e-KONG Group Limited

Annual Report 2009

Stock Code: 524

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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
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 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
Church Street Station
New York, NY 10286-1258
USA

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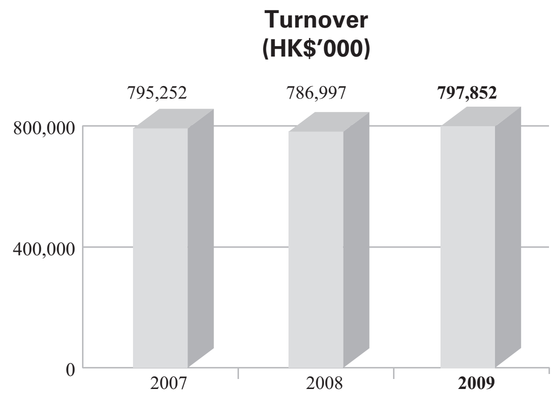
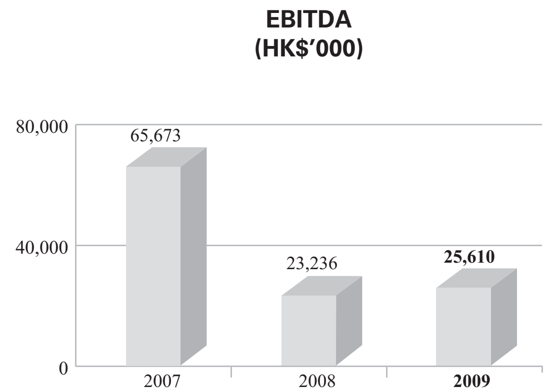
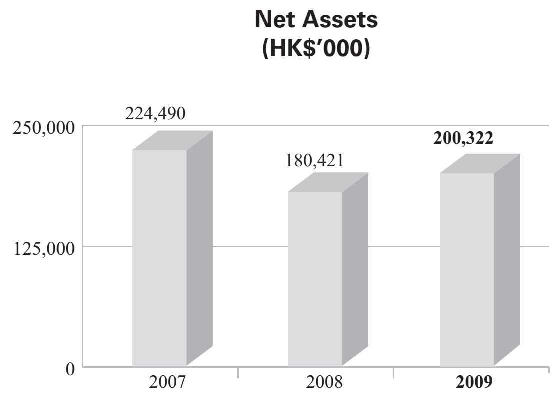
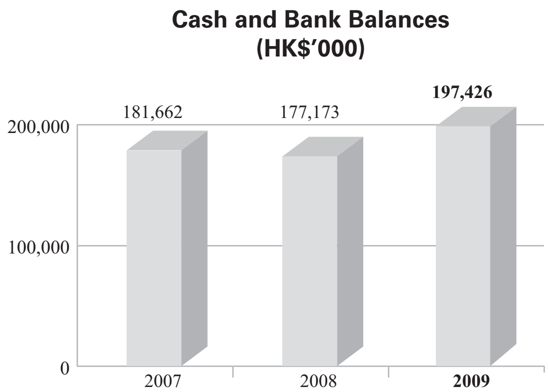
Financial Highlights

	2009 HK$'000	2008 HK$'000	% change
Turnover	**797,852**	786,997	+1%
EBITDA	**25,610**	23,236	+10%
Net Assets	**200,322**	180,421	+11%
Cash and Bank Balances	**197,426**	177,173	+11%









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 services and IT solutions, utilising the latest technology platform and state-of-the-art network facilities that offer customers a variety of features and value-added services tailor-made to suit their needs while empowering them with tools and functionalities to manage their requirements.

Chairman's Statement

While 2009 would be considered by most as a very difficult year, in many ways it has been a year of breakthrough as the Group faced up to the ongoing challenges head-on and came out of the tough global economic situation much stronger and more resilient.

During the fourth quarter of 2008 and in the first half of 2009, while actively building and transforming our core ZONE businesses, the Group also had to undertake several short-term business and operational initiatives to adjust quickly to the volatile market conditions. We took measures to optimise the use of the Group's existing assets, maintain operating margins, improve the efficiency of our business and bolster our financial strength. For the full year of 2009, the Group delivered an all-time high turnover, better EBITDA results and a return to profitability, demonstrating the success of our strategy to focus on balancing revenue growth with cash and capital preservation while maintaining business margins.

While the worst of the economic turmoil may be behind us and the macroeconomic conditions have steadily recovered, we are always mindful of other industry-specific challenges ahead of us as we continue to implement our strategy to ensure long-term sustainability of the businesses and an equitable shareholders' return on investment. In particular, the market for commodity-type voice products remains highly competitive. Instead of competing solely on price, ZONE focuses on building deeper relationships with its customers, understanding their needs and devising solutions to meet those requirements so that the customer experience is greatly enhanced. ZONE also appreciates the need to expand its sales distribution networks to reach out to more customers. Towards this end, ZONE in the US is actively recruiting new channel sales personnel in different geographical locations, and in Singapore, besides expanding its direct sales force, it has also appointed a sizeable number of marketing agents in order to extend its customer reach. ZONE is also cross-selling new products and services, both voice and data, to its existing customers which further increase the depth and breadth of its customer relationships.

In order to remain competitive and to be able to capture growth opportunities, ZONE operations have over the years been constantly evolving and expanding its technology and network platform to meet customer demand and to differentiate itself from its competitors. In 2009, ZONE was prudent in its approach to capital spending, only investing in expenditures which, in addition to providing immediate returns, are incrementally scalable for longer term growth. Nonetheless, in the US, despite the addition of little capital expenditure, ZONE managed to improve its gross margins by capturing more customer voice traffic at its switching facilities in order to allow more flexibility in re-routing traffic, and to better utilise its data network capacity. Also in Asia, ZONE introduced to enterprise customers, local and overseas, its Customer Relationship Management (CRM) and international private leased circuits (IPLC)-related solutions and applications by utilising its existing network infrastructure and in-house IT resources.

In anticipation of the projected growth in ZONE's business and as it strives to find ways to lower costs and deliver new and improved services, in the coming year, ZONE is expected to invest in broadening its network coverage, increasing its capacity and enhancing the functionalities of its service platforms. For example, ZONE US will augment its softswitch facilities to account for projected traffic growth in its network. It will also implement Local Number Portability (LNP) dipping throughout its network which will improve operational transparency and provide greater flexibility, while further enhancing operating margins. In Asia, ZONE has recently put in service its dedicated IP backbone between Hong Kong and China which facilitates its ability to offer additional value-added services and also improve network security and reliability for its cross-border customers. ZONE plans to extend its IP backbone to its Singapore facilities which will provide redundancy and flexibility to its networks in both Hong Kong and Singapore, positioning itself as a regional player strongly and competitively for future growth in Asia.

As the Group executes our strategy of steadily building its ZONE business organically, we are also actively evaluating merger and acquisition (M&A) opportunities both in the US and in Asia. While during the current industry and economic uncertainties, there are many prospective targets for M&A in the telecom sector, particularly in the US, we are critically selective to ensure that any transactions concluded will create mutual benefits through generating significant operational and business synergies, as well as unlocking shareholders value. In 2010, we foresee the Group will be able to finalise some of the transactional opportunities which we believe will be most beneficial not only to our shareholders but also to our customers, business partners and employees.

Financially, the Group is in a strong position, having a solid balance sheet, generating steady cashflow and with no outstanding long term debt. Looking ahead, we will continue to take proactive steps to build on our financial strength and to seek opportunities to deploy the Group's resources to maximise value for our shareholders, including investments to grow ZONE's operations and to pursue investment opportunities beyond our current telecommunication business.

Mr. Ye Fengping was appointed as a non-executive Director of the board effective from 25 May 2009. On behalf of the board, I would like to welcome Mr. Ye to the leadership team. I would also like to take this opportunity to extend our appreciation to all fellow directors and 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
26 March 2010

Business Review

Overall Performance

In 2009, despite facing an unfavourable global economic environment and intense competition in the telecommunications market, particularly in the first half of the year under review, the Group managed to achieve record turnover and also returned to profitability. The Group turnover increased by HK$10.9 million from HK$787.0 million for 2008 to HK$797.9 million in 2009. Results attributable to equity holders improved from a loss position of HK$43.5 million (inclusive of impairment losses of HK$30.8 million) in the previous year to a net profit of HK$19.0 million. EBITDA amounted to HK$25.6 million, compared to HK$23.2 million for the prior year. The Group's financial position continued to strengthen with year-end net asset value improving from HK$180.4 million in the previous year to HK$200.3 million. Cash and bank balances increased from HK$177.2 million to HK$197.4 million, while all bank borrowings were fully repaid in the first half of the year. The improvements in the operating performance and financial position were principally attributed to concerted efforts by the Group to broaden its revenue base, preserve gross margin contributions, reduce operating costs and prudently manage its resources.

US Operations

In 2009, ZONE US continued to prove its ability to overcome the significant challenges faced and managed to maintain profitability and strong cash flow through a difficult year. It recorded an increase in turnover by 3.7% year-on-year, from HK$692.2 million to HK$717.7 million, despite ongoing changes within the industry which significantly affected the operating performance of ZONE US's business in the ILEC and enterprise sectors.

ZONE US's underlying carriers continued to raise rates in the ILEC sector, while in the enterprise sector, carriers implemented penalties for short duration calling customers. ZONE US had to initiate various steps to mitigate the increase in cost of services. To combat the carrier rate increases in the ILEC sector, during 2009, ZONE US managed to move over 750,000 telephone numbers to its own switch facilities. In addition, ZONE US collaborated with network companies to expand lower cost network capabilities from the ILEC regions to ZONE US's switching facilities in order to meet the demand from its customers for dedicated services as a more economical alternative to existing long distance services. In the enterprise sector, short duration calling penalties significantly impacted the call centre customers of ZONE US. To maintain margins, ZONE US re-negotiated with carriers for more equitable charging mechanisms, imposed monthly fees and passed on carrier penalties to customers. ZONE US also developed a detailed monitoring mechanism for each carrier to ensure minimal penalties were incurred.

Development of new products was also a key to ZONE US's efforts to improve operating margins. ZONE US re-launched an enhanced-value conferencing product; created new services conducive to selling into other vertical markets within the enterprise sector, such as enhanced local services and VoIP DID; and promoted data products that ride on its own IP network. The addition of these products creates a more diversified customer base and encourages ZONE US's agent distributors to focus more on the higher margin markets.

Asia Operations

ZONE Asia in 2009 posted turnover of HK$79.3 million as compared to HK$94.3 million for 2008. While ZONE Asia was able to control customer churn at manageable levels through ongoing marketing and customer service efforts, the Average Revenue per User (ARPU) for IDD services continued to fall as the IDD market remained highly competitive. Throughout 2009, ZONE Asia stayed focused on executing its strategy of transforming its business model and expanding its revenue base into the higher-margin enhanced data and voice solutions and services which helped offset the decline in its IDD-related revenue.

In Hong Kong, ZONE further evolved its organisation to be more solutions-driven by strengthening its technical team, allocating additional product development resources, recruiting more technically-oriented sales staff and providing training to both technical and non-technical staff. In addition, to enhance its competitive edge, ZONE Hong Kong installed and put into service its IP backbone infrastructure between Hong Kong and China which facilitates its ability to offer additional value-added services and also improves network security and reliability for its cross-border customers.

In Singapore, ZONE's marketing efforts were more segmentised and it introduced a suite of new service offerings tailored to address to each segment customer requirements. It continued to introduce various enhancements to its core services in order to remain competitive. ZONE Singapore introduced data services to its wide corporate customer base, including Multi-protocol Label Switching (MPLS) and International Private Leased Circuit (IPLC) services, which were riding on the extensive data network of its international carrier partner. Moving forward, ZONE Singapore will establish a broad base revenue strategy through its extensive service offerings and will also expand its market regionally through various collaboration business models.

Outlook

Given the market uncertainties during the first half of 2009, the Group followed through on its priorities of preserving operating margins and maintaining a strong financial position. Such initiatives successfully positioned the Group to capitalise on the improvement in market sentiment in the second half of 2009, as reflected in the upturn in the Group's turnover and financial strength. While there is still much to be done, the accomplishments in a tough business environment show that the Group is now back on track in executing its strategic goal of building ZONE into a sustainable solution-based telecommunication and IT service provider, offering a wide array of products and services to worldwide customers. Looking ahead to 2010, the Group will continue to diversify and grow its ZONE business organically while at the same time targeting to bring to fruition at least one of the merger and acquisition opportunities that it is currently pursuing.

Financial Review

Turnover

For the year ended 31 December 2009, despite difficult market conditions, in particular during the first six months, the Group registered an all-time high turnover of HK$797.9 million representing a growth of HK$10.9 million, or 1.4%, as compared to HK$787.0 million for 2008. Between the different segments of the business, ZONE US recorded a 3.7% increase in turnover from HK$692.2 million in 2008 to HK$717.7 million in 2009, while turnover from ZONE Asia, comprising the Group's telecommunication businesses in China, Hong Kong and Singapore, was HK$79.3 million for 2009 as compared to HK$94.3 million for 2008.

Total Operating Expenses

Following the Group's execution of its cost savings initiatives, total operating expenses for 2009 decreased to HK$173.0 million when compared to HK$182.8 million in 2008. Among other efforts, the Group fine-tuned the cost efficiency of different sales activities which resulted in a decrease in selling and distribution expenses from HK$50.5 million in 2008 (representing 6.4% of that year's turnover) to HK$42.6 million in 2009 (representing 5.3% of turnover).

Results

Benefiting from higher revenue and the reduction in total operating expenses, the Group's profit from operations for the year rose by HK$9.7 million to HK$11.7 million when compared to HK$2.0 million for the previous year. In 2009, the Group recorded a net profit of HK$19.0 million which is a significant improvement over the loss position of HK$43.7 million (inclusive of impairment losses of HK$30.8 million) in the previous year.

Similarly, EBITDA for the Group increased from HK$23.2 million for 2008 to HK$25.6 million in 2009.

Capital Structure, Liquidity and Financing

During the year, the Group continued to be in a healthy liquidity position as a result of positive contribution from its telecommunication business in the United States and Asia. As at 31 December 2009, the net assets of the Group increased to HK$200.3 million when compared to HK$180.4 million as at 31 December 2008.

Cash and bank balances (excluding pledged bank deposits) increased from HK$177.2 million at the end of 2008 to HK$197.4 million as at 31 December 2009. In addition, as at 31 December 2009, the Group maintained pledged bank deposits of HK$2.2 million, compared to HK$2.2 million as at 31 December 2008, to banks for guarantees made to suppliers.

The Group's bank borrowings, represented by the bank loan advanced to a subsidiary for the purpose of the WRLD Alliance transaction in 2006, were fully repaid in the second quarter of 2009, and there were no outstanding bank borrowings as at 31 December 2009 (2008: HK$4.3 million).

The Group's liabilities under equipment lease financing decreased by 17.8% to HK$0.6 million as at 31 December 2009 when compared to HK$0.7 million as at 31 December 2008.

The Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets, improved from 2.8% in 2008 to 0.3%, primarily due to the full repayment of the bank loan, as described above, in the second quarter of 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. If cash contributions from the Singapore operations increase in future and currency exchange markets continue to be volatile, the Group will continue to 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 31 December 2009, no related hedges had yet been undertaken by the Group.

Contingent Liabilities and Commitments

As at 31 December 2009, there were no material contingent liabilities or commitments.

Board of Directors

Board of Directors

Richard John Siemens, 65, 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, and the non-executive Chairman of Automotive Technology Group Limited. 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, 50, 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, 48, 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.

Ye Fengping, 46, Non-executive Director, was appointed in May 2009. Mr. Ye has twenty years of experience in the telecom industry in China. Prior to joining the Company, Mr. Ye was the Chief Operating Officer of CITIC 21CN Company Limited. Before that, he was an executive director and vice president of China Unicom Limited, a listed company in Hong Kong. Mr. Ye is a senior engineer, graduated from Nanjing Posts and Telecommunications Institution in 1984, with a major in Telecommunications Engineering and obtained a Master of Business Administration degree from the University of Minnesota's Carlson School.

Shane Frederick Weir, 55, Independent Non-executive Director, was appointed in August 2001. He is also an independent non-executive director of CIBT Education Group, Inc. 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., 67, 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, 70, 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.

Company Secretary

Lau Wai Ming Raymond, 39, 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 was 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.

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, prior to 2005, 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 ("Corporate Governance Code") which came into effect for accounting periods commencing after 1 January 2005. The Stock Exchange thereafter made further amendments to the Rules Governing the Listing of Securities on the Stock Exchange (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 executive directors and focuses its attention on overall strategic matters relating 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 2009, the Board was comprised of two executive directors, namely, Mr. Richard John Siemens and Mr. Lim Shyang Guey, two non-executive directors, Mr. William Bruce Hicks and Mr. Ye Fengping, and three independent non-executive directors, namely, Mr. Shane Frederick Weir, Mr. John William Crawford J.P. and Mr. Gerald Clive Dobby.

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 year ended 31 December 2009, acting in compliance with the Corporate Governance Code.

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.

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 average attendance rate at the meetings in 2009 was 96% as set out below.

Name of Director	**Attendance / Number of Board Meetings in 2009**	**Attendance Rate**
Richard John Siemens *(Chairman)*	4 / 4	100%
Lim Shyang Guey	4 / 4	100%
William Bruce Hicks	3 / 4	75%
Ye Fengping *(appointed on 25 May 2009)*	2 / 2	100%
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 by directors at all reasonable times.

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 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. Accordingly, among other directors, Mr. Ye Fengping will retire and be eligible for re-election at the forthcoming annual general meeting.

Corporate Governance Report (continued)

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.

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.

In general, the committee meets regularly on a monthly basis 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 2009, eleven formal meetings were held and the attendance rate at the meetings in 2009 was 100% as set out below.

Name of Director	Attendance / Number of Executive Management Committee Meetings in 2009	Attendance Rate
Richard John Siemens *(Chairman of the Committee)*	11 / 11	100%
Lim Shyang Guey	11 / 11	100%

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 best 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 2009, 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 such as assessing internal control systems. The Audit Committee also reviewed, with 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 audited consolidated financial statements of the Group for the year ended 31 December 2009.

The attendance rate at the meetings in 2009 was 100% as set out below. As deemed necessary by the committee, the external auditor 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 management of the Company to discuss accounting, reporting and other issues.

Name of Director	**Attendance / Number of Audit Committee Meetings in 2009**	**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 auditor 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 scope as laid out in their audit plan. Any non-compliance matters and internal control weaknesses noted during their audit and the auditor's 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 best 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, one meeting was held and the attendance record is set out below.

Name of Director	**Attendance / Number of Remuneration Committee Meetings in 2009**	**Attendance Rate**
Richard John Siemens *(Chairman of the Committee)*	1 / 1	100%
Shane Frederick Weir	1 / 1	100%
John William Crawford J.P.	1 / 1	100%

Corporate Governance Report (continued)

Directors' responsibility for the financial statements

The Directors acknowledge their responsibility for the preparation and the true and fair presentation of the financial statements of the Company and of the Group for the year ended 31 December 2009 on a going concern basis in accordance with the statutory requirements and applicable reporting standards.

Internal control

The Board has overall responsibility 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 the Group's goals. The systems are also structured to safeguard the Group's assets, to ensure the maintenance of proper accounting records, adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function 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 auditor of the Company. As part of an on-going process for identifying, evaluating and managing material risks faced by the Group, the Board has appointed an experienced management executive to serve the function of assessing and reviewing all material business processes and procedures of the ZONE operations in each geographical location, commencing from ZONE US. 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 against 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 (Model Code), as set out in Appendix 10 to the Listing Rules, 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 2009.

Auditors' remuneration

For the year ended 31 December 2009, the remuneration payable to the auditors of the Group amounted to approximately HK$1,696,000, of which HK$1,426,000 related to audit services and HK$270,000 to taxation and other non-audit services.

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 2009.

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 Federal Communications Commission (FCC) licensed telecommunication carrier which operates nationally throughout the United States. ZONE US (*www.zonetelecom.com*) provides consumer and business telecom solutions to the residential and enterprise markets respectively. In addition, ZONE US is a leading wholesale provider of telecom services to Independent Local Exchange Carriers (ILECs) covering rural and smaller metropolitan areas of the United Sates, and to other resellers. ZONE US's products include long distance – dedicated and switched voice services, local dedicated services, enhanced toll-free services, data services, teleconferencing, online customer support tools, Voice-over-Internet Protocol (VoIP) services, commercial IP broadband, and MVNO mobile telephony services.

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. ZONE Hong Kong specializes in offering telecom and IT-related services and solutions. Founded in 1999, ZONE Hong Kong has evolved over the years from an International Long Distance (IDD) service provider (*www.zone1511.com*) into a technology partner to both SMEs and large corporations that deliver voice and data solutions, which enable our customers to achieve or exceed their requirements (*www.zonetel.com*). With the strong background knowledge of IT infrastructure, IP telephony and PBX and having a robust voice and data network, ZONE Hong Kong offers to customers, in addition to IDD services and a diverse range of value-added services, a wide array of products and services including IP telephony (consultancy, implementation, Hong Kong call origination and international termination), customer relationship management system (ZONE CRM), corporate telecommunications facilities, eg. IPLC, MPLS and IP VPN, internet fax, web-conferencing, and web call-back services.

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 Mobile (中國移動) and China Telecom (中國電信) group companies in Shenzhen.

In Singapore, ZONE Telecom Pte Ltd ("ZONE Singapore"), a wholly-owned subsidiary of the Company, is an info-communication service provider licensed by the Infocomm Development Authority of Singapore. Its focus is to meet the communication needs of business organisations, from small and medium enterprises to multi-national corporations. ZONE Singapore (*www.zone1511.com.sg*) offers a suite of comprehensive voice and data services and solutions to help business organisations enhance their business efficiencies and realise maximum cost savings without compromising on quality and reliability.

Report of Directors (continued)

Descriptions of the activities of other principal subsidiaries are set out in note 14 to the financial statements.

Segmental information

Analyses of the Group's segmental information by business and geographical segments for the year ended 31 December 2009 are set out in note 27 to the financial statements.

Results and dividends

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement on page 23.

The Board does not recommend payment of a dividend for the year ended 31 December 2009 (2008: 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 64.

Major customers and suppliers

In the year under review, the aggregate turnover attributable to the five largest customers of the Group accounted for approximately 22.8% of total turnover for the year, and sales to the largest customer included therein amounted to approximately 9.0%.

The aggregate purchases attributable to the five largest suppliers accounted for approximately 78.9% of total purchases for the year, and purchases from the largest supplier included therein amounted to approximately 29.4%.

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)*
Lim Shyang Guey

Non-executive Directors:

William Bruce Hicks
Ye Fengping *(appointed on 25 May 2009)*

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".

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, Messrs. Shane Frederick Weir, John William Crawford J.P. and Ye Fengping shall retire by rotation at the forthcoming annual general meeting and are eligible for re-election.

Directors' interests in securities

As at 31 December 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	118,000,200 *(Note 1)*	22.6%
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	3,000,000	0.6%
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. *18,000,000 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 31 December 2009.

Save as disclosed above, as at 31 December 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 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 2011 or, in the case of Mr. Gerald Clive Dobby, on 31 December 2012 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 2009, 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 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%

* *"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 31 December 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 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 14 to the financial statements.

Liquidity

As at 31 December 2009, the Group managed to maintain stable liquidity with cash and cash equivalents of approximately HK$199.6 million (2008: HK$179.3 million).

Bank borrowings

The Group's bank borrowings were fully repaid in the second quarter of 2009 and there were no outstanding bank borrowings as at 31 December 2009 (2008: HK$4.3 million).

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 2009, the Group had 142 (2008: 160) employees in the United States, China, Hong Kong and Singapore. The Group's total staff costs for 2009 decreased by 4.5% to HK$73.5 million when compared to HK$77.0 million for 2008. 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 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. In addition, 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 in the share option schemes adopted by the Company. As at 31 December 2009, there were no outstanding share options under the share option schemes adopted by the Company.

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.

Report of Directors (continued)

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.

Auditor

The financial statements of the Company for the year ended 31 December 2009 have been audited by Mazars CPA Limited, *Certified Public Accountants*.

Mazars CPA Limited were first appointed as auditor of the Company in 2007 upon the resignation of Messrs. Moores Rowland Mazars. A resolution will be submitted to the annual general meeting to re-appoint Mazars CPA Limited as auditor of the Company.

Environmental awareness

Over the years, the Group has made considerable endeavours in reducing waste in the course of its operations. Since the year of 2009, the Company has participated in the "Wastewi$e Label" of the Hong Kong Awards for Environmental Excellence, which is a recognition scheme established by, among others, the Environmental Protection Department and Environmental Campaign Committee to encourage Hong Kong businesses and organisations in adopting structured measures to reduce the amount of waste generated within their establishments or generated through the services and products they provide. The Company has been awarded with "Class of Excellence" Wastewi$e Label for two consecutive years in 2008 and 2009, and has been granted the right to use this label since 2009.

By Order of the Board

Lau Wai Ming Raymond
Company Secretary

26 March 2010

Independent Auditor's Report

MAZARS

MAZARS CPA LIMITED
瑪澤會計師事務所有限公司
42nd Floor, Central Plaza
18 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道18號中環廣場42樓
Tel 電話: (852) 2909 5555
Fax 傳真: (852) 2810 0032
Email 電郵: info@mazars.com.hk
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 63, which comprise the consolidated and the Company's statement of financial position as at 31 December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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.

Auditor's 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 Auditor's 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 the auditor's 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, the auditor considers 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 the affairs of the Group and the Company as at 31 December 2009 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, 26 March 2010

Eunice Y M Kwok
Practising Certificate number: P04604

Consolidated Income Statement

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Turnover	3	**797,852**	786,997
Cost of sales		**(613,922)**	(604,504)
Gross profit		**183,930**	182,493
Other revenue and income	4	**765**	2,338
		184,695	184,831
Selling and distribution expenses		**(42,592)**	(50,515)
Business promotion and marketing expenses		**(4,626)**	(5,075)
Operating and administrative expenses		**(105,270)**	(101,628)
Other operating expenses		**(20,491)**	(25,603)
Profit from operations		**11,716**	2,010
Finance costs	5	**(110)**	(667)
Impairment losses on intangible assets	12	**–**	(30,803)
Profit / (Loss) before taxation	5	**11,606**	(29,460)
Taxation credit / (charges)	7	**7,361**	(14,273)
Profit / (Loss) for the year	8	**18,967**	(43,733)
Profit / (Loss) for the year attributable to:			
Equity holders of the Company		**19,034**	(43,458)
Non-controlling interests		**(67)**	(275)
Profit / (Loss) for the year		**18,967**	(43,733)
EBITDA	9	**25,610**	23,236
		HK cents	*HK cents*
Earnings / (Loss) per share	10		
Basic		**3.6**	(8.3)
Diluted		**3.6**	N / A

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	2009	2008
	HK$'000	*HK$'000*
Profit / (Loss) for the year	**18,967**	(43,733)
Other comprehensive income / (loss) for the year		
Exchange differences on translation of foreign subsidiaries	**1,597**	(336)
Total comprehensive income / (loss) for the year	**20,564**	(44,069)
Total comprehensive income / (loss) for the year attributable to:		
Equity holders of the Company	**20,631**	(43,794)
Non-controlling interests	**(67)**	(275)
Total comprehensive income / (loss) for the year	**20,564**	(44,069)

Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	11	**14,246**	21,734
Intangible assets	12	**–**	–
Goodwill	13	**–**	–
Deferred tax assets	26	**14,805**	3,690
		29,051	25,424
Current assets			
Trade and other receivables	15	**88,160**	102,096
Pledged bank deposits	16	**2,211**	2,155
Cash and bank balances		**197,426**	177,173
		287,797	281,424
Current liabilities			
Trade and other payables	17	**112,730**	117,238
Current portion of bank borrowings		**–**	4,250
Current portion of obligations under finance leases	18	**142**	129
Taxation payable		**2,956**	3,848
		115,828	125,465
Net current assets		**171,969**	155,959
Total assets less current liabilities		**201,020**	181,383
Non-current liabilities			
Obligations under finance leases	18	**453**	595
Deferred tax liabilities	26	**245**	367
NET ASSETS		**200,322**	180,421
Capital and reserves			
Share capital	19	**5,229**	5,229
Reserves	21	**195,093**	174,462
Equity attributable to equity holders of the Company		**200,322**	179,691
Non-controlling interests	21	**–**	730
TOTAL EQUITY		**200,322**	180,421

Approved and authorised for issue by the Board of Directors on 26 March 2010

Richard John Siemens
Director

Lim Shyang Guey
Director

Statement of Financial Position

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	*11*	**2,468**	2,884
Interests in subsidiaries	*14*	**90,695**	101,594
		93,163	104,478
Current assets			
Trade and other receivables	*15*	**1,858**	1,976
Pledged bank deposits	*16*	**914**	914
Cash and bank balances		**98,689**	89,420
		101,461	92,310
Current liabilities			
Trade and other payables	*17*	**9,705**	15,673
Net current assets		**91,756**	76,637
NET ASSETS		**184,919**	181,115
Capital and reserves			
Share capital	*19*	**5,229**	5,229
Reserves	*21*	**179,690**	175,886
TOTAL EQUITY		**184,919**	181,115

Approved and authorised for issue by the Board of Directors on 26 March 2010

Richard John Siemens
Director

Lim Shyang Guey
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to equity holders of the Company								
	Share capital	**Share premium**	**Exchange reserve**	**Capital redemption reserve**	**Contributed surplus**	**Accumulated profits**	**Total**	**Non-controlling 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 2008	5,229	68,341	1,067	6	83,489	65,353	223,485	1,005	224,490
Total comprehensive loss for the year	–	–	(336)	–	–	(43,458)	(43,794)	(275)	(44,069)
As at 31 December 2008	5,229	68,341	731	6	83,489	21,895	179,691	730	180,421
Total comprehensive income / (loss) for the year	–	–	1,597	–	–	19,034	20,631	(67)	20,564
Arising from acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	(663)	(663)
As at 31 December 2009	**5,229**	**68,341**	**2,328**	**6**	**83,489**	**40,929**	**200,322**	**–**	**200,322**

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES			
Cash generated from operations	22	**35,608**	22,547
Income taxes paid		**(5,052)**	(4,832)
Interest received		**295**	1,879
Interest on bank loan paid		**(46)**	(634)
Interest on obligations under finance leases		**(64)**	(33)
Net cash generated from operating activities		**30,741**	18,927
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(3,140)**	(12,927)
Proceeds from disposals of property, plant and equipment		**19**	405
Acquisition of additional interest in a subsidiary		**(3,900)**	–
Net cash used in investing activities		**(7,021)**	(12,522)
FINANCING ACTIVITIES			
Repayment of bank loan		**(4,250)**	(10,430)
Repayment of obligations under finance leases		**(129)**	(460)
Net cash used in financing activities		**(4,379)**	(10,890)
Net increase / (decrease) in cash and cash equivalents		**19,341**	(4,485)
Cash and cash equivalents as at 1 January		**179,328**	183,799
Exchange gain on cash and cash equivalents		**968**	14
Cash and cash equivalents as at 31 December		**199,637**	179,328
Analysis of the balances of cash and cash equivalents			
Pledged bank deposits		**2,211**	2,155
Cash and bank balances		**197,426**	177,173
		199,637	179,328

Notes to the Financial Statements

For the year ended 31 December 2009

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 14 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 2008 financial statements. The adoption of the new and revised HKFRS that are relevant to the Group and effective from the current year had no significant effects on the results and financial position of the Group and the Company for the current and prior years, except that certain presentation and disclosures of financial statements items, as detailed below, have been revised. A summary of the principal accounting policies adopted by the Group is set out below.

Adoption of new and revised HKFRS

HKAS 1 (Revised): Presentation of Financial Statements

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 in two statements.

HKFRS 8: Operating Segments

HKFRS 8, replacing HKAS 14: Segment Reporting, requires segment information to be reported based on internal information used by management to evaluate the performance of operating segments and allocate resources to those segments. Previously, the Group had chosen geographical segment information as the primary reporting format and business segment information as the secondary reporting format. In the current year, the Group adopted its segment reporting in accordance with the requirements of HKFRS 8. As business segment information is more relevant to the Group's internal financial reporting, the Group has selected business segment as the reportable segment.

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 ceased.

Non-controlling 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 consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity holders of the Company. Losses applicable to the non-controlling shareholders in excess of their interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling shareholders 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 non-controlling interests as transactions with parties external to the Group. In acquiring non-controlling interests, the excess amount of any consideration paid over the carrying value of the share of the net assets of the subsidiary acquired is recognised as goodwill.

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 statement of financial position, 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 basis. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary. Goodwill on acquisition of subsidiary is recognised as a separate asset. Goodwill is carried at cost less accumulated impairment losses, which is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing and determinations of gains or losses on disposals, goodwill is allocated to cash-generating units. An impairment loss on goodwill is not reversed.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a business at the date of acquisition, after reassessment, is recognised immediately in the income statement.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

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% – 33%

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

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 the 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 expenses in the income statement as 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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

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 period 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 the end of each reporting period, 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 flows 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 the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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 expire or when the Group transfers substantially all the risks and rewards of ownership of the financial assets. A financial liability is derecognised when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Cash equivalents

For the purpose of the consolidated statement of cash flows, 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 the end of each reporting period, 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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets *(continued)*

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 statement of financial position 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 leases so as to produce a constant periodic rate of charge on the remaining balances 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.

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 financial positions 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 end of the reporting period 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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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 end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, any deferred tax arising 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, is not recognised.

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 end of the reporting period. 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.

At the end of the reporting period, 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.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Share based payments *(continued)*

During the vesting period, the number of share options 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 judgements. A considerable amount of judgement 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 the end of each reporting period 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 to the income statement.

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Critical accounting estimates and judgements *(continued)*

Impairment of interests in subsidiaries

The Group determines whether interests in subsidiaries are impaired at least on an annual basis. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in the financial performance and position of these entities could affect the estimation of impairment losses and cause adjustments to their carrying amounts.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Details of the estimates used to calculate the recoverable amount are given in note 13.

Future changes in HKFRS

At the date of approval of these financial statements, the Group has not early adopted a number of new and revised HKFRS issued by HKICPA that are not yet effective for the current year.

The Group is in the process of assessing the possible impact on the adoption of these new and revised HKFRS in future. So far it has concluded that the adoption is unlikely to have a material impact on the Group's results or financial position in future except as set out below.

– The adoption of HKFRS 3 (Revised): Business Combination, which is effective for annual periods beginning on or after 1 July 2009, may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010.

– HKAS 27 (Revised): Consolidated and Separate Financial Statements, which is effective for annual periods beginning on or after 1 July 2009, will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. In addition, total comprehensive income is allocated to non-controlling interests even if it results in the non-controlling interests having a deficit balance.

3. TURNOVER

Turnover, recognised by category, is analysed as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Telecommunication services income	**797,014**	786,462
Others	**838**	535
	797,852	786,997

4. OTHER REVENUE AND INCOME

	Group 2009	Group 2008
	2009	2008
	HK$'000	*HK$'000*
Interest income on bank deposits	**237**	1,879
Interest income on loan receivable	**58**	–
	295	1,879
Other	**470**	459
	765	2,338

5. PROFIT / (LOSS) BEFORE TAXATION

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

	Group 2009	Group 2008
	2009	2008
(a) Finance costs	***HK$'000***	*HK$'000*
Interest on bank loan and other borrowings wholly repayable within five years	**46**	634
Finance charges on obligations under finance leases	**64**	33
	110	667
(b) Other items		
Employee salaries and other benefits (including directors' emoluments)	**71,719**	74,525
Retirement benefit scheme contributions	**1,779**	2,426
Total staff costs	**73,498**	76,951
Auditors' remuneration	**1,426**	1,358
Cost of services provided	**613,922**	604,504
Depreciation of property, plant and equipment	**10,657**	10,525
Amortisation of intangible assets included in other operating expenses	**–**	10,701
Allowance for doubtful debts	**4,569**	2,331
Operating lease charges on premises	**10,424**	8,081
Realised losses on quoted investments	**–**	883
Exchange losses, net	**1,031**	20
Impairment loss on goodwill arising from acquisition of additional interest in a subsidiary included in other operating expenses	**3,237**	–

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

6. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION

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

	2009			
	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	**–**	**1,800**	**24**	**1,824**
Lim Shyang Guey	**–**	**2,275**	**24**	**2,299**
Non-executive directors				
William Bruce Hicks	**150**	**–**	**–**	**150**
Ye Fengping	**90**	**–**	**–**	**90**
Independent non-executive directors				
Shane Frederick Weir	**150**	**–**	**–**	**150**
John William Crawford J.P.	**150**	**100**	**–**	**250**
Gerald Clive Dobby	**150**	**–**	**–**	**150**
	690	**4,175**	**48**	**4,913**

	2008			
	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	–	1,800	24	1,824
Lim Shyang Guey	–	2,145	24	2,169
Non-executive director				
William Bruce Hicks	150	–	–	150
Independent non-executive directors				
Shane Frederick Weir	150	–	–	150
John William Crawford J.P.	150	100	–	250
Gerald Clive Dobby	150	–	–	150
	600	4,045	48	4,693

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

Individuals with highest emoluments

Of the five *(2008: five)* individuals with the highest emoluments, two *(2008: two)* are directors whose emoluments are disclosed above. The aggregate of the emoluments in respect of the other three *(2008: three)* individuals are as follows:

	2009	2008
	HK$'000	*HK$'000*
Salaries, gratuities and other emoluments	**5,940**	6,005
Retirement benefit scheme contributions	**83**	27
	6,023	6,032

The emoluments of the three *(2008: three)* individuals with the highest emoluments are within the following bands:

	2009	2008
	Number of individuals	*Number of individuals*
HK$1,500,001 to HK$2,000,000	**2**	2
HK$2,000,001 to HK$2,500,000	**–**	1
HK$2,500,001 to HK$3,000,000	**1**	–
	3	3

The executive directors of the Company, together with the above-mentioned three *(2008: three)* highest paid individuals, are regarded as the key management personnel of the Group for disclosure purposes.

7. TAXATION CREDIT / (CHARGES)

Hong Kong Profits Tax has not been provided as the Group's assessable profit for the year 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.

	Group	
	2009	2008
	HK$'000	*HK$'000*
Current tax		
Overseas income taxes	**(3,889)**	(4,475)
Deferred tax		
Depreciation allowances	**193**	(89)
Tax losses	**11,057**	(9,709)
	11,250	(9,798)
	7,361	(14,273)

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

Reconciliation of effective tax rate

	Group	
	2009	2008
	%	*%*
Applicable tax rate	**45**	(33)
Non-deductible expenses	**12**	5
Tax exempt revenue	**(6)**	(3)
Unrecognised tax losses arising in current year	**28**	7
Reversal of previously recognised tax losses	**–**	29
Utilisation of previously unrecognised tax losses	**(39)**	–
Recognition of previously unrecognised tax losses	**(96)**	–
(Recognition) / Reversal of previously unrecognised temporary differences	**(15)**	36
Other	**8**	7
Effective tax rate for the year	**(63)**	48

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

8. PROFIT / (LOSS) FOR THE YEAR

The profit / (loss) for the year includes a profit of HK$3,804,000 *(2008: HK$3,571,000)* which has been dealt with in the financial statements of the Company.

9. EBITDA

EBITDA represents earnings before interest expenses, taxation, depreciation, amortisation, and impairment losses on intangible assets and goodwill.

10. EARNINGS / (LOSS) PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2009 is based on the consolidated profit attributable to equity holders of the Company of HK$19,034,000 *(2008: loss of HK$43,458,000)* and on the 522,894,200 *(2008: 522,894,200)* shares in issue during the year.

Diluted earnings per share for the year ended 31 December 2009 is the same as the basic earnings per share.

Diluted loss per share for the year ended 31 December 2008 has not been presented as the exercise prices of the share options were higher than the average market price of the shares.

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

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 2008	755	10,067	7,137	840	18,799
Additions	–	12,359	1,333	–	13,692
Disposals	–	–	(2,032)	–	(2,032)
Write-back of accumulated depreciation on disposals	–	–	1,762	–	1,762
Depreciation	(564)	(7,459)	(2,222)	(280)	(10,525)
Exchange adjustments	–	–	38	–	38
As at 31 December 2008	191	14,967	6,016	560	21,734
As at 1 January 2009	191	14,967	6,016	560	21,734
Additions	–	2,723	326	91	3,140
Disposals	–	(5,855)	(42)	–	(5,897)
Write-back of accumulated depreciation on disposals	–	5,855	34	–	5,889
Depreciation	(119)	(8,350)	(1,888)	(300)	(10,657)
Exchange adjustments	–	–	37	–	37
As at 31 December 2009	**72**	**9,340**	**4,483**	**351**	**14,246**
Representing:					
Cost	2,216	59,798	25,543	1,400	88,957
Accumulated depreciation	(2,025)	(44,831)	(19,527)	(840)	(67,223)
As at 1 January 2009	191	14,967	6,016	560	21,734
Cost	2,216	56,897	26,299	1,491	86,903
Accumulated depreciation	(2,144)	(47,557)	(21,816)	(1,140)	(72,657)
As at 31 December 2009	**72**	**9,340**	**4,483**	**351**	**14,246**

The carrying amount of the Group's property, plant and equipment as at 31 December 2009 includes an amount of HK$546,000 *(2008: HK$700,000)* in respect of assets held under finance leases.

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

	Company			
	Leasehold improvements	**Office equipment, furniture and fittings**	**Motor vehicle**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2008	445	2,452	840	3,737
Additions	–	51	–	51
Disposals	–	(52)	–	(52)
Write-back of accumulated depreciation on disposals	–	52	–	52
Depreciation	(445)	(179)	(280)	(904)
As at 31 December 2008	–	2,324	560	2,884
As at 1 January 2009	–	2,324	560	2,884
Additions	–	8	–	8
Disposals	–	(22)	–	(22)
Write-back of accumulated depreciation on disposals	–	15	–	15
Depreciation	–	(137)	(280)	(417)
As at 31 December 2009	**–**	**2,188**	**280**	**2,468**
Representing:				
Cost	1,631	3,239	1,400	6,270
Accumulated depreciation	(1,631)	(915)	(840)	(3,386)
As at 1 January 2009	–	2,324	560	2,884
Cost	1,631	3,225	1,400	6,256
Accumulated depreciation	(1,631)	(1,037)	(1,120)	(3,788)
As at 31 December 2009	**–**	**2,188**	**280**	**2,468**

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

12. INTANGIBLE ASSETS

	Group		
	Development costs	**Customer contracts**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
As at 1 January 2008	3,597	37,907	41,504
Amortisation	–	(10,701)	(10,701)
Impairment losses	(3,597)	(27,206)	(30,803)
As at 31 December 2008	–	–	–
As at 1 January 2009 and **31 December 2009**	–	–	–
Representing:			
Costs	3,597	52,933	56,530
Accumulated amortisation and impairment losses	(3,597)	(52,933)	(56,530)
As at 31 December 2008 and 2009	–	–	–

As a result of the significant economic downturn in the fourth quarter of 2008, management considered that impairment losses on the intangible assets had occurred and that full impairment was recognised in that year.

13. GOODWILL

	Group	
	2009	2008
	HK$'000	*HK$'000*
Additions	**3,237**	–
Impairment loss	**(3,237)**	–
As at 31 December	–	–
Representing:		
Cost	**3,237**	–
Accumulated impairment losses	**(3,237)**	–
As at 31 December	–	–

Goodwill arose from the acquisition of a 5% additional interest in the share capital of a subsidiary during the year. As a result of the acquisition, the subsidiary became wholly-owned by the Company. At the end of the reporting period, the Group assessed the recoverable value of the goodwill and, after considering the value of the sole asset of the subsidiary as being fully impaired, determined that the goodwill was also impaired. The impairment loss recognised on goodwill has been included in other operating expenses in the consolidated income statement.

14. INTERESTS IN SUBSIDIARIES

	Company	
	2009	2008
	HK$'000	*HK$'000*
Unlisted shares, at cost	–	–
Due from subsidiaries	**583,617**	601,516
Less: Provisions	**(492,922)**	(499,922)
	90,695	101,594

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for an amount of HK$42,900,000 *(2008: HK$57,948,000)* which bears interest at 5.5% per annum, is unsecured and is repayable on 23 April 2010. The carrying values of the amounts due approximate their fair values.

Details of the principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	**Place of incorporation / 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 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

14. INTERESTS IN SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation / operation	Particulars of issued share capital	Effective ownership interest held by the Company		Principal activities
			Directly	*Indirectly*	
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
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 (i) & (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.

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables	**85,226**	96,654	**–**	–
Allowance for doubtful debts	**(8,089)**	(5,198)	**–**	–
	77,137	91,456	**–**	–
Other receivables				
Deposits, prepayments and other debtors	**11,023**	10,640	**1,858**	1,976
	88,160	102,096	**1,858**	1,976

15. TRADE AND OTHER RECEIVABLES *(continued)*

Other receivables include a HK$2,000,000 loan receivable which bears interest at 3% per annum, is secured and repayable on 31 December 2009. Such loan was granted subject to a personal guarantee given by a director of the borrower and all advances made by that director in favour of the borrower subordinated to the Group. The carrying value of the amount due approximates its fair value. Subsequent to the end of the reporting period, at the request of borrower, the loan receivable was extended to 31 May 2010 with no changes in other terms.

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:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Less than 1 month	**66,489**	77,828
1 to 3 months	**8,177**	12,814
More than 3 months but less than 12 months	**2,471**	814
	77,137	91,456

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

The movements in allowance for doubtful debts are as follows:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
As at 1 January	**5,198**	4,570	**–**	–
Increase in allowance	**4,569**	2,331	**–**	–
Amounts written off as uncollectible	**(1,712)**	(1,699)	**–**	–
Exchange adjustments	**34**	(4)	**–**	–
As at 31 December	**8,089**	5,198	**–**	–

15. TRADE AND OTHER RECEIVABLES *(continued)*

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
1 to 3 months past due	**9,903**	14,343
More than 3 months but less than 12 months past due	**2,425**	1,110
Amounts past due	**12,328**	15,453
Neither past due nor impaired	**64,809**	76,003
	77,137	91,456

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 have been no histories of defaults.

16. PLEDGED BANK DEPOSITS

At the end of the reporting period, the Group and the Company had pledged bank deposits amounting to HK$2,211,000 *(2008: HK$2,155,000)* and HK$914,000 *(2008: HK$914,000)*, respectively, to banks for guarantees made by them to certain telecommunication carriers for due payments by the Group.

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables	**53,377**	55,481	**–**	–
Other payables				
Accrued charges and other creditors	**59,353**	61,757	**1,124**	1,143
Due to subsidiaries	**–**	–	**8,581**	14,530
	112,730	117,238	**9,705**	15,673

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

17. TRADE AND OTHER PAYABLES *(continued)*

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
Less than 1 month	**37,586**	53,128
1 to 3 months	**15,140**	1,254
More than 3 months but less than 12 months	**651**	1,099
	53,377	55,481

18. OBLIGATIONS UNDER FINANCE LEASES

The obligations under finance leases are repayable as follows:

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Finance leases due:				
Within one year	**193**	193	**142**	129
After one year but within two years	**193**	193	**157**	142
After two years but within five years	**322**	515	**296**	453
	708	901	**595**	724
Future finance charges	**(113)**	(177)	**–**	–
Present value of lease obligations	**595**	724	**595**	724

	Group	
	2009	2008
	HK$'000	*HK$'000*
Reported as:		
Current liabilities	**142**	129
Non-current liabilities	**453**	595
	595	724

The finance lease payments are repayable in 60 instalments, mature in August 2013 and bear interest at 9.6% *(2008: 9.6%)* per annum. The carrying values of the finance leases approximate their fair values.

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

19. SHARE CAPITAL

	2009		2008	
	Number of shares	**Amount**	*Number of shares*	Amount
		HK$'000		*HK$'000*
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:				
522,894,200 ordinary shares of HK$0.01 each	**522,894,200**	**5,229**	522,894,200	5,229

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. All outstanding share options expired on 24 October 2009.

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.

(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 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.

20. SHARE OPTIONS *(continued)*

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. On 19 May 2009, shareholders of the Company approved a refreshment of the limit within which the total number of shares may be issued upon exercise of all options granted and to be granted under the share option schemes of the Company. As at 31 December 2009, there were no outstanding share options under the share option scheme adopted by the Company.

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 months 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

20. SHARE OPTIONS *(continued)*

Summary of principal terms *(continued)*

(iv) Basis of determining the subscription price

Company share option scheme

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.

Details of the share options granted and remaining outstanding at the end of the reporting period were as follows:

			Number of share options				
Date of grant	Exercisable period	Exercise price	As at 1 January 2008	Lapsed during 2008	As at 31 December 2008	Lapsed during 2009	As at 31 December 2009
		HK$					
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)	–

All outstanding share options expired on 24 October 2009.

21. RESERVES

	Attributable to equity holders of the Company							
	Share premium	Exchange reserve	Capital redemption reserve	Contributed surplus	Accumulated profits	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Group								
As at 1 January 2008	68,341	1,067	6	83,489	65,353	218,256	1,005	219,261
Total comprehensive loss for the year	–	(336)	–	–	(43,458)	(43,794)	(275)	(44,069)
As at 31 December 2008	68,341	731	6	83,489	21,895	174,462	730	175,192
Total comprehensive income / (loss) for the year	–	1,597	–	–	19,034	20,631	(67)	20,564
Arising from acquisition of additional interest in a subsidiary	–	–	–	–	–	–	(663)	(663)
As at 31 December 2009	**68,341**	**2,328**	**6**	**83,489**	**40,929**	**195,093**	**–**	**195,093**
Company								
As at 1 January 2008	68,341	–	6	83,489	20,479	172,315	–	172,315
Total comprehensive income for the year	–	–	–	–	3,571	3,571	–	3,571
As at 31 December 2008	68,341	–	6	83,489	24,050	175,886	–	175,886
Total comprehensive income for the year	–	–	–	–	3,804	3,804	–	3,804
As at 31 December 2009	**68,341**	**–**	**6**	**83,489**	**27,854**	**179,690**	**–**	**179,690**

The following provides a description of the nature and purpose of each reserve within equity:

Share premium

The application of share premium is governed by the Companies Act 1981 of Bermuda (as amended).

Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

21. RESERVES *(continued)*

Contributed surplus

Contributed surplus represents the amounts transferred from the share premium account as a result of a 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.

Subject to the conditions mentioned in the foregoing paragraph, the Company had the following reserves available for distribution to shareholders at the end of the reporting period:

	2009	2008
	HK$'000	*HK$'000*
Contributed surplus	**83,489**	83,489
Accumulated profits	**27,854**	24,050
	111,343	107,539

22. CASH GENERATED FROM OPERATIONS

	Group	
	2009	2008
	HK$'000	*HK$'000*
Profit / (Loss) before taxation	**11,606**	(29,460)
Interest income	**(295)**	(1,879)
Interest expenses	**46**	634
Interest on obligations under finance leases	**64**	33
Depreciation	**10,657**	10,525
Amortisation of intangible assets	**–**	10,701
Impairment losses on intangible assets	**–**	30,803
Impairment loss on goodwill	**3,237**	–
Exchange differences	**863**	(471)
Gain on disposal of property, plant and equipment	**(11)**	(135)
Allowance for doubtful debts	**4,569**	2,331
Changes in working capital:		
Trade and other receivables	**9,629**	(12,818)
Trade and other payables	**(4,757)**	12,283
Cash generated from operations	**35,608**	22,547

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 the Group operations. The Group has various other financial instruments such as trade receivables and trade payables which arise directly from its business activities.

Exposures 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

Most of the transactions are denominated in the functional currency of each of the Group's entities and 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.

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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

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

Liquidity risk

Individual operating units within the Group are responsible for their own cash management. To minimise 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 end of the reporting period based on contractual undiscounted payments are summarised below.

	2009				
	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	–	59	134	515	708
Trade and other payables	8,282	103,405	1,043	–	112,730
	8,282	**103,464**	**1,177**	**515**	**113,438**

	2008				
	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	–	2,829	1,686	708	5,223
Trade and other payables	10,402	105,788	1,048	–	117,238
	10,402	108,617	2,734	708	122,461

Fair value

The carrying values of all financial instruments approximate their fair values as at 31 December 2009 and 2008.

24. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard its 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 in managing capital during the years ended 31 December 2009 and 2008.

The Group aims at maintaining a net surplus position and monitors capital on the basis of its net debt-to-equity ratio, which is net debt divided by total equity at the end of the reporting period, as follows:

	2009	2008
	HK$'000	*HK$'000*
Interest-bearing borrowings	**(595)**	(4,974)
Trade and other payables	**(112,730)**	(117,238)
Taxation payable	**(2,956)**	(3,848)
Less: Cash and bank balances	**197,426**	177,173
Net surplus	**81,145**	51,113
Total equity	**200,322**	180,421
Net debt-to-equity ratio	**N / A**	N / A

25. COMMITMENTS

Commitments under operating leases

At the end of the reporting period, the total future minimum lease payments in respect of land and buildings under non-cancellable operating leases are payable as follows:

	Group		**Company**	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**9,263**	11,515	**4,555**	4,555
In the second to fifth years inclusive	**4,353**	12,399	**2,955**	7,510
	13,616	23,914	**7,510**	12,065

Operating lease payments mainly represent rentals payable for certain office premises and directors' quarters. Leases are negotiated for and rentals are fixed for an average of 2 to 3 years.

Billing contract

The Group has a contract with a billing company through 30 September 2011 that requires a minimum monthly processing fee of HK$893,000. At the option of the Group, the contract can be terminated any time after 30 September 2010, upon 90 days notice.

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

26. DEFERRED TAX

The movements for the year in the Group's recognised deferred tax assets and liabilities were as follows:

	Group		
	Tax losses	**Depreciation allowances**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
As at 1 January 2008	13,503	(382)	13,121
Income statement charges	(9,709)	(89)	(9,798)
As at 31 December 2008	3,794	(471)	3,323
Income statement credit	11,057	193	11,250
Exchange adjustments	–	(13)	(13)
As at 31 December 2009	**14,851**	**(291)**	**14,560**

The analysis of recognised deferred tax assets and liabilities, determined after appropriate offsetting, were as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Deferred tax assets to be recovered:		
Within 12 months	**14,805**	3,690
Deferred tax liabilities to be settled:		
Within 12 months	**(185)**	(173)
After 12 months	**(60)**	(194)
	(245)	(367)
As at 31 December	**14,560**	3,323

26. DEFERRED TAX *(continued)*

Unrecognised deferred tax assets

	Group	
	2009	2008
	HK$'000	*HK$'000*
Tax losses	**104,888**	112,318
Deductible temporary differences	**7,071**	21,038
As at 31 December	**111,959**	133,356

The unrecognised tax losses of HK$402,716,000 *(2008: HK$428,995,000)* and deductible temporary differences of HK$30,192,000 *(2008: HK$63,641,000)* have no expiry dates under current tax legislation, except for tax losses of HK$219,656,000 *(2008: HK$237,338,000)* 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

The Group's management determines the operating segments for the purposes 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.

Analysis of the Group's segmental information by business and geographical segments during the year are set out below.

(a) By business segments

Year ended 31 December 2009

	Tele-communication services	**Others**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
Turnover			
External sales	797,014	838	797,852
Results			
Segment results	36,672	28	36,700
Impairment loss on goodwill arising from acquisition of additional interest in a subsidiary	(3,237)	–	(3,237)
	33,435	28	33,463
Finance costs			(110)
Other operating income and expenses			(21,747)
Profit before taxation			11,606

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

27. SEGMENTAL INFORMATION *(continued)*

(a) By business segments *(continued)*

Year ended 31 December 2009

	Tele-communication services HK$'000	Others HK$'000	Consolidated HK$'000
Assets			
– Reportable segments	212,416	417	212,833
– Unallocated assets			104,015
			316,848
Liabilities			
– Reportable segments	(114,922)	(481)	(115,403)
– Unallocated liabilities			(1,123)
			(116,526)
Other information			
Capital expenditures			
– Reportable segments	3,132	–	3,132
– Unallocated assets			8
			3,140
Interest income			
– Reportable segments	166	–	166
– Unallocated income			129
			295
Depreciation			
– Reportable segments	(10,232)	(8)	(10,240)
– Unallocated expenses			(417)
			(10,657)

27. SEGMENTAL INFORMATION *(continued)*

(a) By business segments *(continued)*

Year ended 31 December 2009

	Tele-communication services *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Non-cash items other than depreciation			
– Reportable segments*	(4,569)	–	(4,569)
Finance costs			
– Reportable segments	(110)	–	(110)

* *excludes impairment losses on acquisition of additional interest in a subsidiary as disclosed above.*

Year ended 31 December 2008

	Tele-communication services *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Turnover				
External sales	786,462	535	–	786,997
Inter-segment sales	–	40	(40)	–
	786,462	575	(40)	786,997
Results				
Segment results	21,744	2	–	21,746
Impairment losses on intangible assets	(30,803)	–	–	(30,803)
	(9,059)	2	–	(9,057)
Finance costs				(667)
Other operating income and expenses				(19,736)
Loss before taxation				(29,460)

Inter-segment sales are charged at prevailing market prices.

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

27. SEGMENTAL INFORMATION *(continued)*

(a) By business segments *(continued)*

Year ended 31 December 2008

	Tele-communication services *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Assets				
– Reportable segments	211,316	292	(40)	211,568
– Unallocated assets				95,280
				306,848
Liabilities				
– Reportable segments	(124,955)	(369)	40	(125,284)
– Unallocated liabilities				(1,143)
				(126,427)
Other information				
Capital expenditures				
– Reportable segments	13,641	–	–	13,641
– Unallocated assets				51
				13,692
Interest income				
– Reportable segments	786	–	–	786
– Unallocated income				1,093
				1,879
Depreciation and amortisation				
– Reportable segments	(20,314)	(8)	–	(20,322)
– Unallocated expenses				(904)
				(21,226)

27. SEGMENTAL INFORMATION *(continued)*

(a) By business segments *(continued)*

Year ended 31 December 2008

	Tele-communication services *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Non-cash items other than depreciation and amortisation				
– Reportable segments*	(2,331)	–	–	(2,331)
Finance costs				
– Reportable segments	(667)	–	–	(667)

* *excludes impairment losses on intangible assets as disclosed above.*

(b) By geographical segments

Analysis of geographical segments are based on the geographical location of customers, or the location of assets, as appropriate.

	Year ended 31 December			
	Turnover from external sales		Property, plant and equipment	
	2009 ***HK$'000***	2008 *HK$'000*	**2009** ***HK$'000***	2008 *HK$'000*
North America	**717,720**	692,249	**9,236**	14,565
Asia Pacific	**80,132**	94,748	**5,010**	7,169
	797,852	786,997	**14,246**	21,734

Summary of Results, Assets and Liabilities of the Group

	Results of the Group for the five years ended 31 December				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**797,852**	786,997	795,252	702,810	422,590
Profit / (Loss) before taxation	**11,606**	(29,460)	46,614	44,631	38,532
Taxation credit / (charges)	**7,361**	(14,273)	(2,394)	(3,999)	8,544
Profit / (Loss) for the year	**18,967**	(43,733)	44,220	40,632	47,076
	HK cents	*HK cents*	*HK cents*	*HK cents*	*HK cents*
Earnings / (Loss) per share					
Basic	**3.6**	(8.3)	8.6	8.6	10.0
Diluted	**3.6**	N / A	N / A	N / A	N / A

	Assets and liabilities of the Group as at 31 December				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	**29,051**	25,424	73,937	79,642	23,025
Current assets	**287,797**	281,424	275,388	188,539	128,358
Total assets	**316,848**	306,848	349,325	268,181	151,383
Non-current liabilities	**698**	962	4,976	22,996	618
Current liabilities	**115,828**	125,465	119,859	113,068	59,693
Total liabilities	**116,526**	126,427	124,835	136,064	60,311
Net assets	**200,322**	180,421	224,490	132,117	91,072

Shareholder Information

Annual General Meeting

The 2010 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, 20 May 2010 at 11:00 a.m. A notice of the Annual General Meeting is published on both the websites of Hong Kong Exchanges and Clearing Limited and the Company on 14 April 2010, and a copy thereof is printed on the circular to the shareholders of the Company (the "Shareholders") dated 14 April 2010 and despatched to the Shareholders and other recipients together with this 2009 Annual Report.

Shareholder Enquiries

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

Share Registrar in Bermuda	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

Any enquiries relating to your holding of the Company's American Depositary Receipts ("ADR") 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:	investor@e-kong.net

American Depositary Receipt Programme

In May 2003, the Company launched its Level 1 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 2009 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 2009 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（地址為香港灣仔皇后大道東28號金鐘匯中心26樓）索取此二零零九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 2009 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 Hong Kong Exchanges and Clearing 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 the Company or 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 by mail or by email to *ekong524-ecom@hk.tricorglobal.com*, a copy of which is printed at the end of this 2009 Annual Report and is available on the Company's website (*www.e-kong.com*).

$50 Credit

Join Us in Green Efforts

Shareholders are encouraged to choose to receive corporate communications electronically, which will help reduce paper consumption and save printing and mail costs for the Company. As a token of appreciation of Shareholders' support, Shareholders who complete, sign and return the instruction slip to the Company or its Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, on or before 30 June 2010, opting for receiving corporate communications by electronic means, will each be entitled to HK$50 credit for IDD calls made with ZONE Hong Kong *(www.zone1511.com)*. An email confirmation will be sent by ZONE Hong Kong to every entitled Shareholder's email address registered for receipt of the corporate communications through electronic means on or about 31 July 2010.

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 completing, signing and returning this instruction slip to the Company or Tricor Secretaries Limited, the Company's branch share registrar in Hong Kong, by mail or by email to *ekong524-ecom@hk.tricorglobal.com*.

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

關於將來收取公司通訊之
指示回條

致： **e-Kong Group Limited**（「本公司」）
由卓佳秘書商務有限公司轉交
香港
灣仔皇后大道東28號
金鐘匯中心26樓

請只在指示回條中一個方格內劃上✓號

1. 印刷形式

(a) *完整財務報告及其他公司通訊（英文、中文或中英文）*
於將來，
- ❒ 本人／吾等願意僅收取完整財務報告及其他的公司通訊之英文印刷版本；或
- ❒ 本人／吾等願意僅收取完整財務報告及其他的公司通訊之中文印刷版本；或
- ❒ 本人／吾等願意收取完整財務報告及其他的公司通訊之中英文印刷版本。

(b) *財務摘要報告及其他公司通訊（英文、中文或中英文）*
於將來，
- ❒ 本人／吾等願意僅收取財務摘要報告（如有）及其他的公司通訊之英文印刷版本；或
- ❒ 本人／吾等願意僅收取財務摘要報告（如有）及其他的公司通訊之中文印刷版本；或
- ❒ 本人／吾等願意收取財務摘要報告（如有）及其他的公司通訊之中英文印刷版本。

2. 電子形式

❒ 於將來，本人／吾等願意以電子形式收取公司通訊以代替上文1(a)及(b)段所述之任何或所有印刷文本：

本人／吾等之電郵地址：____________________

（通知發佈公司通訊適用）

❒ 本人／吾等願意更改本人／吾等之電郵地址如下：
本人／吾等之新電郵地址：____________________

（通知發佈公司通訊適用）

生效日期：____________________

簽署：____________________ 日期：____________________

股東姓名：____________________

地址：____________________

聯絡電話號碼：____________________

附註：

1. 上述指示適用於將來寄發予本公司股東（「股東」）之所有公司通訊，直至　閣下於合理時間以書面通知本公司另作選擇為止。
2. 將來所有公司通訊之中英文版本均在本公司或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可供索閱。
3. 股東有權於任何時間填妥及簽署本指示回條並以郵寄方式或電郵至*ekong524-ecom@hk.tricorglobal.com*，將其交回本公司或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，要求更改收取公司通訊之語言版本及形式。
4. 本指示回條之電子格式檔於本公司網頁登載。

e-KONG Group Limited

3705 Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong
Tel: +852 2801 7188
Fax: +852 2801 7238
Web: www.e-kong.com