e-KONG Group Limited

Annual Report 2010

Stock Code: 524

We are together

e-KONG

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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

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

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

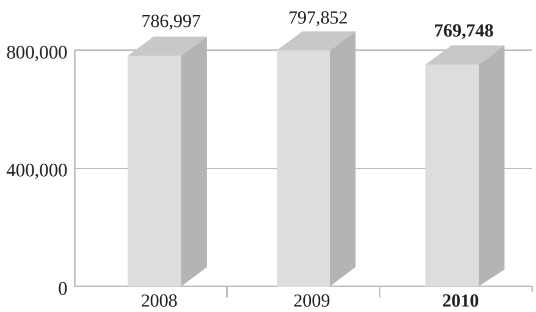
ADR Depositary

The Bank of New York Mellon
BNY Mellon Shareowner Services
P.O. Box 358516
Pittsburgh, PA15252-8516
USA

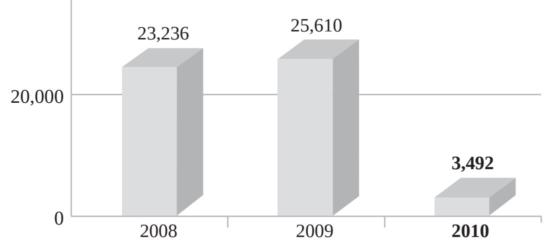
Financial Highlights

	2010 *HK$'000*	2009 *HK$'000*	% change
Turnover	**769,748**	797,852	–4%
EBITDA	**3,492**	25,610	–86%
Net Assets	**212,020**	200,322	+6%
Cash and Bank Balances	**174,502**	197,426	–12%

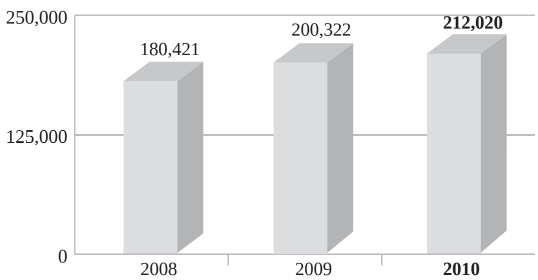
Turnover
(HK$'000)



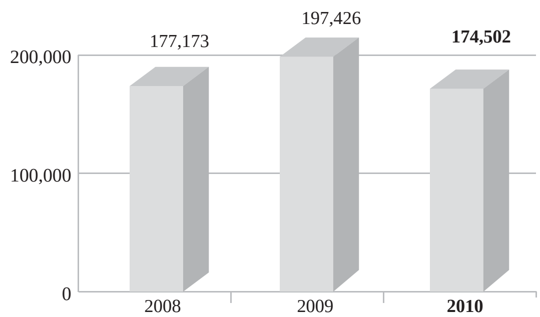
EBITDA
(HK$'000)



Net Assets
(HK$'000)



Cash and Bank Balances
(HK$'000)



e-KONG Group currently has a portfolio of business interests in the telecommunications and information technology sector in the United States, China, Hong Kong and Singapore and is actively pursuing other opportunities that are complementary to its existing operations or have high growth potential, ability to generate healthy cashflow and capabilities to produce superior return on capital. 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).

Chairman's Statement

I am pleased to report on e-KONG's past performance and future prospects in this year of transformation. In 2010, our operating companies embarked upon a number of initiatives to improve operating performance of their core businesses through a combination of organic growth, business diversification and M&A activities. At the same time, we continue to extend our business and investment portfolio into areas that offer high growth potential, healthy cashflow and superior returns on capital.

The rapid growth of the telecommunications industry in the last few years, fuelled mainly by the explosive proliferation of mobile Internet devices such as smartphones and tablets, is forcing major changes in the way which telecom operators and service providers manage their businesses. Telecom operators, having to balance their commitment to capital and operating expenditure against the pressure on margin from intense competition, are looking into various options to improve operational efficiencies and profitability. For example, telecom operators are seeking outsourcing opportunities to reduce recurring opex, and network infrastructure sharing arrangements to optimise capital investment without compromising service quality. Operators are also actively pursuing alternative means to enhance their revenue and profitability by shifting their focus further up the value chain past their switches and networks into content, commerce and social networking applications and services. We are well-prepared for these changes in the macro environment and strategically positioning ourselves to capitalise on the opportunities that may arise from these latest trends and developments in the telecommunications industry.

In 2010, our ZONE business in the US achieved operational profitability, but to remain competitive, they need to reach a larger size to improve operational efficiency and to realise economies of scale. In September 2010, ZONE Telecom, Inc. entered into an agreement to merge with another telecom service provider of comparable size named Associated Network Partners, Inc. (ANPI) to establish a 50:50 joint venture. ZONE Telecom and ANPI had a combined revenue of about HK$1.4 billion in 2009 and ANPI was, on a stand-alone basis, independently valued at approximately HK$245.4 million. The joint venture entity, having a stronger management team, a larger customer base and a national switching network, will be better-positioned to capture a larger share of the national market in the US.

Similarly, in Asia, the massive growth in demand for broadband data traffic is driving telecom operators to expand their mobile and fibre backbone networks within a short timeframe. This need to build infrastructure is exemplified, in Hong Kong, by the requirement of the Broadband Wireless Access (BWA) licensees to roll out their 4G networks this year. ZONE Hong Kong seized on this opportunity and recently secured a distributorship arrangement with a large global multi-industry technology company that offer, among others, top-of-the-class products, services and integrated network solutions to telecom operators. The Group is expected to further expand into this lucrative sector of servicing telecom operators, both in Hong Kong and elsewhere in Asia, as those operators continue to invest in their networks and outsource or share their non-core operations and assets.

In the last quarter of 2010, the Group revamped its insurance distribution platform to focus on bringing insurance, through both online and offline channels, to large networks of consumers such as those with mobile operators, retail outlet chains, social networking sites and other websites that facilitate distribution of products and services to the mass market. We believe that Relevant Marketing Group (RMI), the re-branded entity that holds the Group's insurance-related assets, is well-placed to capture growth opportunities in this sector as the solution provider and transaction partner for mass marketing of insurance products in Asia. Building on the experience from RMI, the Group will continue to explore other opportunities involving delivery of contents and services to customers over the ubiquitous broadband access facilitated by both mobile and landline telecom operators.

Looking ahead, while the Group continues to grow its existing businesses, it will pursue appropriate investment opportunities that can enhance our position to engage in and benefit from some of the recent developments shaping the telecommunications industry. The Group will actively leverage on its management skills, network of relationships, corporate and financial capabilities to expand into servicing telecom operators in Asia, in particular those opportunities arising from operators' need to keep up with customers' demand for mobile broadband connectivity.

I would also like to take this opportunity to thank all fellow directors and employees for their invaluable efforts and hard work, dedication and commitment to the Group and to thank all our customers, shareholders, business associates and professional advisers for their continuous support.

Richard John Siemens
Chairman

29 March 2011

Business Review

Overall Performance

During the year under review, the Group continued to broaden its revenue and product mix while implementing various proactive measures to mitigate those challenges imposed by the changing landscape in the telecom industry. ZONE US continues to fine-tune its cost, resource and organisational structure in order to overcome the ongoing challenges of margin compression, rising costs and changing customer demands. At the same time, the Group successfully concluded a merger agreement between ZONE US and Associated Network Partners, Inc. ("ANPI"), another US telecom service provider of similar size, whereby ZONE US and ANPI will each inject their entire businesses and operations into a newly-established 50:50 joint venture entity to be called ANZ Communications LLC ("ANZ"). Further details of ANPI, ANZ and the transaction were set forth in the circular of the Company to its shareholders ("Shareholders") dated 17 November 2010, and at the extraordinary general meeting of the Company held on 9 December 2010, all Shareholders attending the meeting unanimously approved the transaction. This transaction brings together two businesses with, by way of example, a combined 2009 annual turnover of approximately HK$1.4 billion, which will place ANZ in a strong position to combat industry challenges ahead, and to capture and realise the opportunities presented, in particular, in the rural telecom market in the United States.

The Group's turnover decreased by 3.5% year-on-year to HK$769.7 million for 2010 when compared to HK$797.9 million in 2009. The gross margin also decreased from 23.1% for 2009 to 21.5%, but operating expenses, including all material expenses incurred on the merger transaction described below, were only marginally increased as a result of further improvements in operating efficiencies. Profit attributable to equity holders of the Company decreased to HK$10.1 million for the year as compared with HK$19.0 million in the previous corresponding year. The Group's operating results were also negatively affected by certain non-recurring expenses and one-off transactional payments attributable to the merger transaction as referred to later in this report. The Group's financial position as at year-end 2010, nevertheless, continued to strengthen with its net asset value increasing from HK$200.3 million as at 31 December 2009 to HK$212.0 million as at the end of 2010 of which cash and bank balances were maintained at a healthy level of HK$174.5 million.

US Operations

In 2010, ZONE US experienced declines in the revenue and margin contributions from Independent Local Exchange Carriers (ILECs) and enterprise sectors while revenue growth from the wholesale sector continued to have strong growth. ZONE US achieved turnover of HK$694.0 million which was, on a net basis, 3.3% lower than that recorded in the previous year. To remain competitive, ZONE US continues to implement various short to medium term measures to compensate for the revenue and margin compressions caused by the cumulative impact of short call duration penalties, rate increases by carriers, and migration by ILECs from switched to lower margined dedicated products.

With the ongoing industry turmoil and economic uncertainties over the last few years, an increasing number of telecom industry players in the US are resorting to M&As and consolidation activities as an effective tool in their battle to maintain margins and market share. ZONE US also made considerable progress to ensure long term business sustainability, culminating with entering into the merger agreement between ZONE US and ANPI which currently serves over 400 ILEC customers in the US. Joining forces with ZONE US, which serves over 250 ILECs and other enterprise and wholesale customers, the transaction positions the merged entity to be the logical distributor for all telecom and data products sold in the ILEC sector. The transaction also increases the network reach and improves the proximity for enterprise and wholesale customers to switch networks, allowing greater flexibility in routing customers to switching centres to gain higher margins. This robust combined network with nationwide multiple switch locations will also promote more competitive pricing to gain new customers. The newly created venture will differentiate itself from its competitors in the United States by its financial strength, nationwide network and leveraged buying power.

In the last quarter of 2010, detailed strategic planning was jointly conducted by ZONE US and

ANPI executives on synergistic integration processes to be implemented in 2011 which are expected to further improve cost efficiencies in operating expenses, enable network maximisation, provide for lower cost routing integration and accelerate off-net to on-net migration, the aggregate effects of which are anticipated to deliver significant margin improvement during 2011, thereby enabling the Group to directly enjoy the economic benefits of the merger from recurring dividends receivable in accordance with the merger agreement.

Asia Operations

ZONE Asia posted total turnover of HK$74.9 million as compared to HK$79.3 million for 2009. The year-on-year revenue decline has begun to stabilise as ZONE Asia increasingly derives its revenue growth from non-IDD sectors. As ZONE Asia enhances its technical capabilities and widens its network reach, it has intensified its business development initiatives to capture some of the upstream opportunities in the value chain, including providing specialised products and tailor-made services to large corporations and telecommunications operators.

During the year under review, ZONE Hong Kong continued to grow its revenue from delivering IP-based telecom solutions to corporate customers having multiple establishments and was also successful in securing a number of such projects in Hong Kong and Macau. ZONE further widened its business scope and product offerings by forming commercial and strategic relationships with a number of well known equipment suppliers including DELL and Lenovo for computer and server hardware and Juniper Networks for network equipment.

ZONE Hong Kong broadened its revenue base further by progressively expanding its product offerings to serve telecom service providers. For example, ZONE recently repackaged its VoIP service, previously sold to end-user customers, as “ZONE SIP (Session Initiation Protocol) Trunk” bundled with Hong Kong DID (Direct Inward Dialling) and China toll-free numbers and is actively promoting such product via various online marketing channels targeted at global teleconferencing service providers. Also, a major global telecommunications operator which has had a long-standing relationship with the Group recently awarded ZONE an outsourcing contract to service its entire customer portfolio in Hong Kong by utilising ZONE’s telecommunications and switching platform.

In Singapore, ZONE maintained its strong presence in the already mature local IDD market. Through competitive pricing, innovation and creative service offerings, ZONE retained its large user base while continuing to acquire new customers. Additionally, it has also introduced new service features as well as customised solutions for its corporate users to gain a competitive edge. All these value-added offerings are aimed at retention, acquisition and driving usage.

ZONE Singapore remained focussed in its strategy to expand its business beyond voice-centric offerings. It has upgraded its switch infrastructure to ensure flexible integration with its impending data network to offer a full suite of telecom solutions. It is also establishing new processes and reviewing its human resources plans to facilitate its entry into the data and broadband arena which is expected in the second half of 2011 when the Singapore’s Next Generation National Broadband Network (NGNBN) completes the first phase of its island network coverage.

Outlook

Looking ahead, in the United States, the Group’s key focus will be to complete the merger transaction and ensure the smooth integration of the ZONE US and ANPI businesses and operations so that synergistic benefits arising from this merger will be fully realised, while the Group, on some occasions jointly with ANZ, will continue to pursue other M&A and business opportunities that can deliver additional economies of scale and expand its influence across different sectors of the market. In Asia, the Group will continue its efforts to broaden ZONE’s revenue base and product mix to deliver sustainable growth, by being less reliant on the commodity-type IDD business, further penetrating the data and project-based sectors and capitalising on other opportunities to provide products and services to telecommunications companies and service providers.

Financial Review

Turnover

For the year ended 31 December 2010, the Group registered turnover of HK$769.7 million representing a slight drop of HK$28.1 million, or 3.5%, as compared to HK$797.9 million for 2009. Among the different segments of the business, ZONE US recorded a 3.3% decrease in turnover from HK$717.7 million in 2009 to HK$694.0 million in 2010, while turnover from ZONE Asia, comprising the Group's telecommunication businesses in China, Hong Kong and Singapore, was HK$74.9 million for 2010 as compared to HK$79.3 million for 2009.

Total Operating Expenses

The Group's cost saving initiatives proved to be effective. Its total operating expenses for 2010, which include one-off expenditure incurred on or attributable to the ZONE-ANPI merger in the amount of approximately HK$9.3 million, only slightly increased to HK$173.4 million when compared to HK$173.0 million in 2009. The Group continued to fine-tune cost efficiencies for different sales activities which resulted in a decrease in selling and distribution expenses from HK$42.6 million in 2009 to HK$41.1 million in 2010.

Results

As a result of the decline in turnover and margin contribution, as well as the one-off expenditure of approximately HK$9.3 million referred to in the above paragraph, the Group recorded a loss from operations for the year of HK$7.2 million when compared to a profit of HK$11.7 million for the previous year. The net profit attributable to equity holders of the Company amounted to HK$10.1 million as compared to HK$19.0 million for the previous year.

Similarly, EBITDA for the Group decreased from HK$25.6 million for 2009 to HK$3.5 million in 2010.

The 2010 financial results do not take into account any anticipated accounting gain on disposal of ZONE US which will arise from the de-consolidation of ZONE US from the Group, since the merger transaction was not completed by the 2010 year end. As stated in the Company's circular dated 17 November 2010, if the merger transaction had been completed on 31 December 2009, such accounting gain would have amounted to approximately HK$81.0 million.

It is now anticipated that the merger transaction will be completed by the end of March 2011. A separate announcement will be issued shortly after the merger transaction is completed.

Capital Structure, Liquidity and Financing

During the year, the Group continued to have a healthy liquidity position and as at 31 December 2010, the net assets of the Group increased to HK$212.0 million when compared to HK$200.3 million as at 31 December 2009 and, accordingly, the net assets per share increased from HK$0.383 as at 31 December 2009 to HK$0.405 as at year end of 2010.

Cash and bank balances (excluding pledged bank deposits) reduced from HK$197.4 million at the end of 2009 to HK$174.5 million as at 31 December 2010. In addition, as at 31 December 2010, the Group maintained pledged bank deposits of HK$2.3 million, compared to HK$2.2 million as at 31 December 2009, to banks for guarantees made to suppliers.

There were no outstanding bank borrowings as at 31 December 2010 (2009: Nil).

The Group's liabilities under equipment lease financing decreased by 24.0% to HK$0.5 million as at 31 December 2010 when compared to HK$0.6 million as at 31 December 2009.

The Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets, remained at the low level of 0.2% (2009: 0.3%).

During the year, the Company repurchased 494,200 shares of HK$0.01 each of the Company, at prices ranging from HK$0.495 to HK$0.500 per share, for an aggregate cash consideration of approximately HK$247,000 including transaction costs, on the Stock Exchange. The repurchased shares were cancelled in January 2011 and the issued share capital of the Company was reduced by the par value of the repurchased shares so cancelled.

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 that there are no significant exposures to foreign exchange fluctuations as long as the Hong Kong-United States dollar exchange rate remains pegged. The Group continues to closely monitor the Singapore-United States dollar exchange rate and, if cash contributions from the Singapore operations increase in future and currency exchange markets continue to be volatile, the Group will, whenever appropriate, take any necessary action to reduce such exchange risks. In this regard, as at 31 December 2010, no related hedges had yet been undertaken by the Group.

Contingent Liabilities and Commitments

As at 31 December 2010, there were no material contingent liabilities or commitments.

Board of Directors

Board of Directors

Richard John Siemens, 66, 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, 51, 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, 49, 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 renewable energy 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 Institute for Management Development (IMD) in Switzerland.

Ye Fengping, 47, 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. 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, 56, 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., 68, 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 Entertainment Gaming Asia Inc. (formerly known 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, 71, 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, 40, 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 counsel to a group of companies 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, prior to 2005, established written corporate policies that provide a framework and guidelines for its members so 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 corporate policies of the Company and taken other necessary steps to align with the Listing Rules as well as all code provisions and certain recommended best practices in the Corporate Governance Code. The Board reviews these written corporate 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 businesses 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 2010, 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. John William Crawford J.P., Mr. Gerald Clive Dobby and Mr. Shane Frederick Weir.

Except for the deviations 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 2010, 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, as part of its written corporate 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 also 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 the 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.

Code provision A.1.1 of the Corporate Governance Code stipulates that the Board shall meet at least four times a year at approximately quarterly intervals. During the year, despite there have been numerous ad hoc meetings and discussions among Board members, there were practical difficulties in scheduling a formal Board meeting in the second quarter of the year. In lieu thereof, written resolutions of the Board together with full copies of related documents were circulated to all directors for consideration and approval.

Board meeting

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 three regular meetings and the average attendance rate at the meetings in 2010 was 95% as set out below.

Name of Director	Attendance / Number of Board Meetings in 2010	Attendance Rate
Richard John Siemens *(Chairman)*	3 / 3	100%
Lim Shyang Guey	3 / 3	100%
William Bruce Hicks	2 / 3	67%
Ye Fengping	3 / 3	100%
John William Crawford J.P.	3 / 3	100%
Gerald Clive Dobby	3 / 3	100%
Shane Frederick Weir	3 / 3	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, Mr. Lim Shyang Guey, Mr. William Bruce Hicks and Mr. Gerald Clive Dobby will retire and be eligible for re-election at the forthcoming annual general meeting.

Board committees

The Board has delegated certain powers, authorities and discretion to a number of Board committees consisting of such directors as it deems appropriate. Such committees act in conformity with the guidelines and regulations (where applicable) as provided in the code provisions in the Corporate Governance Code and the written corporate 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 2010, twelve formal meetings were held and the attendance rate at the meetings in 2010 was 100% as set out below.

Name of Director	Attendance / Number of Executive Management Committee Meetings in 2010	Attendance Rate
Richard John Siemens *(Chairman of the Committee)*	12 / 12	100%
Lim Shyang Guey	12 / 12	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 corporate policies of the Company. Such terms of reference and related written corporate 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 2010, 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 / assessed all key 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 2010.

The attendance rate at the meetings in 2010 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 2010**	**Attendance Rate**
John William Crawford J.P. *(Chairman of the Committee)*	2 / 2	100%
Gerald Clive Dobby	2 / 2	100%
Shane Frederick Weir	2 / 2	100%

Corporate Governance Report (continued)

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. John William Crawford J.P. and Mr. Shane Frederick Weir, 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 corporate policies of the Company. Such terms of reference and related written corporate 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 2010**	**Attendance Rate**
Richard John Siemens *(Chairman of the Committee, attended by Mr. Lim Shyang Guey acting as his alternate)*	1 / 1	100%
John William Crawford J.P.	1 / 1	100%
Shane Frederick Weir	1 / 1	100%

Directors' responsibility for the consolidated financial statements

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Group for the year ended 31 December 2010 that give a true and fair view 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 Company is conducting a regular review of material business processes and procedures in ZONE US and ZONE Asia. 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 2010.

Auditors' remuneration

For the year ended 31 December 2010, the remuneration payable to the auditors of the Group amounted to approximately HK$2,331,000, of which HK$1,363,000 related to audit services and HK$968,000 to taxation, merger transaction 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 2010.

Principal activities

The principal activity of the Company is investment holding.

The Group currently has a portfolio of business interests in the telecommunications and information technology sector 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. Contemporaneously, the Group is actively pursuing other opportunities that are complementary to its existing operations or have high growth potential, ability to generate healthy cashflow and capabilities to produce superior return on capital.

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 States, 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), a 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 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 comprehensive suite of 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.

Descriptions of the activities of other principal subsidiaries of the Company are set out in note 15 to the consolidated financial statements.

Segmental information

Analyses of the Group's segmental information by business and geographical segments for the year ended 31 December 2010 are set out in note 29 to the consolidated financial statements.

Results and dividends

The results of the Group for the year ended 31 December 2010 are set out in the consolidated income statement on page 27.

The Board does not recommend payment of a dividend for the year ended 31 December 2010 (2009: 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 72.

Major customers and suppliers

In the year under review, the aggregate turnover attributable to the five largest customers of the Group accounted for approximately 27.7% of total turnover for the year, and sales to the largest customer included therein amounted to approximately 8.8%.

The aggregate purchases attributable to the five largest suppliers accounted for approximately 80.3% of total purchases for the year, and purchases from the largest supplier included therein amounted to approximately 24.2%.

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 interests in any of the five largest customers or 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 12 to the consolidated financial statements.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 24 to the consolidated 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

Independent Non-executive Directors:

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

Report of Directors (continued)

Biographical details of directors of the Company are set out on page 10 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. Lim Shyang Guey, William Bruce Hicks and Gerald Clive Dobby will retire by rotation at the forthcoming annual general meeting and are eligible for re-election.

Directors’ interests in securities

As at 31 December 2010, the interests and short positions 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	125,000,200 *(Note 1)*	23.9%
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	3,750,000	0.7%
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. *25,000,000 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 2010.

Save as disclosed above, as at 31 December 2010, none of the directors or the chief executive of the Company (including their spouses and children under the age of 18) had any interests or short positions 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 scheme that is adopted or may thereafter be adopted by the Company or any of its subsidiaries and referred to in the paragraph below entitled "Share option scheme", 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 2010, 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.

Report of Directors (continued)

Substantial shareholders

As at 31 December 2010, 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 *(Note 1)*	100,000,200	19.1%
Future (Holdings) Limited	74,676,461	14.3%
Ganado Investments Corporation Ltd. *(Note 2)*	74,676,461	14.3%
Jennifer Wes Saran	75,017,661	14.3%
Great Wall Holdings Limited *(Note 1)*	67,962,428	13.0%

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

Notes:

1. *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.*

2. *These Shares are held by Future (Holdings) Limited which is controlled by Ganado Investments Corporation Ltd. which, in turn, is controlled by Mrs. Jennifer Wes Saran.*

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

Save as disclosed above, as at 31 December 2010, the Company was not notified of any persons, other than the directors and the chief executive of the Company, having any interests or short positions 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 22 to the consolidated financial statements.

Share option scheme

Details of the share option scheme of the Company and rules and procedures for share option schemes of subsidiaries of the Company are set out in note 23 to the consolidated financial statements.

Particulars of principal subsidiaries

Particulars regarding the principal subsidiaries of the Company are set out in note 15 to the consolidated financial statements.

Liquidity

As at 31 December 2010, the Group managed to maintain stable liquidity with cash and cash equivalents (including pledged deposits) of approximately HK$176.8 million (2009: HK$199.6 million).

Bank borrowings

There were no outstanding bank borrowings as at 31 December 2010 (2009: Nil).

Retirement benefit schemes

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

Remuneration policies and employee relations

As at 31 December 2010, the Group had 131 (2009: 142) employees in the United States, China, Hong Kong and Singapore. The Group's total staff costs for 2010 increased by 1.4% to HK$74.5 million when compared to HK$73.5 million for 2009. 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 scheme adopted by the Company. As at 31 December 2010 and 2009, there were no outstanding share options under the Company's share option scheme.

Change in Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, a change in information on the Directors subsequent to the date of the 2009 Annual Report is set out below.

Mr. John William Crawford J.P. reported to the Company in November 2010 that the name of Elixir Gaming Technologies, Inc., a company of which Mr. Crawford serves as an independent non-executive director, was changed to Entertainment Gaming Asia Inc.. Save as disclosed above, there are no other changes of directors' details required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

During the year, the Company repurchased 494,200 shares of HK$0.01 each of the Company on the Stock Exchange as follows:

Month of the repurchases	Number of shares repurchased	Price per share Highest	Lowest	Aggregate purchase price
		HK$	*HK$*	*HK$*
December 2010	494,200	0.500	0.495	246,379

The repurchased shares were cancelled in January 2011 and the issued share capital of the Company was reduced by the par value of the repurchased shares so cancelled. The repurchases were effected by the directors pursuant to the mandate from shareholders, with a view to benefit shareholders as a whole in enhancing the net assets and earnings per share of the Company.

Save as disclosed above, 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 2010 have been audited by Mazars CPA Limited, *Certified Public Accountants*.

A resolution will be submitted to the annual general meeting to re-appoint Mazars CPA Limited as 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 2008, the Company has participated in the "Wastewi$e Label" of the Hong Kong Awards for Environmental Excellence, which is a recognition scheme established by, among others, the Environmental Protection Department and Environmental Campaign Committee to encourage Hong Kong businesses and organisations in adopting structured measures to reduce the amount of waste generated within their establishments or generated through the services and products they provide. The Company has been awarded with the "Class of Excellence" Wastewi$e Label for three consecutive years.

By Order of the Board

Lau Wai Ming Raymond
Company Secretary

29 March 2011

Independent Auditor's Report

MAZARS

MAZARS CPA LIMITED
瑪澤會計師事務所有限公司
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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 27 to 71, which comprise the consolidated and the Company's statement of financial position as at 31 December 2010, 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 consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation of the consolidated financial statements that give a true and fair view 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 consolidated 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 consolidated financial statements give a true and fair view of the state of the affairs of the Group and of the Company as at 31 December 2010 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, 29 March 2011

Eunice Y M Kwok
Practising Certificate number: P04604

Consolidated Income Statement

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Turnover	3	**769,748**	797,852
Cost of sales		**(604,274)**	(613,922)
Gross profit		**165,474**	183,930
Other revenue and income	4	**803**	765
		166,277	184,695
Selling and distribution expenses		**(41,107)**	(42,592)
Business promotion and marketing expenses		**(4,280)**	(4,626)
Operating and administrative expenses		**(112,979)**	(105,270)
Other operating expenses		**(15,071)**	(20,491)
(Loss) / Profit from operations		**(7,160)**	11,716
Finance costs	5	**(50)**	(110)
(Loss) / Profit before taxation	5	**(7,210)**	11,606
Taxation credit	7	**17,205**	7,361
Profit for the year	8	**9,995**	18,967
Profit for the year attributable to:			
Equity holders of the Company		**10,058**	19,034
Non-controlling interests		**(63)**	(67)
Profit for the year		**9,995**	18,967
EBITDA	9	**3,492**	25,610
		HK cents	*HK cents*
Earnings per share	11		
Basic		**1.9**	3.6
Diluted		**1.9**	3.6

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	2010	2009
	HK$'000	*HK$'000*
Profit for the year	**9,995**	18,967
Other comprehensive income for the year		
Exchange differences on translation of foreign subsidiaries	**1,950**	1,597
Total comprehensive income for the year	**11,945**	20,564
Total comprehensive income for the year attributable to:		
Equity holders of the Company	**12,008**	20,631
Non-controlling interests	**(63)**	(67)
Total comprehensive income for the year	**11,945**	20,564

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	12	**17,651**	14,246
Intangible assets	13	**–**	–
Goodwill	14	**–**	–
Deferred tax assets	21	**34,093**	14,805
		51,744	29,051
Current assets			
Trade and other receivables	16	**94,755**	88,160
Pledged bank deposits	17	**2,320**	2,211
Cash and bank balances	18	**174,502**	197,426
		271,577	287,797
Current liabilities			
Trade and other payables	19	**108,626**	112,730
Current portion of obligations under finance leases	20	**156**	142
Taxation payable		**1,812**	2,956
		110,594	115,828
Net current assets		**160,983**	171,969
Total assets less current liabilities		**212,727**	201,020
Non-current liabilities			
Obligations under finance leases	20	**296**	453
Deferred tax liabilities	21	**411**	245
NET ASSETS		**212,020**	200,322
Capital and reserves			
Share capital	22	**5,229**	5,229
Reserves	24	**206,791**	195,093
Equity attributable to equity holders of the Company		**212,020**	200,322
Non-controlling interests	24	**–**	–
TOTAL EQUITY		**212,020**	200,322

Approved and authorised for issue by the Board of Directors on 29 March 2011

Richard John Siemens
Director

Lim Shyang Guey
Director

Statement of Financial Position

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	12	**2,093**	2,468
Interests in subsidiaries	15	**98,087**	90,695
		100,180	93,163
Current assets			
Trade and other receivables	16	**1,841**	1,858
Pledged bank deposits	17	**914**	914
Cash and bank balances	18	**98,170**	98,689
		100,925	101,461
Current liabilities			
Trade and other payables	19	**9,928**	9,705
Net current assets		**90,997**	91,756
NET ASSETS		**191,177**	184,919
Capital and reserves			
Share capital	22	**5,229**	5,229
Reserves	24	**185,948**	179,690
TOTAL EQUITY		**191,177**	184,919

Approved and authorised for issue by the Board of Directors on 29 March 2011

Richard John Siemens
Director

Lim Shyang Guey
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to equity holders of the Company										
	Share capital	Share premium	Exchange reserve	Capital redemption reserve	Capital reserve	Share repurchase 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$'000*	*HK$'000*	*HK$'000*
As at 1 January 2009	5,229	68,341	731	6	–	–	83,489	21,895	179,691	730	180,421
Profit for the year	–	–	–	–	–	–	–	19,034	19,034	(67)	18,967
Other comprehensive income for the year											
Exchange differences on translation of foreign subsidiaries	–	–	1,597	–	–	–	–	–	1,597	–	1,597
Total comprehensive income for the year	–	–	1,597	–	–	–	–	19,034	20,631	(67)	20,564
Transactions with equity holders of the Company											
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
Profit for the year	–	–	–	–	–	–	–	10,058	10,058	(63)	9,995
Other comprehensive income for the year											
Exchange differences on translation of foreign subsidiaries	–	–	1,950	–	–	–	–	–	1,950	–	1,950
Total comprehensive income for the year	–	–	1,950	–	–	–	–	10,058	12,008	(63)	11,945
Transactions with equity holders of the Company											
Repurchase of own shares pending cancellation *(note 22(b))*	–	–	–	–	–	(247)	–	–	(247)	–	(247)
Arising from acquisition of additional interest in a subsidiary	–	–	–	–	(63)	–	–	–	(63)	63	–
Total transactions with equity holders of the Company	–	–	–	–	(63)	(247)	–	–	(310)	63	(247)
As at 31 December 2010	**5,229**	**68,341**	**4,278**	**6**	**(63)**	**(247)**	**83,489**	**50,987**	**212,020**	**–**	**212,020**

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES			
Cash (used in) / generated from operations	25	**(7,219)**	35,598
Income taxes paid		**(3,478)**	(5,052)
Interest received		**455**	295
Interest on bank loan paid		**–**	(46)
Interest on obligations under finance leases		**(50)**	(64)
Net cash (used in) / generated from operating activities		**(10,292)**	30,731
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(14,044)**	(3,140)
Proceeds from disposals of property, plant and equipment		**12**	19
Net cash used in investing activities		**(14,032)**	(3,121)
FINANCING ACTIVITIES			
Shares repurchased		**(247)**	–
Repayment of bank loan		**–**	(4,250)
Repayment of obligations under finance leases		**(143)**	(129)
Acquisition of additional interest in a subsidiary		**–**	(3,900)
Net cash used in financing activities		**(390)**	(8,279)
Net (decrease) / increase in cash and cash equivalents		**(24,714)**	19,331
Cash and cash equivalents as at 1 January		**197,426**	177,173
Exchange gain on cash and cash equivalents		**1,790**	922
Cash and cash equivalents as at 31 December	18	**174,502**	197,426

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

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 15 to the consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable 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 consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2009 consolidated 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

HKFRS 3 (Revised): Business Combinations / Improvements to HKFRS 2009 with amendments to HKFRS 3 (Revised)

The HKFRS 3 (Revised) introduced a number of major changes including the followings:

- acquisition-related transaction costs, other than share and debt issue costs, to be expensed as incurred;
- existing interest in the acquiree to be remeasured at fair value, with the gain or loss recognised in the income statement, upon subsequent changes in ownership interests;
- non-controlling interests in the acquiree to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree;
- contingent consideration to be recognised at fair value at the acquisition date; and
- goodwill to be measured at the excess of the aggregate of the acquisition-date fair value of the acquirer's interest in the acquiree and the amount of any non-controlling interests over the net of the acquisition-date amounts of identifiable assets acquired and the liabilities assumed from the acquisition.

The Improvements to HKFRS 2009 contains amendments to clarify the measurement of the fair value of an intangible asset acquired in a business combination and to permit the grouping of intangible assets as a single asset if each asset has a similar useful economic life.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Adoption of new and revised HKFRS *(continued)*

While the adoption of this revised standard may affect the Group's accounting for business combinations if and when they occur in future, as the Group had no such transactions during the current year, the adoption of this revised standard has no impact on the Group.

HKAS 27 (Revised): Consolidated and Separate Financial Statements

The revised standard requires accounting for changes in ownership interests in a subsidiary, while maintaining control, to be recognised as an equity transaction. It also requires, when the Group loses control of a subsidiary, any interest retained in the former subsidiary to be remeasured at fair value with the gain or loss recognised in the income statement. The adoption of the revised standard has affected the accounting of the Group's acquisition of additional interest of a subsidiary in the current year.

HKAS 27 (Revised) also requires that total comprehensive income is attributed to the equity holders of the Company and non-controlling interests on the basis of present ownership interest even if it results in the non-controlling interests having a deficit balance. This revised standard affects the Group's accounting policy for total comprehensive income attributable to the non-controlling interests. As the Group is exempted from applying the amendments retrospectively, the previously reported results of the Group are not required to be restated on the adoption of this revised standard.

Basis of measurement

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

Basis of consolidation

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

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

Non-controlling interests 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 equity holders of the Company. For each business combination which occurs on or after 1 January 2010, the non-controlling interests in the acquiree are measured initially either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. For each business combination that occurred prior to 1 January 2010, the non-controlling interests in the acquiree were measured at the non-controlling interests' proportionate share of the acquiree's net assets.

Allocation of total comprehensive income

Total comprehensive income is attributed to the equity holders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, 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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

Changes in ownership interest

From 1 January 2010, changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary is recognised on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, jointly controlled entity or other, as appropriate, from the date when control is lost.

Prior to 1 January 2010, the Group applied a policy of treating transactions with non-controlling interests as transactions with parties external to the Group and thus the excess amount of any consideration paid over the carrying value of the non-controlling interests acquired was recognised as goodwill. For decreases in the Group's ownership interest in a subsidiary, regardless of whether the disposals would result in a loss of control, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in the income statement.

Subsidiaries

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

In the Company's 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

From 1 January 2010, goodwill arising on an acquisition of a subsidiary is measured at the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of any previously held equity interest in the acquiree over the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed of the acquired subsidiary. Prior to 1 January 2010, goodwill represented 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 on acquisitions of associates or jointly controlled entities is included in interests in associates or jointly controlled entities. 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 determination of gains or losses on disposals, goodwill is allocated to cash-generating units. An impairment loss on goodwill is not reversed.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

From 1 January 2010, in respect of a subsidiary, any excess of the acquisition-date amounts of identifiable assets acquired and the liabilities assumed of the acquired subsidiary over the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, if any, after reassessment, is recognised immediately in the income statement as a bargain purchase. Prior to 1 January 2010, any excess of the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary over the related cost of acquisition, after reassessment, was 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.

Depreciation is provided to write off the cost, net of accumulated impairment losses, of property, plant and equipment over their estimated useful lives 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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Intangible assets *(continued)*

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.

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 terms 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 asset's 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 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2010

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

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 investments in subsidiaries to determine whether there are any indications that such assets have suffered impairment losses or that impairment losses previously recognised no longer exist or may be reduced. If the recoverable amount of an asset is estimated to be less than its carrying amount, the latter is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

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

Revenue recognition

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

Income in respect of telecommunication services, insurance brokerage and consultancy 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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

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

Share capital

Ordinary shares are classified as equity. Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental transaction costs (net of income taxes, if applicable), is deducted from equity attributable to the equity holders of the Company until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the equity holders of the Company.

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 position of entities denominated in a currency 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 in the other comprehensive income and accumulated separately in the exchange reserve in equity. On disposal of such entity, the related cumulative amount of the exchange differences is transferred from equity to the income statement when the gain or loss on disposal is recognised.

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 consolidated 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2010

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Retirement benefit schemes

The Group, other than overseas subsidiaries, operates 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 and others as stipulated in the share option scheme as detailed in note 23 is recognised as an expense with a corresponding increase in a reserve within equity. The fair value is measured at the grant date, taking into account the terms and conditions upon which the options were granted. Where employees have to meet vesting conditions before becoming unconditionally entitled to share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options 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, with a corresponding adjustment to a reserve within 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 a reserve within equity.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Critical accounting estimates and judgements

Allowance for doubtful debts

The provisioning policy for 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 judgements 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 recognised in the income statement. The recognised deferred tax assets arising from tax losses in the current year is determined based on the financial budgets of related entities for the years 2011 and 2012 which are reviewed by management and after taking into account the transaction as mentioned in note 30(b) to the consolidated financial statements.

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.

Future changes in HKFRS

At the date of approval of these financial statements, the Group has not early adopted the new and revised HKFRS issued by the 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 and financial position in future.

3. TURNOVER

Turnover, recognised by category, is analysed as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Telecommunication services income	**768,920**	797,014
Other	**828**	838
	769,748	797,852

4. OTHER REVENUE AND INCOME

	Group	
	2010	2009
	HK$'000	*HK$'000*
Interest income on bank deposits	**393**	237
Interest income on loan receivable	**62**	58
	455	295
Other	**348**	470
	803	765

5. (LOSS) / PROFIT BEFORE TAXATION

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

	Group	
	2010	2009
(a) Finance costs	***HK$'000***	*HK$'000*
Interest on bank loan and other borrowings wholly repayable within five years	**–**	46
Finance charges on obligations under finance leases	**50**	64
	50	110
(b) Other items		
Employee salaries and other benefits (including directors' emoluments)	**72,397**	71,719
Retirement benefit scheme contributions	**2,093**	1,779
Total staff costs	**74,490**	73,498
Auditors' remuneration		
– audit fees	**1,363**	1,426
Cost of services provided	**604,274**	613,922
Depreciation of property, plant and equipment	**10,652**	10,657
Allowance for doubtful debts	**3,221**	4,569
Operating lease charges on premises	**10,387**	10,424
Exchange losses, net	**236**	1,031
Impairment loss on goodwill arising from acquisition of additional interest in a subsidiary included in other operating expenses	**–**	3,237

6. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION

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

	2010			
	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	**–**	**1,950**	**12**	**1,962**
Lim Shyang Guey	**–**	**2,470**	**24**	**2,494**
Non-executive directors				
William Bruce Hicks	**150**	**–**	**–**	**150**
Ye Fengping	**150**	**–**	**–**	**150**
Independent non-executive directors				
John William Crawford J.P.	**150**	**100**	**–**	**250**
Gerald Clive Dobby	**150**	**–**	**–**	**150**
Shane Frederick Weir	**150**	**–**	**–**	**150**
	750	**4,520**	**36**	**5,306**

	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				
John William Crawford J.P.	150	100	–	250
Gerald Clive Dobby	150	–	–	150
Shane Frederick Weir	150	–	–	150
	690	4,175	48	4,913

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

Individuals with highest emoluments

Of the five *(2009: five)* individuals with the highest emoluments, one *(2009: two)* is director whose emoluments are disclosed above. The aggregate of the emoluments in respect of the other four *(2009: three)* individuals are as follows:

	2010	2009
	HK$'000	*HK$'000*
Salaries, gratuities and other emoluments	**11,489**	5,940
Retirement benefit scheme contributions	**166**	83
	11,655	6,023

The emoluments of the four *(2009: three)* individuals with the highest emoluments are within the following bands:

	2010	2009
	Number of individuals	*Number of individuals*
HK$1,500,001 to HK$2,000,000	**–**	2
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**1**	1
HK$3,000,001 to HK$3,500,000	**2**	–
	4	3

The executive directors of the Company, together with the above-mentioned four *(2009: three)* highest paid individuals, are regarded as the key management personnel of the Group for related parties disclosure purposes.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2010

7. TAXATION CREDIT

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purpose for the year. In 2009, no provision for Hong Kong Profits Tax had been made as the Group's assessable profit was wholly absorbed by unrelieved tax losses brought forward from previous years.

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
Current tax		
Overseas income taxes	**(1,974)**	(3,889)
Deferred tax		
Depreciation allowances	**(147)**	193
Tax losses	**19,326**	11,057
	19,179	11,250
	17,205	7,361

Further details of the Group's deferred taxation status are set out in note 21.

Reconciliation of effective tax rate

	Group	
	2010	2009
	%	*%*
Applicable tax rate	**(19)**	45
Non-deductible expenses	**–**	12
Tax exempt revenue	**(5)**	(6)
Unrecognised tax losses arising in current year	**50**	28
Utilisation of previously unrecognised tax losses	**–**	(39)
Recognition of previously unrecognised tax losses	**(264)**	(96)
Recognition of previously unrecognised temporary differences	**(5)**	(15)
Other	**4**	8
Effective tax rate for the year	**(239)**	(63)

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

8. PROFIT FOR THE YEAR

The profit for the year includes a profit of HK$6,258,000 *(2009: HK$3,804,000)* 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 loss on goodwill.

10. DIVIDEND

The Board does not recommend payment of a dividend for the year ended 31 December 2010 *(2009: Nil)*.

11. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2010 is based on the consolidated profit attributable to equity holders of the Company of HK$10,058,000 *(2009: HK$19,034,000)* and on the 522,894,200 *(2009: 522,894,200)* shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2010 and 2009 is the same as the basic earnings per share.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2010

12. PROPERTY, PLANT AND EQUIPMENT

	Group				
	Leasehold improvements *HK$'000*	Machinery and equipment *HK$'000*	Office equipment, furniture and fittings *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
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
As at 1 January 2010	72	9,340	4,483	351	14,246
Additions	879	10,175	2,990	–	14,044
Disposals	–	(27)	(2,695)	–	(2,722)
Write-back of accumulated depreciation on disposals	–	27	2,693	–	2,720
Depreciation	(262)	(8,294)	(1,786)	(310)	(10,652)
Exchange adjustments	–	(27)	42	–	15
As at 31 December 2010	**689**	**11,194**	**5,727**	**41**	**17,651**
Representing:					
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 1 January 2010	72	9,340	4,483	351	14,246
Cost	3,094	67,477	27,640	1,491	99,702
Accumulated depreciation	(2,405)	(56,283)	(21,913)	(1,450)	(82,051)
As at 31 December 2010	**689**	**11,194**	**5,727**	**41**	**17,651**

The carrying amount of the Group's property, plant and equipment as at 31 December 2010 includes an amount of HK$392,000 *(2009: HK$546,000)* in respect of assets held under finance leases.

12. 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 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
As at 1 January 2010	–	2,188	280	2,468
Additions	–	50	–	50
Disposals	–	(61)	–	(61)
Write-back of accumulated depreciation on disposals	–	59	–	59
Depreciation	–	(143)	(280)	(423)
As at 31 December 2010	**–**	**2,093**	**–**	**2,093**
Representing:				
Cost	1,631	3,225	1,400	6,256
Accumulated depreciation	(1,631)	(1,037)	(1,120)	(3,788)
As at 1 January 2010	–	2,188	280	2,468
Cost	1,631	3,214	1,400	6,245
Accumulated depreciation	(1,631)	(1,121)	(1,400)	(4,152)
As at 31 December 2010	**–**	**2,093**	**–**	**2,093**

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2010

13. INTANGIBLE ASSETS

	Group		
	Development costs	**Customer contracts**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Costs	3,597	52,933	56,530
Accumulated amortisation and impairment losses	(3,597)	(52,933)	(56,530)
As at 31 December 2009 and 2010	–	–	–

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 full impairment was recognised in the year of 2008.

14. GOODWILL

	Group	
	2010	2009
	HK$'000	*HK$'000*
As at 1 January	**–**	–
Additions	**–**	3,237
Impairment losses	**–**	(3,237)
As at 31 December	**–**	–
Representing:		
Cost	**3,237**	3,237
Accumulated impairment losses	**(3,237)**	(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 of 2009. As a result of the acquisition, the subsidiary became wholly-owned by the Company. 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 and, therefore, fully provided for it in 2009.

15. INTERESTS IN SUBSIDIARIES

	Company	
	2010	2009
	HK$'000	*HK$'000*
Unlisted shares, at cost	**–**	–
Due from subsidiaries	**585,009**	583,617
Less: Provisions	**(486,922)**	(492,922)
	98,087	90,695

The amounts due from subsidiaries are unsecured, interest-free and not expected to be repayable within one year, except for an amount of HK$42,790,000 *(2009: HK$42,900,000)* which bears interest at 5.5% per annum and is repayable on 23 April 2012. 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
Willow Consultants Limited	Hong Kong	HK$2	–	100%	Provision of consultancy services

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2010

15. 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	–	100%	Investment holding
Relevant Marketing (HK) Limited	Hong Kong	HK$10,000	–	100%	Provision of sales and fulfilment solutions
Relevant Marketing Group Limited	British Virgin Islands	US$3	–	100%	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	–	100%	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. None of the subsidiaries had any debts securities in issue at any time during the years ended 31 December 2010 and 2009.

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables	**84,780**	85,226	**–**	–
Allowance for doubtful debts	**(6,611)**	(8,089)	**–**	–
	78,169	77,137	**–**	–
Other receivables				
Deposits, prepayments and other debtors	**16,586**	11,023	**1,841**	1,858
	94,755	88,160	**1,841**	1,858

Other receivables include a HK$2,000,000 loan receivable which bears interest at 3% per annum. 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 are subordinated to the Group. The carrying value of the amount due approximates its fair value. At the request of the borrower, the loan was extended to 31 May 2010 and further extended to 30 June 2011 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	
	2010	2009
	HK$'000	*HK$'000*
Less than 1 month	**70,531**	66,489
1 to 3 months	**5,792**	8,177
More than 3 months but less than 12 months	**1,846**	2,471
	78,169	77,137

The Group's credit policy is set out in note 26.

The movements in allowance for doubtful debts are as follows:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
As at 1 January	**8,089**	5,198	**–**	–
Increase in allowance	**3,221**	4,569	**–**	–
Amounts written off as uncollectible	**(4,745)**	(1,712)	**–**	–
Exchange adjustments	**46**	34	**–**	–
As at 31 December	**6,611**	8,089	**–**	–

16. 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	
	2010	2009
	HK$'000	*HK$'000*
1 to 3 months past due	**7,347**	9,903
More than 3 months but less than 12 months past due	**1,796**	2,425
Amounts past due	**9,143**	12,328
Neither past due nor impaired	**69,026**	64,809
	78,169	77,137

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 recoverable. 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.

17. PLEDGED BANK DEPOSITS

At the end of the reporting period, the Group and the Company had pledged bank deposits amounting to HK$2,320,000 *(2009: HK$2,211,000)* and HK$914,000 *(2009: HK$914,000)*, respectively, to banks for guarantees made by them to certain telecommunication carriers for due payments by the Group.

18. CASH AND BANK BALANCES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at bank and in hand	**71,973**	87,193	**3,495**	2,495
Short-term time deposits	**102,529**	110,233	**94,675**	96,194
	174,502	197,426	**98,170**	98,689

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made with maturities of three months or less depending on the immediate cash requirements of the Group, and earn interest at the prevailing short-term deposit rates.

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables	**45,990**	53,377	**–**	–
Other payables				
Accrued charges and other creditors	**62,636**	59,353	**2,540**	1,124
Due to subsidiaries	**–**	–	**7,388**	8,581
	108,626	112,730	**9,928**	9,705

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

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
Less than 1 month	**32,948**	37,586
1 to 3 months	**12,066**	15,140
More than 3 months but less than 12 months	**976**	651
	45,990	53,377

20. OBLIGATIONS UNDER FINANCE LEASES

The obligations under finance leases are repayable as follows:

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Finance leases due:				
Within one year	**193**	193	**156**	142
After one year but within two years	**193**	193	**172**	157
After two years but within five years	**129**	322	**124**	296
	515	708	**452**	595
Future finance charges	**(63)**	(113)	**–**	–
Present value of lease obligations	**452**	595	**452**	595

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2010

20. OBLIGATIONS UNDER FINANCE LEASES *(continued)*

	Group	
	2010	2009
	HK$'000	*HK$'000*
Reported as:		
Current liabilities	**156**	142
Non-current liabilities	**296**	453
	452	595

The finance lease payments relate to certain property, plant and equipment of the Group. They are repayable in 60 instalments, mature in August 2013 and bear interest at 9.6% *(2009: 9.6%)* per annum. The carrying values of the finance leases approximate their fair values.

21. 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 2009	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
Income statement credit / (charges)	19,319	(140)	19,179
Exchange adjustments	(38)	(19)	(57)
As at 31 December 2010	**34,132**	**(450)**	**33,682**

21. DEFERRED TAX *(continued)*

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
Deferred tax assets to be recovered:		
Within 12 months	**16,984**	14,805
After 12 months	**17,109**	–
	34,093	14,805
Deferred tax liabilities to be settled:		
Within 12 months	**(162)**	(185)
After 12 months	**(249)**	(60)
	(411)	(245)
As at 31 December	**33,682**	14,560

Unrecognised deferred tax assets

	Group	
	2010	2009
	HK$'000	*HK$'000*
Tax losses	**69,492**	104,888
Deductible temporary differences	**23,688**	7,071
As at 31 December	**93,180**	111,959

The unrecognised tax losses of HK$299,937,000 *(2009: HK$402,716,000)* and deductible temporary differences of HK$70,130,000 *(2009: HK$30,192,000)* have no expiry dates under current tax legislation, except for tax losses of HK$114,299,000 *(2009: HK$219,656,000)* 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.

22. SHARE CAPITAL

(a) Authorised and issued share capital

	2010		2009	
	Number of shares	Amount *HK$'000*	*Number of shares*	Amount *HK$'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

(b) Repurchase of own shares

As at 31 December 2010, the Company had repurchased its own ordinary shares on the Stock Exchange for subsequent cancellation as follows:

Month of repurchase	Number of shares repurchased	Highest price per share *HK$*	Lowest price per share *HK$*	Aggregate consideration paid *HK$'000*
December 2010	494,200	0.500	0.495	247

The cash consideration paid on the repurchase of the shares of approximately HK$247,000 including transaction costs was charged to the share repurchase reserve within equity. The repurchased shares were subsequently cancelled on 14 January 2011.

23. 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.

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 2010 and 2009, there were no outstanding share options under the share option scheme adopted by the Company.

23. SHARE OPTIONS *(continued)*

Summary of principal terms *(continued)*

(ii) Maximum number of shares (continued)

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.

(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.

All issued share options expired on 24 October 2009. During the year, no share options were granted, forfeited or exercised and there is no share option outstanding or exercisable at the end of the reporting period.

24. RESERVES

	Attributable to equity holders of the Company									
	Share premium	Exchange reserve	Capital redemption reserve	Capital reserve	Share repurchase 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*	*HK$'000*	*HK$'000*
Group										
As at 1 January 2009	68,341	731	6	–	–	83,489	21,895	174,462	730	175,192
Profit for the year	–	–	–	–	–	–	19,034	19,034	(67)	18,967
Other comprehensive income for the year										
Exchange differences on translation of foreign subsidiaries	–	1,597	–	–	–	–	–	1,597	–	1,597
Total comprehensive income for the year	–	1,597	–	–	–	–	19,034	20,631	(67)	20,564
Transactions with equity holders of the Company										
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
Profit for the year	–	–	–	–	–	–	10,058	10,058	(63)	9,995
Other comprehensive income for the year										
Exchange differences on translation of foreign subsidiaries	–	1,950	–	–	–	–	–	1,950	–	1,950
Total comprehensive income for the year	–	1,950	–	–	–	–	10,058	12,008	(63)	11,945
Transactions with equity holders of the Company										
Repurchase of own shares pending cancellation *(note 22(b))*	–	–	–	–	(247)	–	–	(247)	–	(247)
Arising from acquisition of additional interest in a subsidiary	–	–	–	(63)	–	–	–	(63)	63	–
Total transactions with equity holders of the Company	–	–	–	(63)	(247)	–	–	(310)	63	(247)
As at 31 December 2010	**68,341**	**4,278**	**6**	**(63)**	**(247)**	**83,489**	**50,987**	**206,791**	**–**	**206,791**
Company										
As at 1 January 2009	68,341	–	6	–	–	83,489	24,050	175,886	–	175,886
Profit 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
Profit for the year	–	–	–	–	–	–	6,258	6,258	–	6,258
As at 31 December 2010	**68,341**	**–**	**6**	**–**	**–**	**83,489**	**34,112**	**185,948**	**–**	**185,948**

Notes to the Consolidated Financial Statements (continued)

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24. RESERVES *(continued)*

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.

Capital reserve

Capital reserve represents the difference between the purchase consideration paid and the decrease in the carrying value of non-controlling interests of a subsidiary relating to the Group's acquisition of additional interest in the subsidiary during the year.

Share repurchase reserve

Share repurchase reserve represents the consideration paid for the repurchase of shares of the Company which were pending cancellation at the end of the reporting period.

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:

	2010	2009
	HK$'000	*HK$'000*
Contributed surplus	**83,489**	83,489
Accumulated profits	**34,112**	27,854
	117,601	111,343

25. CASH (USED IN) / GENERATED FROM OPERATIONS

	Group	
	2010	2009
	HK$'000	*HK$'000*
(Loss) / Profit before taxation	**(7,210)**	11,606
Interest income	**(455)**	(295)
Interest expenses	**–**	46
Interest on obligations under finance leases	**50**	64
Depreciation	**10,652**	10,657
Impairment loss on goodwill	**–**	3,237
Exchange differences	**310**	863
Gain on disposal of property, plant and equipment	**(10)**	(11)
Allowance for doubtful debts	**3,221**	4,569
Changes in working capital:		
Trade and other receivables	**(9,526)**	9,619
Trade and other payables	**(4,251)**	(4,757)
Cash (used in) / generated from operations	**(7,219)**	35,598

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise finance leases, cash and short-term time deposits. The main purpose of these financial instruments is to raise or maintain financial resources for the Group's 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. The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. 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.

26. 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 financial liabilities at the end of the reporting period based on contractual undiscounted payments are summarised below.

	Group				
	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*
As at 31 December 2010					
Obligations under finance leases	–	59	134	322	515
Trade and other payables	9,471	97,687	1,468	–	108,626
	9,471	**97,746**	**1,602**	**322**	**109,141**
As at 31 December 2009					
Obligations under finance leases	–	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

	Company				
	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*
As at 31 December 2010					
Trade and other payables	**8,476**	**1,034**	**418**	**–**	**9,928**
As at 31 December 2009					
Trade and other payables	8,581	742	382	–	9,705

Fair value

The carrying values of all financial instruments approximate their fair values as at 31 December 2010 and 2009.

27. 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 2010 and 2009.

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:

	2010	2009
	HK$'000	*HK$'000*
Obligations under finance leases	**(452)**	(595)
Trade and other payables	**(108,626)**	(112,730)
Taxation payable	**(1,812)**	(2,956)
Less: Cash and bank balances	**174,502**	197,426
Net surplus	**63,612**	81,145
Total equity	**212,020**	200,322
Net debt-to-equity ratio	**N / A**	N / A

28. 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**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**8,305**	9,263	**2,955**	4,555
In the second to fifth years inclusive	**7,527**	4,353	**–**	2,955
	15,832	13,616	**2,955**	7,510

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$891,000 *(2009: 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 Consolidated Financial Statements (continued)

For the year ended 31 December 2010

29. SEGMENTAL INFORMATION

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

Segment results represent the result before taxation earned by each segment without allocation of finance costs and central operating and administrative expenses. All assets are allocated to reportable segments other than unallocated assets which are mainly cash and bank balances.

Analyses 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 2010

	Tele-communication services	Other	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Turnover			
External sales	768,920	828	769,748
Results			
Segment results	10,861	(415)	10,446
Finance costs			(50)
Other operating income and expenses			(17,606)
Loss before taxation			(7,210)
Assets			
– Reportable segments	217,667	1,297	218,964
– Unallocated assets			104,357
			323,321
Liabilities			
– Reportable segments	(108,120)	(641)	(108,761)
– Unallocated liabilities			(2,540)
			(111,301)

29. SEGMENTAL INFORMATION *(continued)*

(a) By business segments *(continued)*

Year ended 31 December 2010

	Tele-communication services *HK$'000*	Other *HK$'000*	Consolidated *HK$'000*
Other information			
Capital expenditures			
– Reportable segments	13,957	37	13,994
– Unallocated assets			50
			14,044
Interest income			
– Reportable segments	119	–	119
– Unallocated income			336
			455
Depreciation			
– Reportable segments	(10,220)	(9)	(10,229)
– Unallocated expenses			(423)
			(10,652)
Non-cash items other than depreciation			
– Reportable segments	(3,221)	–	(3,221)
Finance costs			
– Reportable segments	(50)	–	(50)

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2010

29. SEGMENTAL INFORMATION *(continued)*

(a) By business segments *(continued)*

Year ended 31 December 2009

	Telecommunication services *HK$'000*	Other *HK$'000*	Consolidated *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
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)

29. SEGMENTAL INFORMATION *(continued)*

(a) By business segments *(continued)*

Year ended 31 December 2009

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

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

29. SEGMENTAL INFORMATION *(continued)*

(b) By geographical information

The Group operates in two principal geographical areas which are North America (country of domicile) and Asia Pacific. The analysis of geographical segments is based on the geographical location of customers, or the location of assets, as appropriate.

	Turnover from external sales		**Property, plant and equipment**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
North America	**693,998**	717,720	**12,038**	9,236
Asia Pacific	**75,750**	80,132	**5,613**	5,010
	769,748	797,852	**17,651**	14,246

30. EVENTS AFTER THE REPORTING PERIOD

In addition to the events disclosed elsewhere in these consolidated financial statements, the Group has the following events which occurred after the reporting period:

(a) Repurchases of shares

The Company repurchased 1,400,000 ordinary shares on the Stock Exchange at an aggregate cash consideration of approximately HK$1,019,000 including transaction costs in January and February 2011. All such shares were subsequently cancelled in January and February 2011.

(b) De-consolidation of a subsidiary

On 29 September 2010, a contribution agreement was entered into among ZONE USA, Inc. ("ZONE USA"), a wholly-owned subsidiary of the Company, and third parties – Associated Network Partners, Inc., ANPI Holding Inc. ("ANPI Holding") and ANZ Communications LLC ("ANZ") whereby a joint venture will be formed and owned as to 50% by ZONE USA and 50% by ANPI Holding to engage in the provision of telecommunication services in the United States. Details of this transaction have been set out in the Company's circular dated 17 November 2010.

Under the contribution agreement mentioned above, ZONE US will contribute, among others, its interests in ZONE Telecom LLC (converted from ZONE Telecom, Inc.) to ANZ in return for a 50% stake in ANZ.

An ordinary resolution to approve the contribution agreement was duly passed by shareholders of the Company at an extraordinary general meeting held on 9 December 2010. The transaction is anticipated to be completed by the end of March 2011.

Upon the completion of the transaction, ZONE Telecom, Inc. will be treated as a discontinued operation. The business and geographical segments in these consolidated financial statements under which ZONE Telecom, Inc. is presented are telecommunication services and North America, respectively.

Summary of Results, Assets and Liabilities of the Group

	Results of the Group for the five years ended 31 December				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**769,748**	797,852	786,997	795,252	702,810
(Loss) / Profit before taxation	**(7,210)**	11,606	(29,460)	46,614	44,631
Taxation credit / (charges)	**17,205**	7,361	(14,273)	(2,394)	(3,999)
Profit / (Loss) for the year	**9,995**	18,967	(43,733)	44,220	40,632
	HK cents	*HK cents*	*HK cents*	*HK cents*	*HK cents*
Earnings / (Loss) per share					
Basic	**1.9**	3.6	(8.3)	8.6	8.6
Diluted	**1.9**	3.6	N / A	N / A	N / A

	Assets and liabilities of the Group as at 31 December				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	**51,744**	29,051	25,424	73,937	79,642
Current assets	**271,577**	287,797	281,424	275,388	188,539
Total assets	**323,321**	316,848	306,848	349,325	268,181
Non-current liabilities	**707**	698	962	4,976	22,996
Current liabilities	**110,594**	115,828	125,465	119,859	113,068
Total liabilities	**111,301**	116,526	126,427	124,835	136,064
Net assets	**212,020**	200,322	180,421	224,490	132,117

Shareholder Information

Annual General Meeting

The 2011 Annual General Meeting will be held at The China Club, 13/F., The Old Bank of China Building, Bank Street, Central, Hong Kong on Tuesday, 31 May 2011 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 12 April 2011, and a copy thereof is printed on the circular to the shareholders of the Company (the "Shareholders") dated 12 April 2011 and despatched to the Shareholders and other recipients together with this 2010 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 358516, Pittsburgh, PA 15252-8516, 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

Since May 2003, the Company has maintained 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 358516, Pittsburgh, PA 15252-8516, USA or through its website *www.adrbnymellon.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 2010 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 2010 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) 索取此二零一零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 2010 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 2010 Annual Report and is available on the Company's website *(www.e-kong.com)*.

Coupon

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 2011, opting for receiving corporate communications by electronic means, will each receive a coupon to purchase the ZONE 7" Android Pad (specifications of the Android Pad are shown at *www.zonetel.com/product_androidpad.shtml*) at the special price of HK$975 (Original price: HK$1,199). 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 29 July 2011.

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

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Web: www.e-kong.com