e-KONG Group Limited

Interim Report 2009

Stock Code: 524

We are together

e-KONG

Corporate Information

Board of Directors

Executive Directors
Richard John Siemens *(Chairman)*
Lim Shyang Guey

Non-executive Directors
William Bruce Hicks
Ye Fengping

Independent Non-executive Directors
Shane Frederick Weir
John William Crawford J.P.
Gerald Clive Dobby

Company Secretary
Lau Wai Ming Raymond

Auditor
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

Registered Office
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Place of Business
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The Landmark
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Tel: +852 2801 7188
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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 Fulcrum Group (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
USA

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Condensed Consolidated Income Statement

For the six months ended 30 June 2009

The board of directors (the "Board") of e-Kong Group Limited (the "Company") is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2009, together with comparative figures for the corresponding period in 2008. The results were unaudited but have been reviewed by the Audit Committee and the auditor of the Company.

		Six months ended 30 June	
		2009	2008
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*2*	**387,088**	392,988
Cost of sales		**(295,091)**	(297,643)
Gross profit		**91,997**	95,345
Other revenue and income	*3*	**139**	994
		92,136	96,339
Selling and distribution expenses		**(21,437)**	(25,384)
Business promotion and marketing expenses		**(2,651)**	(2,638)
Operating and administrative expenses		**(55,066)**	(53,592)
Depreciation and amortisation		**(5,432)**	(10,076)
Profit from operations		**7,550**	4,649
Finance costs	*4*	**(80)**	(427)
Profit before taxation	*4*	**7,470**	4,222
Taxation	*5*	**(1,575)**	(2,284)
Profit for the period		**5,895**	1,938
Profit for the period attributable to:			
Equity holders of the Company		**5,941**	1,959
Minority interests		**(46)**	(21)
Profit for the period		**5,895**	1,938
EBITDA	*6*	**12,982**	14,725
		HK cents	*HK cents*
Earnings per share	*7*		
Basic		**1.1**	0.4
Diluted		**N/A**	N/A

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**5,895**	1,938
Other comprehensive income		
Exchange differences on translation of foreign subsidiaries	**249**	1,645
Taxation	**(45)**	(25)
Other comprehensive income for the period	**204**	1,620
Total comprehensive income for the period	**6,099**	3,558
Total comprehensive income for the period attributable to:		
Equity holders of the Company	**6,145**	3,579
Minority interests	**(46)**	(21)
Total comprehensive income for the period	**6,099**	3,558

Condensed Consolidated Balance Sheet

As at 30 June 2009

	Notes	**As at 30 June 2009 (Unaudited) *HK$'000***	As at 31 December 2008 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment	*8*	**17,973**	21,734
Intangible assets	*9*	**–**	–
Deferred tax assets		**3,690**	3,690
		21,663	25,424
Current assets			
Trade and other receivables	*10*	**104,887**	102,096
Pledged bank deposits		**2,161**	2,155
Cash and bank balances		**172,094**	177,173
		279,142	281,424
Current liabilities			
Trade and other payables	*11*	**110,403**	117,238
Current portion of bank borrowings		**–**	4,250
Current portion of obligations under finance leases		**136**	129
Taxation payable		**2,853**	3,848
		113,392	125,465
Net current assets		**165,750**	155,959
Total assets less current liabilities		**187,413**	181,383
Non-current liabilities			
Obligations under finance leases		**526**	595
Deferred tax liabilities		**367**	367
NET ASSETS		**186,520**	180,421
Capital and reserves			
Share capital		**5,229**	5,229
Reserves		**180,607**	174,462
Equity attributable to equity holders of the Company		**185,836**	179,691
Minority interests		**684**	730
TOTAL EQUITY		**186,520**	180,421

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Attributable to equity holders of the Company								
	Share capital (Unaudited) *HK$'000*	Share premium (Unaudited) *HK$'000*	Exchange reserve (Unaudited) *HK$'000*	Capital redemption reserve (Unaudited) *HK$'000*	Contributed surplus (Unaudited) *HK$'000*	Accumulated profits (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*	Minority interests (Unaudited) *HK$'000*	Total equity (Unaudited) *HK$'000*
As at 1 January 2009	**5,229**	**68,341**	**731**	**6**	**83,489**	**21,895**	**179,691**	**730**	**180,421**
Total comprehensive income for the period	**–**	**–**	**204**	**–**	**–**	**5,941**	**6,145**	**(46)**	**6,099**
As at 30 June 2009	**5,229**	**68,341**	**935**	**6**	**83,489**	**27,836**	**185,836**	**684**	**186,520**
As at 1 January 2008	5,229	68,341	1,067	6	83,489	65,353	223,485	1,005	224,490
Total comprehensive income for the period	–	–	1,620	–	–	1,959	3,579	(21)	3,558
As at 30 June 2008	5,229	68,341	2,687	6	83,489	67,312	227,064	984	228,048

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash generated from / (used in) operating activities	**2,922**	(5,756)
Net cash used in investing activities	**(3,683)**	(11,391)
Net cash used in financing activities	**(4,312)**	(5,226)
Net decrease in cash and cash equivalents	**(5,073)**	(22,373)
Cash and cash equivalents as at 1 January	**179,328**	183,799
Exchange gain on cash and cash equivalents	**–**	1,589
Cash and cash equivalents as at 30 June	**174,255**	163,015
Analysis of the balances of cash and cash equivalents		
Pledged bank deposits	**2,161**	2,215
Cash and bank balances	**172,094**	160,800
	174,255	163,015

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

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 2008 Annual Report except as described below.

In the current period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter, collectively, referred to as "new and revised HKFRSs") issued by HKICPA which are mandatory for annual periods beginning on or after 1 January 2009 and are relevant to the Group.

HKAS 1 (Revised)	Presentation of Financial Statements
HKFRS 8	Operating Segments

The adoption of the new and revised HKFRSs, except for HKAS 1 (Revised) as described below, had no material effects on the results and financial position for the current or prior annual periods which have been prepared and presented.

HKAS 1 (Revised) separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income which presents all items of recognised income and expenses, either in one single statement, or in two linked statements. The Group has elected to present two statements.

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

2. TURNOVER AND SEGMENTAL INFORMATION

The Group's management determines the operating segments for the purpose of resources allocation and performance assessment. The business segments of the Group comprise telecommunication services and other operations. The other operations include the provision of insurance brokerage and consultancy services.

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

(a) By business segments:

	Six months ended 30 June					
	2009			2008		
	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	**386,661**	**427**	**387,088**	392,742	246	392,988
Results						
Segment results	**18,538**	**(13)**	**18,525**	14,869	(27)	14,842
Finance costs			**(80)**			(427)
Other operating income and expenses			**(10,975)**			(10,193)
Profit before taxation			**7,470**			4,222
Taxation			**(1,575)**			(2,284)
Profit for the period			**5,895**			1,938

Notes to the Condensed Consolidated Financial Statements (continued)
For the six months ended 30 June 2009

2. TURNOVER AND SEGMENTAL INFORMATION *(continued)*

(b) By geographical segments:

	Six months ended 30 June							
	2009				2008			
	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	**346,472**	**40,616**	**–**	**387,088**	343,788	49,200	–	392,988
Inter-segment sales	**–**	**391**	**(391)**	**–**	–	1,963	(1,963)	–
	346,472	**41,007**	**(391)**	**387,088**	343,788	51,163	(1,963)	392,988
Results								
Segment results	**11,168**	**7,357**	**–**	**18,525**	3,463	11,379	–	14,842
Finance costs				**(80)**				(427)
Other operating income and expenses				**(10,975)**				(10,193)
Profit before taxation				**7,470**				4,222
Taxation				**(1,575)**				(2,284)
Profit for the period				**5,895**				1,938

Inter-segment sales are charged at prevailing market prices.

3. OTHER REVENUE AND INCOME

	Six months ended 30 June	
	2009 (Unaudited) *HK$'000*	2008 (Unaudited) *HK$'000*
Interest income on bank deposits	**133**	962
Other	**6**	32
	139	994

4. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging the following:

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Finance costs:		
Interest on bank loan and other borrowings wholly repayable within five years	**(46)**	(420)
Finance charges on obligations under finance leases	**(34)**	(7)
	(80)	(427)
Losses on quoted investments included in operating and administrative expenses	**–**	(883)

5. TAXATION

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax		
Overseas income taxes	**(1,575)**	(2,284)

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

Overseas taxation represents income tax charges in 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 2009 is based on the consolidated profit attributable to equity holders of the Company of HK$5,941,000 (30 June 2008: HK$1,959,000) and on the 522,894,200 (30 June 2008: 522,894,200) shares in issue during the period.

Diluted earnings per share for the six months ended 30 June 2009 and 2008 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 2009

8. ACQUISITIONS AND DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment for an amount of HK$1,696,000 (31 December 2008: HK$13,692,000) and disposals were HK$23,000 (31 December 2008: HK$2,032,000).

9. INTANGIBLE ASSETS

	As at 30 June 2009 (Unaudited) ***HK$'000***	As at 31 December 2008 (Audited) *HK$'000*
Cost	**56,530**	56,530
Accumulated amortisation and impairment losses	**(56,530)**	(56,530)
	–	–

As a result of the significant economic downturn in the fourth quarter of 2008, management considered that impairment losses on the intangible assets related to development costs and customer contracts in respect of the telecommunication business had occurred and that full impairment had been recognised in the year 2008.

10. TRADE AND OTHER RECEIVABLES

	As at 30 June 2009 (Unaudited) ***HK$'000***	As at 31 December 2008 (Audited) *HK$'000*
Trade receivables	**92,517**	91,456
Other receivables		
Deposits, prepayments and other debtors	**12,370**	10,640
	104,887	102,096

10. TRADE AND OTHER RECEIVABLES *(continued)*

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 2009 (Unaudited) ***HK$'000***	As at 31 December 2008 (Audited) *HK$'000*
Less than 1 month	**80,351**	77,828
1 to 3 months	**9,110**	12,814
More than 3 months but less than 12 months	**3,056**	814
	92,517	91,456

11. TRADE AND OTHER PAYABLES

	As at 30 June 2009 (Unaudited) ***HK$'000***	As at 31 December 2008 (Audited) *HK$'000*
Trade payables	**48,009**	55,481
Other payables		
Accrued charges and other creditors	**62,394**	61,757
	110,403	117,238

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

	As at 30 June 2009 (Unaudited) ***HK$'000***	As at 31 December 2008 (Audited) *HK$'000*
Less than 1 month	**45,831**	53,128
1 to 3 months	**1,931**	1,254
More than 3 months but less than 12 months	**247**	1,099
	48,009	55,481

Report on Review of Interim Financial Statements

MAZARS

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 11, 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 2009 and the related condensed consolidated income statement, statement of comprehensive income, 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, 21 September 2009

Eunice Y M Kwok
Practising Certificate number: P04604

Business Review and Outlook

During the period under review, the Group's operating performance continued to be affected by the overall uncertainties in the global economic environment as well as the ongoing business diversification exercises undertaken by the ZONE operations. The Group's turnover fell slightly by 1.5% year-on-year, down from HK$393.0 million for the first half of 2008 to HK$387.1 million for the same period in 2009. Net profit attributable to equity holders increased to HK$5.9 million for the period under review as compared with HK$2.0 million in the previous corresponding period, partly contributed by a reduction in amortisation charges following the impairment of intangible assets in 2008. EBITDA amounted to HK$13.0 million, compared to HK$14.7 million for the corresponding period in the previous year. Given the challenging operating environment, the Group has maintained a cautious approach in managing its business and balance sheet and, in so doing, has achieved a stronger net current assets position than in prior years. With cash and bank balances at the end of the period of HK$172.1 million and no outstanding bank debt, the Group is well positioned to maintain sustainable operating growth in its existing businesses and to pursue merger and acquisition opportunities as they arise.

Despite the fact that cost increases and market challenges faced by ZONE US during 2008 continued to impact its business during the first six months of 2009, the different initiatives that ZONE US is implementing to drive revenue growth, preserve overall gross margins and enhance efficiencies in its cost structure more than offset the negative effects caused by the unfavourable market environment. ZONE US recorded a modest increase in turnover to HK$346.5 million as compared to HK$343.8 million during the same period of 2008 while profit from operations improved from HK$3.5 million for the first six months of 2008 to HK$11.2 million in 2009. At the same time, ZONE US has carried on re-structuring its business model, including making better use of its switching facilities, which allow significant improvements to its termination backbone by adding multi-layer configurations to ensure customer satisfaction and profitable traffic, and adjusting its revenue mix with greater emphasis on data and value-added services.

ZONE US continues to review its customer portfolio in order to allocate proportionate costs and resources to less profitable customer groups while focusing on marketing higher margin and customer-sticky product offerings.

For example, ZONE US is continuing to develop dedicated access internet products that provide greater redundancy capacity to customers, more competitive pricing and significantly better margins. Such products will also provide more consistent revenue streams as they are charged based on fixed monthly recurring amounts. ZONE US will continue to build out its IP points-of-presence and has redesigned its network in preparation for offering enhanced MPLS network services to be launched during the last quarter of 2009.

Turnover from ZONE Asia decreased to HK$40.2 million as compared to HK$48.9 million for the previous corresponding period. Profit from ZONE Asia's operations for the period under review amounted to HK$7.3 million, as compared to HK$11.4 million for the corresponding period in the previous year. Such reduction in revenue and operating results for the period, amid the negative effects of the economic slowdown in Asia during the period under review, is believed to be transitional in the course of ZONE Asia re-aligning its resources to enhance its product line-up and transform itself from being a reseller of commodity-type IDD products to becoming a regional provider of higher-margin enhanced data and voice solutions and services.

Business Review and Outlook (continued)

ZONE Hong Kong further strengthened its core competence by recruiting sales staff with strong data and IT-centric capabilities, training and developing its IT team, improving its IP-based infrastructure and introducing new solution-based products such as IP-PBX (IP private branch exchange) and CRM (customer relationship management) solutions which can be provided through both public internet and international dedicated circuits to other locations beyond Hong Kong. These endeavours are beginning to bear fruit as it has secured a number of sizeable local and overseas customers on long-term contracts with higher and recurring ARPU (average revenue per user).

Similarly, ZONE Singapore has continued to carry out various marketing campaigns to maintain its market share and brand awareness, and remains focused on delivering innovative value-added services in response to the competitive environment, differentiating its products and services to retain existing customers as well as recruiting new accounts. In particular, ZONE Singapore is exploring opportunities to introduce new products and services utilising the Next Generation Nationwide Broadband Network that is anticipated to be available in 2010. Such products and services include hosted IP-PBX services to business customers, content aggregation and distribution and provision of SaaS (Software-as-a-Service) offerings.

Looking ahead, notwithstanding the global economic uncertainties and difficult market conditions, the Group is confident of its ability to maintain sustainable business growth and is encouraged by the operating performance achieved to date. The Group will continue to focus on adjusting its revenue mix to put a higher emphasis on data and IT-related products and services which command higher margins and ensure a more consistent recurring revenue stream while, at the same time, the Group will remain vigilant in managing its cash position as well as containing operating and capital expenditures. The Group will also make every effort to bring to fruition some of the merger and acquisition opportunities that it is currently assessing in order to bring the Group to the next stage of its growth and development.

Financial Review

Results

During the period under review, the Group's turnover decreased by 1.5% to HK$387.1 million.

The gross profit for this period reduced by 3.5% to HK$92.0 million, compared to HK$95.3 million for the corresponding period in the previous year.

The operating profit for the period amounted to HK$7.6 million as compared to HK$4.6 million having taken into account amortisation of intangible assets for the first six months of 2008 which were impaired in the second half of that year.

Consolidated net profit attributable to equity holders of the Company was HK$5.9 million compared to HK$2.0 million for the first six months of 2008.

The Group's EBITDA for the period under review amounted to HK$13.0 million compared to HK$14.7 million for the same period last year.

Interim Dividend

The Board does not recommend payment of a dividend for the six months ended 30 June 2009 (30 June 2008: Nil).

Capital Structure, Liquidity and Financing

The Group continued to maintain a healthy liquidity position with net current assets improving to HK$165.8 million (31 December 2008: HK$156.0 million). Net assets of the Group increased to HK$186.5 million as at 30 June 2009 (31 December 2008: HK$180.4 million).

Cash and bank balances (excluding pledged bank deposits) as at 30 June 2009 amounted to HK$172.1 million (31 December 2008: HK$177.2 million). The Group had pledged bank deposits of HK$2.2 million as at 30 June 2009 (31 December 2008: HK$2.2 million) to banks for guarantees made to suppliers.

As at 30 June 2009, the Group's bank borrowings, represented by the bank loan advanced to a subsidiary for the purpose of the WRLD Alliance transaction in 2006, had been fully repaid (31 December 2008: HK$4.3 million). The said bank borrowings of the Group were 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 2009, the Group's liabilities under equipment lease financing amounted to HK$0.7 million (31 December 2008: HK$0.7 million).

The Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets, was 0.4% (31 December 2008: 2.8%) primarily due to the full repayment of the bank loan, described above, in May 2009.

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 as long as the Hong Kong-United States dollar exchange rate remains pegged. As cash contributions from the Singapore operations grow in future and expectation that currency exchange markets could continue to be volatile in future, the Group will closely monitor the Singapore-United States dollar exchange rate and, whenever appropriate, take any necessary action to reduce such exchange risks. In this regard, as at 30 June 2009, no related hedges had yet been made by the Group.

Contingent Liabilities and Commitments

As at 30 June 2009, 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 2008 Annual Report.

Additional Information

Directors' interests in securities

As at 30 June 2009, 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	116,800,200 *(Note 1)*	22.3%
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	2,660,000	0.5%
Shane Frederick Weir	Personal	210,000	0.0%

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

Notes:

1. 16,800,000 Shares are beneficially owned by Siemens Enterprises Limited and 100,000,200 Shares are beneficially owned by Goldstone Trading Limited, both companies controlled by Mr. Richard John Siemens.

2. 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 2009.

Save as disclosed above, as at 30 June 2009, none of the directors or the chief executive of the Company (including their spouses 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.

Substantial shareholders

As at 30 June 2009, 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%

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

** *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 2009, 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 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. All outstanding share options granted but not exercised thereunder will lapse on 24 October 2009 in accordance with 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.

Additional Information (continued)

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 that subsidiary and its subsidiaries, any of its 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, chief executive or substantial shareholders of the Company, suppliers of goods or services or other participants, other than eligible employees under the old employee share option scheme.

Details of the share options granted and remaining outstanding as at 30 June 2009 were as follows:

			Number of share options				
Date of grant	**Exercisable period**	**Exercise price** *HK$*	**As at 1 January 2008**	**Lapsed during the year**	**As at 31 December 2008**	**Lapsed during the period**	**As at 30 June 2009**
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	25,000	–	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			132,500	–	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 the 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 2009, acting in compliance with the Code on Corporate Governance Practices ("Corporate Governance Code") as set out in Appendix 14 to the Listing Rules.

Code provision A.2.1 of the Corporate Governance Code 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, formulated 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, has assumed the role of the chief executive officer of the Company since 16 June 2007. The Board from time to time re-assesses the possible negative impact of the Company deviating from Corporate Governance 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 believed that the balance of power and authority is not impaired and is adequately ensured by an effective Board which is comprised of experienced and high calibre individuals with a sufficient number thereof being independent non-executive directors.

Change in the composition of board of directors

On 25 May 2009, Mr. Ye Fengping was appointed as a non-executive director of the Company. Mr. Ye has twenty years of experience in the telecom industry in China and extensive experience in marketing planning and management. The Board takes this opportunity to welcome him to its leadership team.

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 six months ended 30 June 2009.

Audit committee

The Audit Committee has reviewed, with the management and the auditor 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 2009. The review conducted by the auditor 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 2009, the Group had 145 (31 December 2008: 160) employees in the United States, China, Hong Kong and Singapore. The Group's total staff costs for the six months ended 30 June 2009 amounted to HK$36.4 million (30 June 2008: HK$40.0 million).

Additional Information (continued)

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 its objectives. In addition to salary and bonus payments, the Group also offers other fringe benefits, including provident fund and medical benefits, to its employees.

Environmental awareness

Over the years, the Group has made considerable endeavours in reducing waste in the course of its operations, but in general, such efforts were, until 2008, conducted in a less organised manner. Since then, the Company has participated in the "Wastewi$e Label" of the Hong Kong Awards for Environmental Excellence, which is a recognition scheme established by, among others, the Environmental Protection Department and Environmental Campaign Committee to encourage Hong Kong businesses and organisations in adopting structured measures to reduce the amount of waste generated within their establishments or generated through the services and products they provide. The Company was awarded with "Class of Excellence" Wastewi$e Label in April 2009.

Appreciation

The Board would like to thank 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

21 September 2009