equity ratio	**N / A**	27%

25. COMMITMENTS

Capital expenditure commitments

	Group	
	2007	2006
	HK$'000	*HK$'000*
Contracted but not provided for (net of deposit paid)	**983**	36

Commitments under operating leases
At the balance sheet date, the total future minimum lease payments in respect of land and buildings under non-cancellable operating leases are payable as follows:

	Group		**Company**	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**6,062**	8,031	**1,385**	2,659
In the second to fifth years inclusive	**4,228**	10,369	**–**	1,997
Over five years	**–**	64	**–**	–
	10,290	18,464	**1,385**	4,656

Operating lease payments mainly represent rentals payable for certain office premises and director's quarters. Leases are negotiated for and rentals are fixed for an average of 2 to 5 years.

26. DEFERRED TAX

The movements for the year in the Group's net deferred tax position were as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
As at 1 January	**10,866**	10,881
Exchange differences	**7**	20
Income statement credit / (charges)	**2,248**	(35)
As at 31 December	**13,121**	10,866

Recognised deferred tax assets and liabilities

	Group			
	Assets		Liabilities	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Depreciation allowances	**131**	234	**(513)**	–
Tax losses	**13,503**	10,632	**–**	–
As at 31 December	**13,634**	10,866	**(513)**	–

Unrecognised deferred tax assets

	Group	
	2007	2006
	HK$'000	*HK$'000*
Tax losses	**118,728**	135,188
Deductible temporary differences	**281**	–
As at 31 December	**119,009**	135,188

The unrecognised tax losses of HK$430,064,000 *(2006: HK$483,052,000)* have no expiry dates under current tax legislation, except for tax losses of HK$263,437,000 *(2006: HK$306,990,000)* which are related to a subsidiary in the United States. These tax losses have a carry-forward period of 20 years from the year they arose and will begin to expire from 2020 onwards.

27. SEGMENTAL INFORMATION

Analyses of the principal geographical areas and business activities of operation of the Group during the year are set out below.

(a) By geographical segments

In presenting information on a geographical basis, revenue, segment assets and capital expenditure are based on the geographical location of customers, or the location of the assets, as appropriate.

Year ended 31 December 2007

	North America HK$'000	Asia Pacific HK$'000	Eliminations HK$'000	Consolidated HK$'000
Turnover				
External sales	698,915	96,337	–	795,252
Inter-segment sales	–	5,335	(5,335)	–
	698,915	101,672	(5,335)	795,252
Results				
Segment results	27,295	27,657	–	54,952
Finance costs				(1,951)
Other operating income and expenses				(6,387)
Profit before taxation				46,614
Taxation				(2,394)
Profit for the year				44,220

Inter-segment sales are charged at prevailing market prices.

	North America HK$'000	Asia Pacific HK$'000	Eliminations HK$'000	Consolidated HK$'000
Other information				
Capital expenditures	5,700	3,395	–	9,095
Depreciation and amortisation	14,688	2,420	–	17,108
Significant non-cash expenses (other than depreciation and amortization)	1,782	1,181	–	2,963
Assets				
Segment assets	195,793	155,915	(2,383)	349,325
Liabilities				
Segment liabilities	107,859	19,359	(2,383)	124,835

27. SEGMENTAL INFORMATION *(continued)*

(a) By geographical segments *(continued)*

Year ended 31 December 2006

	North America *HK$'000*	Asia Pacific *HK$'000*	Consolidated *HK$'000*
Turnover			
External sales	598,989	103,821	702,810
Results			
Segment results	29,925	27,873	57,798
Finance costs			(2,859)
Other operating income and expenses			(10,308)
Profit before taxation			44,631
Taxation			(3,999)
Profit for the year			40,632
Other information			
Capital expenditures	5,954	4,258	10,212
Depreciation and amortisation	6,743	2,972	9,715
Significant non-cash expenses (other than depreciation and amortisation)	1,638	47	1,685
Assets			
Segment assets	182,424	85,757	268,181
Liabilities			
Segment liabilities	119,130	16,934	136,064

Notes to the Financial Statements (continued)

For the year ended 31 December 2007

27. SEGMENTAL INFORMATION *(continued)*

(b) By business segments

Year ended 31 December 2007

	Tele–communication services *HK$'000*	Other *HK$'000*	Consolidated *HK$'000*
Turnover			
External sales	793,261	1,991	795,252
Results			
Segment results	55,003	(51)	54,952
Finance costs			(1,951)
Other operating income and expenses			(6,387)
Profit before taxation			46,614
Taxation			(2,394)
Profit for the year			44,220
Other information			
Assets			
– Business segments	254,373	413	254,786
– Unallocated assets			94,539
			349,325
Capital expenditures			
– Business segments	8,539	23	8,562
– Unallocated assets			533
			9,095

27. SEGMENTAL INFORMATION *(continued)*

(b) By business segments *(continued)*

Year ended 31 December 2006

	Tele–communication services *HK$'000*	**Other** *HK$'000*	**Consolidated** *HK$'000*
Turnover			
External sales	696,494	6,316	702,810
Results			
Segment results	57,792	6	57,798
Finance costs			(2,859)
Other operating income and expenses			(10,308)
Profit before taxation			44,631
Taxation			(3,999)
Profit for the year			40,632
Other information			
Assets			
– Business segments	229,908	383	230,291
– Unallocated assets			37,890
			268,181
Capital expenditures			
– Business segments	7,019	–	7,019
– Unallocated assets			3,193
			10,212

Summary of Results, Assets and Liabilities of the Group

	Results of the Group for the five years ended 31 December				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**795,252**	702,810	422,590	402,654	402,543
Profit / (Loss) before taxation	**46,614**	44,631	38,532	(132,976)	(20,756)
Taxation (charges) / credit	**(2,394)**	(3,999)	8,544	1,369	1,000
Profit / (Loss) for the year	**44,220**	40,632	47,076	(131,607)	(19,756)
	HK cents	*HK cents*	*HK cents*	*HK cents*	*HK cents*
Earnings / (Loss) per share					
Basic	**8.6**	8.6	10.0	(28.0)	(4.2)
Diluted	**N / A**	N / A	N / A	N / A	N / A

	Assets and liabilities of the Group as at 31 December				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	**73,937**	79,642	23,025	12,179	154,150
Current assets	**275,388**	188,539	128,358	92,763	81,666
Total assets	**349,325**	268,181	151,383	104,942	235,816
Non-current liabilities	**4,976**	22,996	618	809	312
Current liabilities	**119,859**	113,068	59,693	60,510	58,890
Total liabilities	**124,835**	136,064	60,311	61,319	59,202
Net assets	**224,490**	132,117	91,072	43,623	176,614

Shareholder Information

Annual General Meeting

The 2008 Annual General Meeting will be held at The China Club, 13/F., The Old Bank of China Building, Bank Street, Central, Hong Kong on Thursday, 22 May 2008 at 10:00 a.m. A notice of the Annual General Meeting is published on both the websites of The Stock Exchange of Hong Kong Limited and the Company on 23 April 2008, and a copy thereof is printed on the Circular to the shareholders of the Company (the "Shareholders") dated 23 April 2008 and despatched to the Shareholders and other recipients together with this 2007 Annual Report.

Shareholder Enquiries

Any enquiries relating to your shareholding, for example transfers of shares, change of name or address, or lost share certificates, should be sent to the Registrars:

Share Registrar in Bermuda	Butterfield Fund Services (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke Bermuda
Branch Share Registrar in Hong Kong	Tricor Secretaries Limited 26th Floor Tesbury Centre 28 Queen's Road East Wanchai Hong Kong

Any enquiries relating to your holding of the Company's ADRs should be sent to the Depositary, The Bank of New York Mellon at BNY Mellon Shareowner Services, P.O. Box 11258, Church Street Station, New York, NY 10286-1258, USA.

Investor Relations

Enquiries may be directed to:

Investor Relations Team
e-Kong Group Limited
3705 Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Telephone:	+852 2801 7188
Facsimile:	+852 2801 7238
Email:	ir@e-kong.net

American Depositary Receipt Programme

In May 2003, the Company launched its Level 1 American Depositary Receipt (ADR) Programme, whereby the Company's shares are now able to be priced and quoted in US Dollars and traded as American securities under the ticker symbol "EKONY" in the United States.

For further information, please contact the Depositary, The Bank of New York Mellon at BNY Mellon Shareowner Services, P.O. Box 11258, Church Street Station, New York, NY 10286-1258, USA or through its website www.adrbny.com or toll-free number 1-888-269-2377.

Corporate Communications

On 15 September 2003, the Company sent a letter to the Shareholders to enable them to select, among others, to receive all future corporate communications of the Company in either the English language or the Chinese language or both languages. This 2007 Annual Report, in either the English language or the Chinese language or both languages, is being delivered to each Shareholder in accordance with his / her selection made or, if no selection has been made by the Shareholder, the arrangement as set forth in the said letter.

Shareholder Information (continued)

Shareholders may also obtain this 2007 Annual Report in the language other than that he / she now receives upon request to the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. For further enquiries, please contact Tricor Secretaries Limited at telephone no. 2980 1766 or facsimile no. 2861 1465.

股東亦可向本公司之股份過戶登記處香港分處卓佳秘書商務有限公司（地址為香港皇后大道東28號金鐘匯中心26樓）索取此二零零七年年報之另一語言文本。如欲查詢更多資料，請聯絡卓佳秘書商務有限公司，電話號碼2980 1766或傳真號碼2861 1465。

This 2007 Annual Report, in both the English and Chinese languages and in accessible format has been made available on the Company's website and a soft copy thereof has been submitted to The Stock Exchange of Hong Kong Limited.

Shareholders may at any time choose to receive corporate communications in printed form or electronically.

In order to elect to receive corporate communications of the Company in the English language or the Chinese language or both languages, or to receive electronic communications, or to revoke or amend an instruction previously made, Shareholders may complete, sign and return to Tricor Secretaries Limited, the Company's Branch Share Registrar in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong a prescribed instruction slip, a copy of which is printed at the end of this 2007 Annual Report and is available on the Company's website.

INSTRUCTION SLIP
ON RECEIVING FUTURE CORPORATE COMMUNICATIONS

To: e-Kong Group Limited (the "Company")
c/o Tricor Secretaries Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Please tick only one box of this instruction slip

1. PRINTED FORM

(a) Full Financial Reports and other Corporate Communications (English, Chinese or both)

In future,

❐ I / we would like to receive the printed copies of Full Financial Reports and other Corporate Communications in the English language only; OR

❐ I / we would like to receive the printed copies of Full Financial Reports and other Corporate Communications in the Chinese language only; OR

❐ I / we would like to receive the printed copies of Full Financial Reports and other Corporate Communications in both the English and Chinese languages.

(b) Summary Financial Reports and other Corporate Communications (English, Chinese or both)

In future,

❐ I / we would like to receive the printed copies of Summary Financial Reports (if available) and other Corporate Communications in the English language only; OR

❐ I / we would like to receive the printed copies of Summary Financial Reports (if available) and other Corporate Communications in the Chinese language only; OR

❐ I / we would like to receive the printed copies of Summary Financial Reports (if available) and other Corporate Communications in both the English and Chinese languages.

2. ELECTRONIC MEANS

❐ In future, I / we would like to receive the Corporate Communications through electronic means in lieu of any or all of the printed copies referred to in 1(a) and (b) above:

My / Our E-mail Address: ______________________________

(for notification of Corporate Communication release)

❐ I / We would like to change my / our E-mail Address as follows:

My / Our New E-mail Address: ______________________________

(for notification of Corporate Communication release)

With effect from: ______________________________

Signature: ____________________ Date: ____________________

Name of Shareholder: ______________________________

Address: ______________________________

Contact telephone number: ______________________________

Notes:

1. The above instruction will apply to all future Corporate Communications to be sent to Shareholders of the Company ("Shareholders") until you notify the Company the otherwise by reasonable notice in writing.

2. All future Corporate Communications in both the English and Chinese languages will be available from the Company or Tricor Secretaries Limited, the Company's branch share registrar in Hong Kong, upon request.

3. The Shareholders are entitled to change the choice of language of and means of receiving Corporate Communications at any time by reasonable notice in writing to the Company or Tricor Secretaries Limited, the Company's branch share registrar in Hong Kong, by using this instruction slip.

4. A soft copy of this instruction slip is available on the Company's website.

e-KONG Group Limited

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Web : www.e-kong.com

This report is printed on environmentally friendly paper