

e-KONG Group Limited

Interim Report 2008

Stock Code:524



Looking ahead

e-KONG

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

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Hamilton HM11

Bermuda

Principal Place of Business

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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

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New York, NY 10286-1258

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Condensed Consolidated Income Statement

For the six months ended 30 June 2008

The board of directors (the “Board”) of e-Kong Group Limited (the “Company”) herein presents the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2008, together with comparative figures for the corresponding period in 2007. The results were unaudited but have been reviewed by the Audit Committee and the auditors of the Company.

	Notes	Six months ended 30 June	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Turnover	2	392,988	397,956
Cost of sales		(297,643)	(294,011)
Gross profit		95,345	103,945
Other revenue and income	3	994	19,357
		96,339	123,302
Selling and distribution expenses		(25,384)	(29,100)
Business promotion and marketing expenses		(2,638)	(4,068)
Operating and administrative expenses		(53,592)	(51,613)
Depreciation and amortisation		(10,076)	(8,466)
Profit from operations		4,649	30,055
Finance costs	4	(427)	(1,229)
Profit before taxation	4	4,222	28,826
Taxation	5	(2,284)	(2,227)
Profit for the period		1,938	26,599
Profit for the period attributable to:			
Equity holders of the Company		1,959	26,659
Minority interests		(21)	(60)
Profit for the period		1,938	26,599
EBITDA	6	14,725	38,521
		HK cents	HK cents
Earnings per share	7		
Basic		0.4	5.3
Diluted		N/A	N/A

Condensed Consolidated Balance Sheet*As at 30 June 2008*

		As at 30 June 2008 (Unaudited) <i>HK\$'000</i>	As at 31 December 2007 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	8	24,795	18,799
Intangible assets	9	36,153	41,504
Deferred tax assets		13,634	13,634
		<u>74,582</u>	<u>73,937</u>
Current assets			
Trade and other receivables	10	100,767	91,589
Pledged bank deposits		2,215	2,137
Cash and bank balances		160,800	181,662
		<u>263,782</u>	<u>275,388</u>
Current liabilities			
Trade and other payables	11	96,338	104,935
Current portion of bank borrowings		9,555	10,430
Current portion of obligations under finance leases		210	206
Taxation payable		3,563	4,288
		<u>109,666</u>	<u>119,859</u>
Net current assets		<u>154,116</u>	<u>155,529</u>
Total assets less current liabilities		<u>228,698</u>	<u>229,466</u>
Non-current liabilities			
Bank borrowings		–	4,250
Obligations under finance leases		108	213
Deferred tax liabilities		542	513
		<u>650</u>	<u>4,976</u>
NET ASSETS		<u>228,048</u>	<u>224,490</u>
Capital and reserves			
Share capital		5,229	5,229
Reserves		221,835	218,256
		<u>227,064</u>	<u>223,485</u>
Equity attributable to equity holders of the Company		<u>227,064</u>	<u>223,485</u>
Minority interests		<u>984</u>	<u>1,005</u>
TOTAL EQUITY		<u>228,048</u>	<u>224,490</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

	Attributable to equity holders of the Company								
	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Exchange reserve (Unaudited) HK\$'000	Capital		Accumulated profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
				redemption reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000				
As at 1 January 2008	5,229	68,341	1,067	6	83,489	65,353	223,485	1,005	224,490
Exchange difference on translation of foreign subsidiaries	-	-	1,620	-	-	-	1,620	-	1,620
Profit for the period	-	-	-	-	-	1,959	1,959	(21)	1,938
As at 30 June 2008	5,229	68,341	2,687	6	83,489	67,312	227,064	984	228,048
As at 1 January 2007	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	-	(1,395)	-	-	-	-	(1,395)	-	(1,395)
Deemed partial disposal of a subsidiary	-	-	-	-	-	-	-	1,088	1,088
Profit for the period	-	-	-	-	-	26,659	26,659	(60)	26,599
As at 30 June 2007	5,229	68,346	(598)	6	83,489	47,709	204,181	1,028	205,209

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash (used in) / generated from operating activities	(5,756)	5,205
Net cash (used in) / generated from investing activities	(11,391)	14,986
Net cash (used in) / generated from financing activities	(5,226)	40,803
Net (decrease) / increase in cash and cash equivalents	(22,373)	60,994
Cash and cash equivalents as at 1 January	183,799	101,909
Exchange gains on cash and cash equivalents	1,589	–
Cash and cash equivalents as at 30 June	<u>163,015</u>	<u>162,903</u>
Analysis of the balances of cash and cash equivalents		
Pledged bank deposits	2,215	2,050
Cash and bank balances	160,800	160,853
	<u>163,015</u>	<u>162,903</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements are unaudited and have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The accounting policies and bases of preparation adopted in these interim financial statements are consistent with those adopted in the Company’s 2007 Annual Report.

The Group has not early adopted the new and revised standards or interpretations issued by HKICPA that are not yet effective for the current period. The Group does not anticipate that the adoption of these standards or interpretations in future periods will have any material impact on the results of the Group.

2. TURNOVER AND SEGMENTAL INFORMATION

Analyses of the Group’s turnover and results by geographical and business segments during the period are as set out below.

(a) By geographical segments:

	Six months ended 30 June							
	2008				2007			
	North America (Unaudited) HK\$'000	Asia Pacific (Unaudited) HK\$'000	Eliminations (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000	North America (Unaudited) HK\$'000	Asia Pacific (Unaudited) HK\$'000	Eliminations (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Turnover								
External sales	343,788	49,200	–	392,988	349,476	48,480	–	397,956
Inter-segment sales	–	1,963	(1,963)	–	–	664	(664)	–
	<u>343,788</u>	<u>51,163</u>	<u>(1,963)</u>	<u>392,988</u>	<u>349,476</u>	<u>49,144</u>	<u>(664)</u>	<u>397,956</u>
Results								
Segment results	<u>3,463</u>	<u>11,379</u>	<u>–</u>	<u>14,842</u>	<u>11,598</u>	<u>11,655</u>	<u>–</u>	<u>23,253</u>
Finance costs				(427)				(1,229)
Other operating income and expenses				<u>(10,193)</u>				<u>6,802</u>
Profit before taxation				<u>4,222</u>				<u>28,826</u>
Taxation				<u>(2,284)</u>				<u>(2,227)</u>
Profit for the period				<u>1,938</u>				<u>26,599</u>

Inter-segment sales are charged at prevailing market prices.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2008

2. TURNOVER AND SEGMENTAL INFORMATION (continued)

(b) By business segments:

	Six months ended 30 June					
	2008			2007		
	Telecom- munication services (Unaudited) HK\$'000	Other (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000	Telecom- munication services (Unaudited) HK\$'000	Other (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Turnover						
External sales	<u>392,742</u>	<u>246</u>	<u>392,988</u>	<u>396,177</u>	<u>1,779</u>	<u>397,956</u>
Results						
Segment results	<u>14,869</u>	<u>(27)</u>	<u>14,842</u>	<u>23,284</u>	<u>(31)</u>	<u>23,253</u>
Finance costs			(427)			(1,229)
Other operating income and expenses			<u>(10,193)</u>			<u>6,802</u>
Profit before taxation			<u>4,222</u>			<u>28,826</u>
Taxation			<u>(2,284)</u>			<u>(2,227)</u>
Profit for the period			<u>1,938</u>			<u>26,599</u>

3. OTHER REVENUE AND INCOME

	Six months ended 30 June	
	2008	2007
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest income on bank deposits	<u>962</u>	<u>1,955</u>
Gain on the deemed partial disposal of subsidiary (Note)	<u>–</u>	<u>17,402</u>
Other	<u>32</u>	<u>–</u>
	<u>994</u>	<u>19,357</u>

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.

4. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging the following:

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Finance costs:		
Interest on bank loan and other borrowings wholly repayable within five years	(420)	(1,218)
Finance charges on obligations under finance leases	(7)	(11)
	<u>(427)</u>	<u>(1,229)</u>
Losses on quoted investments included in operating and administrative expenses	(883)	–
	<u>(883)</u>	<u>–</u>

5. TAXATION

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax		
Overseas income taxes	(2,284)	(2,227)
	<u>(2,284)</u>	<u>(2,227)</u>

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

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

6. EBITDA

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

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2008 is based on the consolidated profit attributable to equity holders of the Company of HK\$1,959,000 (30 June 2007: HK\$26,659,000) and on the weighted average number of 522,894,200 (30 June 2007: 506,518,509) shares in issue during the period.

Diluted earnings per share for the six months ended 30 June 2008 and 2007 have not been presented as the exercise prices of the share options were higher than the average market price of the shares.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2008

8. ACQUISITIONS AND DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment for an amount of HK\$10,540,000 (31 December 2007: HK\$9,095,000) and disposals were HK\$87,000 (31 December 2007: HK\$12,188,000).

9. INTANGIBLE ASSETS

	As at 30 June 2008 (Unaudited) <i>HK\$'000</i>	As at 31 December 2007 (Audited) <i>HK\$'000</i>
Development costs	3,597	3,597
Customer contracts	<u>52,933</u>	<u>52,933</u>
	56,530	56,530
Less: amortisation	<u>(20,377)</u>	<u>(15,026)</u>
	<u>36,153</u>	<u>41,504</u>

Development costs represent the costs incurred for the development of new IP-based communication products and services.

Customer contracts represent intangible assets purchased pursuant to an asset purchase agreement with a third party to acquire certain telecommunication service assets in connection with the provision of long distance telecommunication services in the United States. The costs were capitalised and are being amortised under the straight-line method over 5 years.

10. TRADE AND OTHER RECEIVABLES

	As at 30 June 2008 (Unaudited) <i>HK\$'000</i>	As at 31 December 2007 (Audited) <i>HK\$'000</i>
Trade receivables	90,816	82,797
Other receivables		
Deposits, prepayments and other debtors	<u>9,951</u>	<u>8,792</u>
	<u>100,767</u>	<u>91,589</u>

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 ageing analysis by invoice date:

	As at 30 June 2008 (Unaudited) <i>HK\$'000</i>	As at 31 December 2007 (Audited) <i>HK\$'000</i>
Less than 1 month	78,485	74,197
1 to 3 months	11,913	8,377
More than 3 months but less than 12 months	<u>418</u>	<u>223</u>
	<u>90,816</u>	<u>82,797</u>

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2008

11. TRADE AND OTHER PAYABLES

	As at 30 June 2008 (Unaudited) <i>HK\$'000</i>	As at 31 December 2007 (Audited) <i>HK\$'000</i>
Trade payables	41,418	51,203
Other payables		
Accrued charges and other creditors	54,920	53,732
	96,338	104,935

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

	As at 30 June 2008 (Unaudited) <i>HK\$'000</i>	As at 31 December 2007 (Audited) <i>HK\$'000</i>
Less than 1 month	38,839	40,462
1 to 3 months	1,859	10,284
More than 3 months but less than 12 months	720	457
	41,418	51,203

Report on Review of Interim Financial Statements



MAZARS CPA LIMITED

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To the Audit Committee of

e-Kong Group Limited

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial statements set out on pages 1 to 10, which comprised the condensed consolidated balance sheet of e-Kong Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 30 June 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these interim financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on these interim financial statements based on our review and report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Mazars CPA Limited

Certified Public Accountants

Hong Kong, 19 September 2008

Eunice Y M Kwok

Practising Certificate number: P04604

Business Review and Outlook

During the period under review, the Group's operating performance began to feel the negative impact of global economic slowdown and continuing inflationary pressures. The Group's turnover was slightly down by 1.3% to HK\$393.0 million. While the Group managed to remain profitable, its net profit reduced to HK\$1.9 million from HK\$26.6 million for the corresponding period in 2007. EBITDA decreased to HK\$14.7 million when compared to HK\$38.5 million for the corresponding period in the previous year. Nevertheless, the Group's financial position remains healthy with its total net assets of HK\$228.0 million, including cash and bank balances of HK\$160.8 million.

ZONE's operating turnover in the United States ("ZONE US") during the first six months of 2008 was HK\$343.8 million which represented a 1.6% decrease over the same period of 2007. The first half of 2008 was a very challenging period for ZONE US mainly due to the structural changes in the Independent Local Exchange Carrier ("ILEC") sector of the US telecommunication industry, and the weakening of the US economy.

During the period under review, one of the ZONE US major domestic carriers announced significant increases in its domestic rates on short notice. As a consequence, ZONE US had to move a substantial number of customers' telephone lines within a short timeframe in order to mitigate the onerous cost increases. ZONE US, having upgraded its switch facilities and installed dedicated leased circuits to its other first tier carrier partners, was able to re-route a vast majority of customer traffic through its switching facilities. By contrast, during the same period, numerous smaller resellers in the United States, which did not have equipment facilities or resources that enabled them to switch lines as readily as ZONE US, lost significant operating margins and in many cases were forced out of the market. During the first six months of 2008, since a substantial amount of ZONE US management, customer service and technical resources had to be devoted to manage the transition in an efficient manner, ZONE US missed some new business opportunities and lost some of its more

price-sensitive customers. ZONE US has overcome the difficulties experienced during the period, and is now better-positioned to be one of the leading direct resellers of major carriers in the United States. ZONE US has clearly created a value difference to its customers over the competitors. This change has also eliminated some of the competition in the ILEC sector.

ZONE US also initiated several proactive measures to expand its revenue streams, improve gross margins and drive down operating costs, which all have helped and will continue to help cushion the impact of the difficult market conditions. For example, capitalising on its new IP-based softswitch facilities, ZONE US now has a competitive advantage in using its latest "Least Cost Routing" platform. These same facilities, coupled with the ZONE presence in Singapore and Hong Kong, have enabled ZONE US to make significant progress in facilitating interconnections for its US-based customers interested in routing traffic to Asian destinations.

ZONE US has reinforced its sales and business development initiatives to secure large wholesale customers, including first tier carrier partners, for terminating international long distance traffic to major destinations such as China, Mexico and the Middle East. At the same time, ZONE US continues to introduce new service offerings. For example, as an extension of its Mobile Virtual Network Operator (MVNO) service, ZONE US is concurrently formulating plans to offer mobile services on a retail basis, with a view to initially offering these to its own corporate customer base.

Turnover from ZONE's operations in Asia ("ZONE Asia") increased by HK\$2.2 million to HK\$48.9 million as compared to HK\$46.7 million for the previous corresponding period. As competition continues to drive down margins for the traditional IDD business, ZONE Asia stepped up its efforts to provide more solution-based offerings that cater for specific vertical markets instead of providing only basic commoditised IDD products. During the period under review, ZONE Hong Kong successfully secured a number of service apartments

that utilise its proprietary “Call Accounting System” which not only helps to improve sustainable profit margins in its business but also builds customer loyalty and creates opportunities for cross-selling other value-added services.

ZONE Hong Kong continues to invest in establishing relationships with key potential partners and growing its operations in China. ZONE China concluded an agreement with China Telecom (中國電信) to market and resell its Internet Data Centre (IDC) facilities in Shenzhen and also executed a channel sales agreement to promote its “Yellow Pages” products and services. In order to maintain ZONE Hong Kong’s competitiveness in the local market, it has progressively transferred a significant portion of its back office functions in Hong Kong to Shenzhen which has helped reduce operational overheads, in particular staff costs in engineering support, product development and customer service.

ZONE Singapore further intensified its sales and marketing efforts in addressing the corporate market and re-shaped its business profile to be more corporate-centric. Amidst the lacklustre economic conditions, intensified competition and increasing operating cost, ZONE Singapore has managed to maintain its revenue and operating profit for the first six months compared to the previous corresponding period. For the second half of the year, while it stays focussed on introducing new marketing initiatives and the impending new service offerings following the completion of upgrading its IP-based switching facilities, ZONE Singapore will remain vigilant to maintain its operating costs at manageable levels as inflation is likely to remain high for a considerable period. It will also look at tapping into the changing info-communication and foreign labour landscape in Singapore to explore possible new opportunities for revenue diversification in these sectors.

ZONE Asia’s global VoIP offering “ZoiPPE” continued to grow its user base, particularly through its ZoiPPE Friends (www.zoippefriends.com) initiatives and also expanded its service offerings to the mobile internet sector by making ZoiPPE’s

“Link-up” service available on any WiFi-equipped mobile phones (mobile.zoippe.com) and on the latest Apple iPhone platform (iphone.zoippe.com). Furthermore, in line with a more collaborative approach to market its service offerings, ZoiPPE, in conjunction with ZONE Hong Kong, has recently partnered with a dominant mobile handset manufacturer to promote its latest WiFi-equipped phones pre-configured for ZONE’s SIP-based VoIP functionalities.

Besides concentrating on overcoming the challenges faced by its core telecommunications business following the economic slowdown, inflationary impact on margins and the structural changes in the ILEC sector of the US telecommunication industry, the Group has strengthened its business team and will continue to devote resources specifically to explore participation arrangements in Broadband Wireless Access (BWA) markets in Asia. At the same time, the Group is actively pursuing opportunities to expand the scope of its business in China.

Looking ahead, while it is difficult at this time to ascertain the impact of the uncertainties in the global financial markets and the economy, the Group is cautiously optimistic that, for the rest of 2008, its business operations will improve. The Group, having a strong balance sheet and healthy cash balances, will direct its efforts to grow revenues, increase operating efficiencies through financial and management vigilance and seek new avenues to expand its market reach. During this period, the Group believes it is still worthwhile to seek investment opportunities in the market which have synergistic values to the Group. In the coming months, the Group also expects to make further progress in its efforts to enter the BWA market in Asia using the latest mobile WiMAX technology.

Financial Review

Results

During the period under review, the Group's turnover decreased by 1.3% from HK\$398.0 million to HK\$393.0 million.

The gross profit for this period reduced to HK\$95.3 million, compared to HK\$103.9 million for the corresponding period in the previous year.

The Group's EBITDA for the period under review amounted to HK\$14.7 million, representing a decrease of 61.8% from HK\$38.5 million (inclusive of a one-off gain on deemed partial disposal of a subsidiary of HK\$17.4 million) for the same period last year.

The operating profit for the period amounted to HK\$4.6 million, when compared to HK\$30.1 million for the first six months of 2007.

Consolidated net profit attributable to equity holders of the Company decreased to HK\$2.0 million when compared to HK\$26.7 million (inclusive of a one-off gain on deemed partial disposal of a subsidiary of HK\$17.4 million) for the previous corresponding period.

Interim Dividend

The Board does not recommend the payment of a dividend for the six months ended 30 June 2008 (30 June 2007: Nil).

Capital Structure, Liquidity and Financing

The Group continued to maintain a healthy liquidity position with net current assets amounting to HK\$154.1 million (31 December 2007: HK\$155.5 million). The net assets of the Group increased slightly to HK\$228.0 million as at 30 June 2008 (31 December 2007: HK\$224.5 million).

Cash and bank balances (excluding pledged bank deposits) as at 30 June 2008 amounted to HK\$160.8 million (31 December 2007: HK\$181.7 million). The Group had pledged bank deposits

amounting to HK\$2.2 million as at 30 June 2008 (31 December 2007: HK\$2.1 million) to banks for guarantees made to certain telecommunication carriers for payments due by the Group.

As at 30 June 2008, the Group's bank borrowings, represented by the bank loan advanced to a subsidiary for the purpose of the WRLD Alliance transaction in 2006, amounted to HK\$9.6 million (31 December 2007: HK\$14.7 million). 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 30 June 2008, the Group's liabilities under equipment lease financing amounted to HK\$0.3 million (31 December 2007: HK\$0.4 million).

The Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets, was 4.3% (31 December 2007: 6.7%) primarily due to the partial repayment of the bank loan.

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 is no significant exposure 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 30 June 2008, there were no material contingent liabilities or commitments.

Save as aforesaid, the directors are not aware of any other material changes from information disclosed in the Company's 2007 Annual Report.

Additional Information

Directors' interests in securities

As at 30 June 2008, 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 of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules are set out below.

Name of director	Capacity	Number of Shares* held	Approximate percentage of shareholding
Richard John Siemens	Held by controlled corporations	112,940,200 (Note 1)	21.6%
William Bruce Hicks	Personal	3,949,914	0.8%
	Held by a controlled corporation	67,962,428 (Note 2)	13.0%
Lim Shyang Guey	Personal	2,240,000	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:

- 12,940,000 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.
- 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 30 June 2008.

Save as disclosed above, as at 30 June 2008, 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 be 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 period 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 period.

Additional Information (continued)**Substantial shareholders**

As at 30 June 2008, 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) 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.*

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

Save as disclosed above, as at 30 June 2008, 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 option schemes**The Company**

Pursuant to an employee share option scheme of the Company 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.

Subsidiaries

On 28 June 2002, the Company adopted scheme rules and procedures for share option schemes for its subsidiaries (the "Subsidiary Scheme Rules and Procedures"). In accordance with the Subsidiary Scheme Rules and Procedures, the subsidiaries may adopt their own respective share option schemes in line with the terms and conditions of the Subsidiary Scheme Rules and Procedures, pursuant to which the board of directors of each of the relevant subsidiaries may at its discretion grant share options to (i) any director, employee, consultant, customer, supplier, business introduction agent, or legal,

financial or marketing adviser of or contractor to the subsidiaries and their subsidiaries, any of their holding companies or any affiliate and/or (ii) any discretionary trust the discretionary objects of which include any of the foregoing. No subsidiaries have activated their share option scheme powers pursuant to the terms and conditions of the Subsidiary Scheme Rules and Procedures since adoption.

During the period, no share options were held by the directors, the chief executive or substantial shareholders of the Company, 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 as at 30 June 2008 were as follows:

Date of grant	Exercisable period	Exercise price HK\$	Number of share options				
			As at 1 January 2007	Lapsed during the year	As at 31 December 2007	Lapsed during the period	As at 30 June 2008
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	(15,000)	25,000	–	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	(15,000)	132,500	–	132,500

Corporate governance

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. Except for a deviation described below, no director of the Company is aware of any information which would reasonably indicate that the Company is not, or was not, at any time during the six months ended 30 June 2008, acting in compliance with the Code on Corporate Governance Practices (“CG Code”) as set out in Appendix 14 to the Listing Rules.

CG Code A.2.1 stipulates that the roles of chairman and chief executive officer should be separate 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. Nevertheless, with the unanimous approval of the Board, Mr. Richard John Siemens, the Chairman of the Company, assumed the role of the chief executive officer of the Company following the passing away of Mr. Kuldeep Saran, the then Deputy Chairman and Managing Director, on 16 June 2007. The Board has been re-assessing the possible negative impact of the Company deviating from CG Code A.2.1, and believes that vesting the roles of both chairman and chief executive officer in the same person enables more effective and efficient planning of expansion blueprints together with implementation of business plans and growth strategies. At the same time, it is

Additional Information (continued)

believed the balance of power and authority will not be impaired and is adequately ensured by an effective Board which comprises experienced and high calibre individuals with a sufficient number thereof being independent non-executive directors.

Model code for securities transactions by directors

The Company has adopted the Model Code as its own securities code. All directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standards set out in the Model Code throughout the six months ended 30 June 2008.

Audit committee

The Audit Committee has reviewed, with the management and the auditors of the Company, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including a review of the unaudited consolidated financial statements of the Company for the six months ended 30 June 2008. The review conducted by the auditors of the Company was in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

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

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

Employee remuneration policies

As at 30 June 2008, the Group had 168 (31 December 2007: 176) employees in the United States, China, Hong Kong and Singapore. The Group’s total staff costs for the six months ended 30 June 2008 amounted to HK\$40.0 million (30 June 2007: HK\$40.2 million).

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

Appreciation

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

By Order of the Board
Lau Wai Ming Raymond
Company Secretary

19 September 2008