Annual Report 2011

e-KONG Group Limited

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
Jennifer Wes Saran

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
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Tel: +852 2801 7188
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Stock Codes

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

Website

www.e-kong.com

Principal Share Registrar

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

Branch Share Registrar in Hong Kong

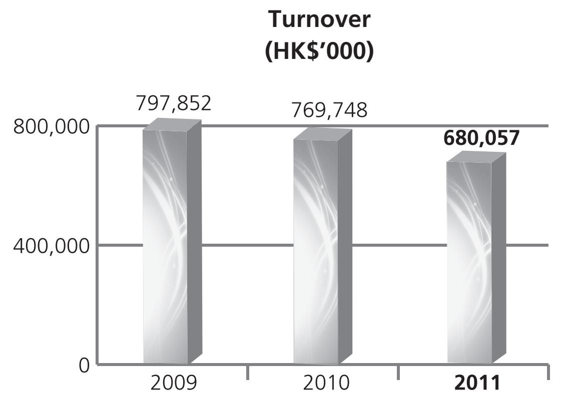
Tricor Secretaries Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

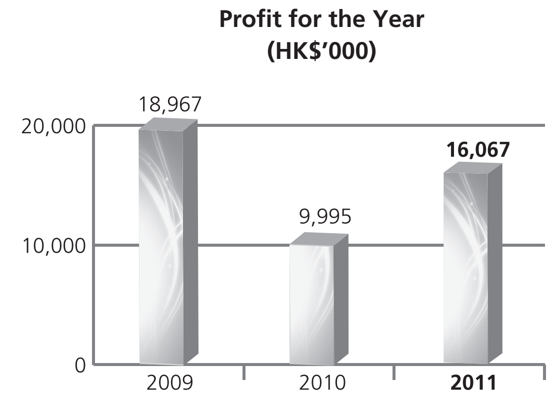
ADR Depositary

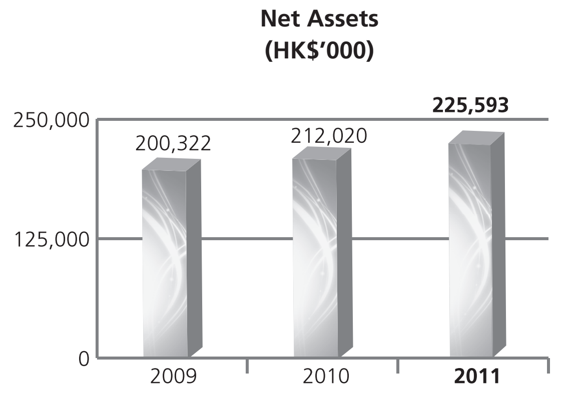
The Bank of New York Mellon
BNY Mellon Shareowner Services
P.O. Box 358516
Pittsburgh, PA 15252-8516
USA

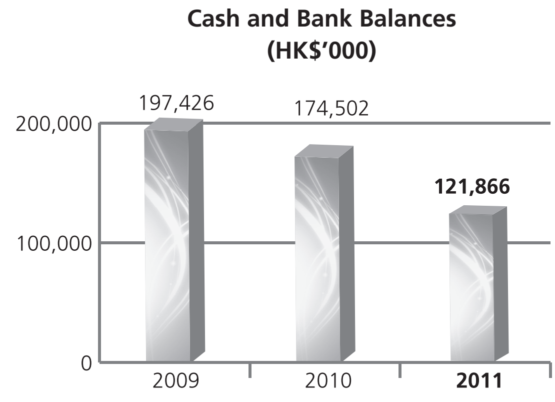
Financial Highlights

	2011 HK$'000	2010 HK$'000	% change
Turnover (from continuing and discontinued operations)	**680,057**	769,748	-12%
Profit for the Year (from continuing and discontinued operations)	**16,067**	9,995	+61%
Net Assets	**225,593**	212,020	+6%
Cash and Bank Balances	**121,866**	174,502	-30%









e-KONG Group currently has a portfolio of business interests in the telecommunications and information technology sectors 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 cashflows and capabilities to produce optimum 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

In 2011, the Group executed certain key strategic initiatives to realign operations as we seek to expand our revenue base into targetted more lucrative segments in the Information and Communications Technologies (ICT) industry. In the US, the completion of the ANZ merger transaction and integration of its operations not only now bring improvements in efficiency, but have also consolidated the merged entity's leading position in the rural ILEC market, as well as strengthening its infrastructure, systems and processes so that new services, primarily data-related, can be offered to the rural ILEC and enterprise sectors in future.

The re-alignment and transformation of the Group's operations is predicated on our understanding of the major trends and identifying market opportunities that are expected to drive significant growth in the ICT industry. We recognise the market trends in the migration of fixed telephony to broadband (VoIP and FTTH, for example), the transition from mobile voice to mobile data and the rapid adoption of IP access and services in place of the old legacy services will present some major drivers for the growth of the Group in next few years.

The replacement of fixed telephony with broadband, in particular mobile broadband, is apparent to everyone today and the process is accelerating. The explosive growth in smartphones, tablets and other consumer and commercial hand-held devices, indicating customers' insatiable demand for high bandwidth mobile data, has redefined the ARPU potential of many telecom operators around the world while at the same time forcing them to upgrade their networks, including rapidly advancing their roll-out plans for 4G capabilities and escalating their need to substitute their existing voice-centric networks with all IP high-capacity optical fibre backhaul and transport networks. This trend has been further accelerated by government-led initiatives to bring broadband access via high-speed fibre-optic connectivity to the masses, such as the Next Generation National Broadband Network (NGNBN) in Singapore and the Connect America Fund to promote broadband access to underserved markets in the US. Concurrently, corporations are also under continuing pressure to reduce capital and operating expenses in their IT and telecom budgets and have to cope with the increasing demand for fast and stable connectivity and "anytime-anywhere" accessibility to their applications and data. They are quickly adopting cloud-based applications and hosting solutions to meet their needs.

Having identified some of the immediate and long-term opportunities in the fixed broadband and mobile data segments, the Group has already made significant progress in planning and executing some of its go-to-market strategies. However, more structural changes to the organisation are still needed, including re-deployment and re-training of existing human resources and augmentation of the current executive teams with sector-focused competencies and depth. The Group will continue to maximise the economies of scale achieved to date and to improve operating efficiencies of its existing voice business sectors in order to remain competitive. Additionally, the Group will invest in appropriate capital expenditure as it develops its network, upgrades its systems and processes as well as enhancing its technological capabilities.

We are already getting encouraging results from our efforts so far in realigning our business units to focus more on the high growth areas. In Asia, ZONE Hong Kong now derives more than half of its total revenue from non-IDD services. Major revenue growth comes from its infrastructure and project-based divisions that supply high-end fibre connectivity products to major telecom operators in the region and provide SIP trunk products and other customised telecom solutions via the broadband networks to overseas customers. ZONE Singapore has completed the installation of its new carrier-grade data switching and routing equipment and its core backbone network is now fully interconnected to the NGNBN infrastructure. It is now ready to offer broadband connectivity and other related services to business customers as well as to pursue a number of sizeable tenders of data solutions to government agencies and multinational corporations.

In the US, with the integration process of combining the ZONE and ANPI operations behind us, ANZ's immediate priority now is to focus on retaining its existing voice-centric businesses in the ILEC, wholesale and enterprise sectors while continuously improving operational efficiencies and service capabilities. Having such a strong position in the telecom market in rural America, ANZ is also devoting its resources to actively pursue a number of synergistic opportunities, for example, new data product offerings and outsourcing services with healthy margins that can at the same time help improve the ARPU of our ILEC customers and reduce their operating costs and capital expenditure requirements. In the enterprise space, with increasing customer demand for cost-effective IP-based solutions, ANZ is formulating its strategies, including working with strategic network partners, to provide a range of broadband services.

The Group continues to have a keen interest in the mobile broadband sector, mainly relating to deployment of 4G networks. We note there will be many opportunities arising from the increasing trend for mobile operators to cooperate among themselves and other players (such as tower companies and managed service vendors) in order to reduce operating and capital spending and to achieve optimal speed-to-market service deliveries. For instance, two main telecom operators in Hong Kong are sharing the use of a common LTE network as well as the frequency spectrum to launch their 4G offerings. In the US, Verizon Wireless, under its Rural LTE Program, leases its 700 MHz frequency spectrum to rural telephone companies to build and operate their own 4G networks. We will further capitalise on our expertise and experience together with our relationships with the relevant industry players, including customers, equipment suppliers and national / regional carrier partners to explore potential growth opportunities in this promising sector of the mobile industry.

Looking ahead, we will continue to focus on maximising the revenue and income contribution from the Group's existing voice business, realigning our business units to position themselves to expand further into the data and mobile sectors. We will also pursue M&A opportunities that could either increase the economies of scale of our business and / or provide operating and systems diversity to enter into other high growth areas that bring significant shareholder value.

Mr. Ye Fengping resigned as a Non-Executive Director on 15 November 2011 and Mrs. Jennifer Wes Saran was appointed as a Non-Executive Director on 1 December 2011. On behalf of the Board of the Group, I would like to express our appreciation to Mr. Ye for his valuable contribution during his tenure and welcome Mrs. Saran to join the Board. 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 continued support.

Richard John Siemens
Chairman

27 March 2012

Business Review

Overview

The year 2011 marked a number of important milestones in the Group's development. In April 2011, the Group completed the 50:50 merger transaction (the "ZONE/ANPI Transaction") whereby the wholly-owned US operating subsidiary Zone Telecom, Inc. ("Zone Telecom") and another comparable telecom operator Associated Network Partners, Inc. ("ANPI") joined forces and created a newly incorporated company, ANZ Communications LLC ("ANZ"), which is owned as to 50% by the Group and 50% by the former holding company of ANPI. The Group's ZONE operations in Asia have also been expanding their scope of business, for example, ZONE Hong Kong is making significant progress in expanding its infrastructure business division that services the telecom operators in Hong Kong and Macau, while ZONE Singapore has launched its high-speed broadband connectivity services by utilising the government-sponsored nationwide Next Generation National Broadband Network (NGNBN).

Upon the completion of the above merger transaction, Zone Telecom (which was converted to become Zone Telecom, LLC prior to closing) ceased to be a subsidiary of the Company. Since the date of completion of the ZONE/ANPI Transaction on 15 April 2011, the results of Zone Telecom, LLC have not been accounted for in the consolidated financial statements of the Group. Instead, the financial performance of ANZ is accounted for by the Group under the proportionate consolidation method. Accordingly, the Group's 2011 financial results comprise, in addition to the Group's operations in Asia, 3½ months (between 1 January to 15 April 2011) of the disposed Zone Telecom and 8½ months (between 16 April to 31 December 2011) of the proportionately accounted results of ANZ. Following the ZONE/ANPI Transaction, the financial performance of the former Zone Telecom's operations for the first 3½ months of 2011 is, in accordance with the applicable accounting standards, categorised as "Discontinued Operation", while that of the Group (other than the said former Zone Telecom's operations), including the financial performance of ANZ for the 8½ months proportionately accounted for in the Group's consolidated financial statements, is categorised as "Continuing Operations". The comparative financial results of the Group for the year 2010 have also been re-presented to conform with the current year presentation.

In light of the aforementioned changes in the presentation of the Group's financial statements in compliance with applicable accounting standards, the Group's turnover from its continuing operations increased by 526.5% to HK$474.6 million in the year 2011, comprising the Group's operations in Asia and its proportionate share of financial performance of ANZ since the date of completion of ZONE/ANPI Transaction, when compared to HK$75.8 million for the prior year which does not take into account the financial performance of Zone Telecom's operations. The profit attributable to equity holders of the Company from its continuing and discontinued operations recorded by the Group for the year, in aggregate, amounted to HK$16.8 million compared to HK$10.1 million for the prior year. The Group's financial position as at year end 2011 remains strong with its net asset value increasing from HK$212.0 million as at 31 December 2010 to HK$225.6 million as at the end of 2011.

ANZ, United States

Following the closing of the ZONE/ANPI Transaction, the management of ANZ focused their efforts on executing the integration plans and this process is now essentially completed. A number of synergy targets, including integrating network and IT infrastructure, standardising order entry and provisioning systems, centralising billing systems, streamlining human resources requirements, realignment of the organisational structure and unification of accounting / financial systems, have been set and are expected to be achieved. Resulting improvements in operating efficiencies have not only contributed positively towards ANZ's operating results but have also better prepared ANZ to combat on-going competition and significant regulatory changes which continue to negatively impact the industry. For instance, there had been many reported instances of "access avoidance" schemes practiced by certain competing carriers to manipulate call data to avoid paying access charges to local telephone companies, thus reducing their termination costs. Similarly, certain other carriers wrongfully decline or neglect to complete termination of calls in rural locations where the regulatory authorities impose higher terminating access charges. Such violations and unfair tactics have had a material adverse impact on the wholesale and Independent Local Exchange Carrier ("ILEC") markets, causing volatility in pricing and margins. Furthermore, the Federal Communications Commission (FCC) recently announced reforms on Universal Services Fund (USF) and Inter-Carrier Compensation (ICC) whereby approximately half of future USF will be redirected to developing broadband services, hence reducing the subsidy for voice services in the ILECs. These regulatory alterations are anticipated to gradually redirect telecom usage from voice to data over time.

The above notable changes in the market segment that ANZ is servicing create however, can at the same time present certain unique business opportunities for ANZ. For example, basing on the on-going public concern with, and efforts to resolve, the "access avoidance" practice issue, ANZ built on its close relationship with rural ILECs to secure number of long term tandem service contracts with impacted ILECs. ANZ is also looking at other margin improvement opportunities such as offering "shared services" to assist ILEC's to lower on-going business running costs.

Zone Telecom, Asia

During 2011, ZONE Asia recorded turnover of HK$82.9 million, representing a 10.6% increase when compared to HK$74.9 million for the prior year. The increase in the revenue was mainly derived from non-IDD services, in particular showing a marked increase in revenue contribution from ZONE's newest infrastructure business division supplying high-end connectivity products to major telecom operators in Hong Kong and Macau. In addition, ZONE Hong Kong continued to expand its solution/project-based offerings, extending its revenue opportunities from providing telecom complementary services, such as Fax2Email and IP-based telecom solutions, to corporate customers having a presence in multiple locations. ZONE Hong Kong also successfully secured a number of new IT projects in Hong Kong, including the implementation and management of an internet security solution for one of the largest property agencies with over 150 locations in Hong Kong. In the course of expanding its business offerings, ZONE Hong Kong further widened its array of products and services by forming commercial and strategic alliances with a number of well-known equipment suppliers and software developers.

ZONE Singapore has made significant progress in its transformation from a voice-centric service provider to a full-service telecom operator. With the completion of its data network and infrastructure, ZONE Singapore has become one of the first Services Based Operators in Singapore to offer both international voice and data services. It now offers to the market ultra high-speed broadband services for up to 1Gbps over Singapore's Next Generation Nationwide Broadband Network (NGNBN) covering close to 90% of the country. ZONE Singapore also kicked off its project-based business following it being awarded a contract from the Ministry of Education of Singapore to provide a Wi-fi network with high-speed internet access to education institutions in the country.

RMI, Hong Kong

Relevant Marketing (RMI), the re-branded entity that holds the Group's insurance distribution operations, continued its expansion into new and non-traditional distribution methods for general insurance products. During the fourth quarter of 2011, RMI successfully concluded a long term arrangement with one of its major partners, Convoy Financial Services Holdings Ltd. (HKSE: 1019.HK). Convoy is well established in providing financial advisory services in Hong Kong, with a principal focus on the development and delivery of financial and insurance-linked offerings, and now, with the support of RMI, is positioned to capture a sizeable market share of the consumer general insurance business. RMI will play a supporting role in sales, marketing, customers service and product development in this business cooperation with Convoy.

RMI, in conjunction with major insurers and vertical industry-leading network partners, is making final preparations to launch branded general insurance-related products to the public. These products represent the first retail-driven insurance-related offerings to be promoted in Hong Kong and are expected to enjoy mass, multi-distribution channel support, customised to satisfy the specific needs of individual end customers. Convenience, online access and mass market distribution will be the key product distribution differentiation compared to the traditional insurance distribution model.

Outlook

Looking ahead to 2012, while recognising and mitigating the adverse impact arising from the on-going competitive pricing pressures and regulatory reforms in the telecom voice market, the Group's key focus will be to accelerate its efforts to broaden its revenue base through aggressive but structured business diversification initiatives and M&A activities. In the United States, ANZ will look into opportunities to develop new categories of services as well as mergers and acquisitions to aggregate scale, enhance its network infrastructure and improve efficiency. In Asia, ZONE will capitalise on the explosive demand for broadband connectivity through offering broadband and cloud computing solutions. In Hong Kong, RMI is expected to launch branded general insurance-related products to the public. The Group will also pursue a number of projects, both within and outside the Group's existing market areas, which are expected to bring substantial value to shareholders.

Financial Review

General Overview

During 2011, changes which had a material impact on the Group's business (continuing and discontinued activities) are set out below.

On 29 September 2010, ANPI Holding, Inc. ("ANPI Holding") and Zone USA, Inc. ("ZONE US") executed an agreement (the "Contribution Agreement") whereby each of ANPI Holding and ZONE US would, following internal reorganisations, contributed their entire interests in their respective wholly-owned subsidiaries in return for 50% stakes in a newly incorporated company called ANZ Communications LLC ("ANZ"). ANPI Holding and ZONE US each has equal representation on the Board of ANZ.

The ZONE/ANPI Transaction was approved by shareholders of the Company at an extraordinary general meeting of the Company held on 9 December 2010, and completion took place on 15 April 2011.

Accordingly, the results of the former ZONE US operations, comprising that of Zone Telecom, Inc. (and subsequently converted to become Zone Telecom, LLC) for the period from 1 January 2011 to the date of completion of the ZONE/ANPI Transaction, as well as the results arising from the disposal of Zone Telecom, Inc. are separately presented as a "discontinued operation" in the Consolidated Income Statement. As a result and in accordance with Generally Accepted Accounting Principles in Hong Kong, for comparative purposes, the results of the Group for the prior year have been re-presented to the effect that the financial results of the ZONE US operations are re-categorised as discontinued operation.

As stated in the circular to the shareholders of the Company dated 17 November 2010, the Group's interests in ANZ are accounted for by the proportionate consolidation method. Following the completion of the Contribution Agreement, the results of ANZ are therefore proportionally consolidated with the Group results and presented under continuing operations. This is the main reason for the significant comparison differences in turnover, operating margins and operating expenses over the year from the prior year, as further elaborated on below.

Continuing Operations

During the year, Group turnover increased by 526.5% from HK$75.8 million to HK$474.6 million as the previous year turnover for the period 1 January 2010 to 31 December 2010 relating to a disposed subsidiary has been categorised under discontinued operation.

The overall gross margin was down from 55.4% to 25.9% due mainly to the reclassification of a disposed subsidiary to discontinued operation as above, and disparities in gross margins generated from Group operations in Asia and the US.

Total operating expenses, including one-off restructuring costs associated with the ZONE/ANPI Transaction, were HK$133.8 million which represents 28.2% of turnover compared to the ratio of total operating expenses as a percentage of turnover of 75.4% in the prior year.

Results of Continuing Operations

The operating results during the year amounted to a loss of HK$9.1 million as compared to a loss of HK$14.3 million for the previous year.

Discontinued Operation

Turnover from the discontinued operation was HK$205.5 million compared to HK$694.0 million for the 12–month period ended 31 December 2010, a decrease of 70.4%. This is due mainly to the shorter reporting time frame for the discontinued operation for the current period, which only covered the 3½ months from 1 January 2011 to 15 April 2011.

The overall gross margin was down from 17.8% to 16.1% due essentially to the volatility in supplier carrier rates experienced at the beginning of the year which had a direct impact on operating margins.

Total operating expenses, including one-off restructuring costs associated with the ZONE/ANPI Transaction, were HK$37.0 million which represents 18.0% of turnover compared to 16.8% in the previous year.

Results of Discontinued Operation

The operating results for the year amounted to a loss of HK$3.9 million compared to a profit of HK$7.2 million for the previous year.

The total profit for the first 3½ months of 2011 was HK$29.3 million compared to a profit of HK$26.1 million for the previous year, after recognising a gain on disposal of the US subsidiary of HK$52.4 million, partially offset by a deferred income tax charge of HK$17.8 million for the year.

Consolidated Profit

The consolidated profit attributable to equity holders of the Company amounted to HK$16.8 million, as compared to HK$10.1 million for the previous year, primarily attributable to the gains arising from the ZONE/ANPI Transaction.

The Group's EBITDA for the year amounted to HK$0.4 million compared to HK$3.5 million for the previous year.

Capital Structure, Liquidity and Financing

During the year, the Group continued to have a healthy liquidity position and as at 31 December 2011, the net assets of the Group increased to HK$225.6 million when compared to HK$212.0 million as at 31 December 2010 and, accordingly, the net assets per share increased from HK$0.405 as at 31 December 2010 to HK$0.433 as at year end of 2011.

The net asset values increase was mainly due to the shared ANZ's financial statements by way of the proportionate consolidation of ANZ's financial statements.

Capital expenditure for the year amounted to HK$5.6 million primarily in respect of the development of a new billing system, upgrading of switching facilities and acquisitions of network equipment.

Cash and bank balances (excluding pledged bank deposits) reduced from HK$174.5 million at the end of 2010 to HK$121.9 million as at 31 December 2011. In addition, as at 31 December 2011, the Group maintained pledged bank deposits of HK$2.3 million, compared to HK$2.3 million as at 31 December 2010, to banks for guarantees made to suppliers.

There were no outstanding bank borrowings as at 31 December 2011 (2010: Nil).

The Group's liabilities under equipment lease financing increased by 96.5% to HK$0.9 million as at 31 December 2011 when compared to HK$0.5 million as at 31 December 2010 mainly attributable to the proportionate consolidation of ANZ's financial statements.

The Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets, remained at the low level of 0.4% (2010: 0.2%).

During the year, the Company repurchased 1,400,000 shares of HK$0.01 each in the capital of the Company on the Stock Exchange, at prices ranging from HK$0.50 to HK$0.85 per share, for an aggregate cash consideration of approximately HK$1,020,000 including transaction costs. The repurchased shares, including the repurchased 494,200 shares with an aggregate cash consideration of approximately HK$247,000 in December 2010, were cancelled in January and February 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 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, the Group will, whenever appropriate, take any necessary action to reduce such exchange risks. In this regard, as at 31 December 2011, no related hedges had yet been undertaken by the Group.

Contingent Liabilities and Commitments

As at 31 December 2011, there were no material contingent liabilities or commitments.

Board of Directors

Richard John Siemens, 67, 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 Sprintex Limited (formerly known as 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, 52, 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, 50, 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.

Jennifer Wes Saran, 56, Non-executive Director, was appointed in December 2011. She was a pioneer for women in the telecommunications industry. Since 1978 and for over 16 years, she took leading roles in managing sales to Fortune 100 clients in the U.S., to running the communications sector sales in the Philippines. Subsequently, Mrs. Saran launched Motorola's regulatory lobbying effort across 23 countries in Asia Pacific in spectrum allocation and telecommunications policy in emerging markets. She has also managed Teleglobe Canada's business development in North and Southeast Asia, and run her own IDD brokerage business. Currently, she is a co-founder of the Mind Group executive recruitment group operating across India, Hong Kong and Singapore.

John William Crawford J.P., 69, 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. 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, 72, 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.

Shane Frederick Weir, 57, 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.

Company Secretary

Lau Wai Ming Raymond, 41, 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 performing their responsibilities 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 perform 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") and the Corporate Governance Code 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 2011, 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 Mrs. Jennifer Wes Saran, and three independent non-executive directors, namely, Mr. John William Crawford J.P., Mr. Gerald Clive Dobby and Mr. Shane Frederick Weir. Mr. Siemens is the Chairman of the Company.

Except for the deviation described below, no director of the Company is aware of any information which would reasonably indicate that the Company is not, or was not at any time during the year ended 31 December 2011, acting in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

Code provision A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive 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 (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 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 in the same person enables corporate planning and directing execution of business plans and growth strategies to be more effective. At the same time, it is believed that the balance of power and authority 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.

Induction and continuing professional development of directors

Each newly appointed director receives induction on the first occasion of his / her appointment, so as to ensure that he / she has appropriate understanding of the business and operations of the Company and that he / she is fully aware of his / her responsibilities and obligations under the Listing Rules, the Corporate Governance Code and other applicable regulatory requirements.

There are also arrangements in place in respect of providing continuing professional development to directors as necessary in order to facilitate the performance of their duties.

Company Secretary

The company secretary reports directly to the Chairman of the Company and supports the Board and each committee to ensure proper policy and procedures are followed. The company secretary also provides directors with the latest information on the Listing Rules and other applicable regulatory requirements to update and strengthen director awareness of developments in maintaining strong corporate governance. The company secretary is an employee of the Company.

Board meetings

The Board meets regularly and on those occasions when a Board decision is required for major issues. Members of the Board are provided with adequate and timely information prior to Board meetings to ensure that the directors can make informed decisions when fulfilling their responsibilities. During the year under review, the Board held four meetings and the average attendance rate at the meetings in 2011 was 97% as set out below.

Name of Director	**Attendance / Number of Board Meetings in 2011**	**Attendance Rate**
Richard John Siemens *(Chairman)*	3 / 4	75%
Lim Shyang Guey	4 / 4	100%
William Bruce Hicks	4 / 4	100%
Jennifer Wes Saran *(appointed on 1 December 2011)*	1 / 1	100%
Ye Fengping *(resigned on 15 November 2011)*	3 / 3	100%
John William Crawford J.P.	4 / 4	100%
Gerald Clive Dobby	4 / 4	100%
Shane Frederick Weir	4 / 4	100%

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

Minutes of meetings and written resolutions of the Board as well as its committees are kept by the Company Secretary and such records are available for inspection by directors at all reasonable times.

Appointment and re-election

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

In accordance with the Company's Bye-laws, not less than one-third of the directors for the time being will retire from office by rotation at each annual general meeting, provided that every director shall be subject to retirement by rotation at least once every three years. Any director appointed to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, Mr. Richard John Siemens, Mrs. Jennifer Wes Saran and Mr. John William Crawford J.P. 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 chief financial officer and the company secretary. 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 members are also engaged in frequent informal discussions. In 2011, sixteen formal meetings were held and the attendance rate at the meetings in 2011 was 100% as set out below.

Name of Director / Officer	**Attendance / Number of Executive Management Committee Meetings in 2011**	**Attendance Rate**
Richard John Siemens *(Chairman of the Committee)*	16 / 16	100%
Lim Shyang Guey	16 / 16	100%
Wong Wei Kit Anthony *(chief financial officer)* *(appointed on 9 December 2011)*	0 / 0	N / A
Lau Wai Ming Raymond *(company secretary)* *(appointed on 9 December 2011)*	0 / 0	N / A

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, 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. These terms of reference were adopted by the Board in the past and subsequently revised in accordance with the Corporate Governance Code and are incorporated in the written corporate policies of the Company. The terms of reference and related written corporate policies of the Company are under regular review by the committee and 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 2011, 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 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 unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2011 and the audited consolidated financial statements of the Group for the year ended 31 December 2011.

The attendance rate at the meetings in 2011 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 2011**	**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%

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 laid out in their audit plans. Any non-compliance matters and internal control weaknesses noted during the 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 the composition of the Remuneration Committee was changed on 27 March 2012 in compliance with Rule 3.25 of the Listing Rules that requires the committee to be chaired by an independent non-executive director. Accordingly, the Remuneration Committee is now comprised of Mr. Shane Frederick Weir as the Chairman of the committee and Mr. John William Crawford J.P., both independent non-executive directors, and Mr. Richard John Siemens, the Chairman of the Board. 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 is 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 with delegated responsibility, the remuneration packages of individual executive directors and senior management, reviewing and approving management's remuneration proposals 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 2011**	**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%

* *Appointed as the Chairman of the committee on 27 March 2012 in place of Mr. Richard John Siemens. Mr. Siemens remains as a member of the Committee.*

Nomination Committee

The Nomination Committee was formulated on 9 December 2011 by the Board and comprises Mr. Richard John Siemens as the Chairman of the committee, together with Mr. John William Crawford J.P. and Mr. Gerald Clive Dobby, both 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, was adopted by the Board in accordance with the Corporate Governance Code and is 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 identifying, recruiting and evaluating new nominees to the Board and the assessment of the qualifications of all directors. The criteria adopted to select and recommend candidates for directorship include the candidate's experience, professional knowledge, integrity, time commitment and other statutory or regulatory requirements, together with addressing and dealing with such other matters relating to nominations as directed by the Board from time to time.

No meetings were held during the year under review as all members of the Nomination Committee were only appointed by the Board on 27 March 2012.

Annual General Meeting

The 2011 Annual General Meeting of the Company was held on 31 May 2011. All directors and the auditor of the Company attended the meeting.

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 2011 that give a true and fair view in accordance with the statutory requirements and applicable reporting standards.

Internal controls

The Board has overall responsibility for maintaining the Group's internal control systems and reviewing their effectiveness. The internal control systems of the Group are designed to provide reasonable assurance against material misstatements or losses, to manage the risks 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 conducts regular reviews of material business processes and procedures in the Group's operations. 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, 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 in respect of, among others, legal actions against them and arising out of corporate activities. 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 2011.

Auditors' remuneration

For the year ended 31 December 2011, the remuneration payable to the auditors of the continuing and discontinued operations of the Group (including 50% of such remuneration payable by the jointly-controlled entities) amounted to approximately HK$3,507,000, of which HK$2,675,000 related to audit services and HK$832,000 to taxation and other non-audit services.

Shareholders' rights

The Company endeavours to ensure equality among all shareholders, especially minority shareholders so that they can fully exercise their rights and undertake their obligations, and to ensure that shareholders are informed and able to participate in the important matters of the Company by establishing effective channels for the Company to communicate with the shareholders. The Company complies strictly with the relevant requirements in respect of voting matters and voting procedures so as to safeguard the legal interests of the Company and its shareholders. The Company encourages its shareholders to participate in general meetings and express their opinions at such meetings.

Shareholders holding not less than one-tenth of the paid-up capital of the Company carrying the right to vote at general meetings may deposit with the Company a written requisition to convene an extraordinary general meeting ("EGM") at the Company's principal place of business at 3705, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong and marked for the attention of the Board of directors or the company secretary.

The written requisition must state the objects of the meeting, signed by the shareholder(s) concerned and may consist of one or more documents in like form, each signed by one or more of those shareholder(s).

The written requisition will be verified by the Company's share registrar and upon confirmation that the written requisition is proper and in order, the company secretary will request the Board to convene an EGM by serving a proper meeting notice in compliance with all applicable legal and regulatory requirements to all registered shareholders of the Company.

Procedures for a Shareholder to Propose a Person for Election as a Director

In accordance with the bye-laws of the Company, a shareholder may propose a person for election as a director of the Company at any annual general meeting by lodging the following documents at the principal place of business of the Company in Hong Kong at 3705 Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong for the attention of the Board of directors or the company secretary or at its Branch Share Registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong:

1. A notice in writing signed by a shareholder (other than the person to be proposed) of the intention to propose that person for election as a director; and

2. A notice in writing signed by that person of his willingness to be elected as a director including that person's biographical details as required by Rule 13.51(2) of the Listing Rules.

The period for lodgement of the notices shall be seven (7) days commencing from the day after the despatch of the notice of the annual general meeting appointed for such election.

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 2011.

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 cashflows and capabilities to produce optimum returns on capital.

In the United States, ANZ Communications LLC ("ANZ") is a holding company equally owned by Zone USA, Inc. and ANPI Holding, Inc. In turn, Zone USA, Inc. is a wholly-owned subsidiary of the Company and ANPI Holding Inc. is owned by approximately 130 Rural Local Exchange Carriers (RLECs). ANZ, through its Federal Communications Commission (FCC) –licensed operating subsidiaries ANPI, LLC and Zone Telecom, LLC, provides a variety of voice and data telecommunication services to RLECs, competitive local exchange carriers (CLECs), inter-exchange carriers (IXCs), as well as corporate enterprise and residential customers throughout the U.S. ANZ's network includes voice and data switching facilities and a SONET-based network spanning cities such as Atlanta, Chicago, Dallas, New York City, Las Vegas and Los Angeles. The Company's Network Operations Center is located in Frisco, Texas near Dallas. ANZ provides wholesale voice and data services to about 700 RLECs and their affiliates, which represents approximately 6% of all telephone lines in the U.S. and 70% of the rural telephone companies market.

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 servicing both SMEs and large corporations as well as carriers (*www.zonetel.com*). ZONE Hong Kong also offers to customers, in addition to IDD services and a range of value-added services, an array of products and services including IP telephony (consultancy, implementation, Hong Kong call origination and international termination), telecom connectivity hardware, a customer relationship management system (ZONE CRM) and various enterprise and carrier-grade telecommunications facilities.

In China, 深圳盈港科技有限公司 ("ZONE China"), a wholly-owned subsidiary of the Company, 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, serving cross-border telecommunication needs of customers in Hong Kong and overseas.

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. ZONE Singapore (*www.zone1511.com.sg*) offers a comprehensive suite of voice and data services and solutions to business organisations and residential customers.

Descriptions of the activities of other principal subsidiaries of the Company are set out in note 16 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 2011 are set out in note 34 to the consolidated financial statements.

Results and dividends

The results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement on page 29.

The Board does not recommend payment of a dividend for the year ended 31 December 2011 (2010: 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 84.

Major customers and suppliers

In the year under review, the aggregate turnover attributable to the five largest customers of the Group accounted for approximately 11.6% of total turnover of the Group's continuing and discontinued operations for the year, and sales to the largest customer included therein amounted to approximately 3.0%.

The aggregate purchases attributable to the five largest suppliers of the Group accounted for approximately 48.7% of total purchases of the Group's continuing and discontinued operations for the year, and purchases from the largest supplier included therein amounted to approximately 15.5%.

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 13 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 27 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
Jennifer Wes Saran *(appointed on 1 December 2011)*
Ye Fengping *(resigned on 15 November 2011)*

Independent Non-executive Directors:

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

Biographical details of directors of the Company are set out on page 11 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, Mr. Richard John Siemens, Mrs. Jennifer Wes Saran and Mr. John William Crawford J.P. will retire by rotation at the forthcoming annual general meeting and are eligible for re-election.

Directors' interests in securities

As at 31 December 2011, 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	125,250,200 *(Note 1)*	24.0%
Jennifer Wes Saran	Personal	1,841,200	0.4%
	Held by controlled corporations	74,676,461 *(Note 2)*	14.3%
William Bruce Hicks	Personal	3,949,914	0.8%
	Held by a controlled corporation	67,962,428 *(Note 3)*	13.0%
Lim Shyang Guey	Personal	3,830,000	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. *25,250,000 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. *74,676,461 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.*

3. *67,962,428 Shares are beneficially owned by Great Wall Holdings Limited, a company controlled by Mr. William Bruce Hicks.*

All interests disclosed above represent long positions in the shares of the Company and there were no underlying shares held by the directors as at 31 December 2011.

Save as disclosed above, as at 31 December 2011, 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 2014 or, in the case of Mrs. Jennifer Wes Saran and Mr. Gerald Clive Dobby, on 31 December 2012 and thereafter are 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 2011, none of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

Directors' interests in contracts of significance

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

Substantial shareholders

As at 31 December 2011, the interests and short positions of the persons, other than the directors or the chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company, are set out below.

Name of shareholder	Number of Shares* held	Approximate percentage of shareholding
Goldstone Trading Limited	100,000,200	19.2%
Future (Holdings) Limited	74,676,461	14.3%
Ganado Investments Corporation Ltd.	74,676,461	14.3%
Great Wall Holdings Limited	67,962,428	13.0%

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

The above interests represent the same interests as the corporate interests of Mr. Richard John Siemens (being held through Goldstone Trading Limited), Mrs. Jennifer Wes Saran (being held through Future (Holdings) Limited and Ganado Investments Corporation Ltd) and Mr. William Bruce Hicks (being held through Great Wall Holdings Limited).

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

Save as disclosed above, as at 31 December 2011, 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 25 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 26 to the consolidated financial statements.

Particulars of principal subsidiaries

Particulars regarding the principal subsidiaries of the Company are set out in note 16 to the consolidated financial statements.

Liquidity

As at 31 December 2011, the Group managed to maintain stable liquidity with cash and cash equivalents (including pledged deposits) of approximately HK$124.2 million (2010: HK$176.8 million).

Bank borrowings

There were no outstanding bank borrowings as at 31 December 2011 (2010: 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 2011, altogether 128 employees (comprising the headcount of the Group of 72 and half of the headcount of ANZ of 56) (2010: 131) were engaged in the Group's operations in the United States, China, Hong Kong and Singapore. The Group's total staff costs in its continuing and discontinued operations for 2011 (including half of ANZ's staff costs) were HK$76.8 million when compared to HK$74.5 million for 2010. The Group maintains good relationships with its employees and none are 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 2011 and 2010, there were no outstanding share options under the Company's share option scheme.

Change in Information on Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, a change in information on a director subsequent to the date of the 2010 Annual Report is set out below.

Mr. Richard John Siemens reported to the Company on 30 November 2011 that the name of Automotive Technology Group Limited, a company on which he serves as the non-executive chairman, was changed to Sprintex Limited. Save as disclosed above, there are no other changes of directors' biographical 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 years ended 31 December 2011 and 2010, the Company repurchased 1,894,200 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
January 2011	1,270,000	0.850	0.500	926,900
February 2011	130,000	0.700	0.620	87,500

All repurchased shares were cancelled in January and February 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 benefitting shareholders as a whole by 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.

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 2011 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 four consecutive years.

By Order of the Board

Lau Wai Ming Raymond
Company Secretary

27 March 2012

MAZARS

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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 29 to 83, which comprise the consolidated and the Company's statement of financial position as at 31 December 2011, 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 information.

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.

MAZARS

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 2011 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, 27 March 2012

Eunice Y M Kwok
Practising Certificate number: P04604

Consolidated Income Statement

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
CONTINUING OPERATIONS			
Turnover	3	**474,606**	75,750
Cost of sales		**(351,472)**	(33,752)
Gross profit		**123,134**	41,998
Other revenue and income	4	**1,626**	783
		124,760	42,781
Selling and distribution expenses		**(22,182)**	(3,752)
Business promotion and marketing expenses		**(3,215)**	(3,085)
Operating and administrative expenses		**(93,010)**	(46,512)
Other operating expenses		**(15,403)**	(3,758)
Loss from operations		**(9,050)**	(14,326)
Finance costs	5(a)	**(132)**	–
Share of results of an associate	17	**84**	–
Loss before taxation		**(9,098)**	(14,326)
Taxation (charges)	7	**(4,148)**	(1,771)
Loss for the year from continuing operations		**(13,246)**	(16,097)
DISCONTINUED OPERATION	8		
Profit for the year from discontinued operation		**29,313**	26,092
Profit for the year	5	**16,067**	9,995
Profit / (Loss) for the year attributable to:			
Equity holders of the Company	9		
Continuing operations		**(12,485)**	(16,034)
Discontinued operation		**29,313**	26,092
		16,828	10,058
Non-controlling interests			
Continuing operations		**(761)**	(63)
Profit for the year		**16,067**	9,995

Consolidated Income Statement (continued)

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
EBITDA	*10*		
Continuing operations		**2,554**	(11,861)
Discontinued operation		**(2,161)**	15,353
		393	3,492
		HK cents	*HK cents*
Earnings / (Loss) per share	*12*		
Basic and diluted			
Continuing operations		**(2.4)**	(3.1)
Discontinued operation		**5.6**	5.0
Continuing and discontinued operations		**3.2**	1.9

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	2011 *HK$'000*	2010 *HK$'000*
Profit for the year	**16,067**	9,995
Other comprehensive (loss) / income for the year		
Released from exchange reserve upon disposal of subsidiary	**(939)**	–
Exchange differences on translation of foreign subsidiaries	**(535)**	1,950
Total comprehensive income for the year	**14,593**	11,945
Total comprehensive income / (loss) for the year attributable to:		
Equity holders of the Company		
Continuing operations	**(13,020)**	(14,084)
Discontinued operation	**28,374**	26,092
	15,354	12,008
Non-controlling interests		
Continuing operations	**(761)**	(63)
Total comprehensive income for the year	**14,593**	11,945

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	13	**31,495**	17,651
Intangible assets	14	**20,985**	–
Goodwill	15	**33,527**	–
Interests in an associate	17	**924**	–
Deferred tax assets	24	**12,453**	34,093
		99,384	51,744
Current assets			
Inventories	18	**1,454**	–
Trade and other receivables	19	**81,627**	94,755
Pledged bank deposits	20	**2,316**	2,320
Cash and bank balances	21	**121,866**	174,502
		207,263	271,577
Current liabilities			
Trade and other payables	22	**78,444**	108,626
Current portion of obligations under finance leases	23	**826**	156
Taxation payable		**1,374**	1,812
		80,644	110,594
Net current assets		**126,619**	160,983
Total assets less current liabilities		**226,003**	212,727
Non-current liabilities			
Obligations under finance leases	23	**62**	296
Deferred tax liabilities	24	**348**	411
		410	707
NET ASSETS		**225,593**	212,020
Capital and reserves			
Share capital	25	**5,210**	5,229
Reserves	27	**221,213**	206,791
Equity attributable to equity holders of the Company		**226,423**	212,020
Non-controlling interests	27	**(830)**	–
TOTAL EQUITY		**225,593**	212,020

Approved and authorised for issue by the Board of Directors on 27 March 2012

Richard John Siemens
Director

Lim Shyang Guey
Director

Statement of Financial Position

As at 31 December 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
Non-current assets			
Property, plant and equipment	*13*	**2,233**	2,093
Interests in subsidiaries	*16*	**165,202**	98,087
		167,435	100,180
Current assets			
Trade and other receivables	*19*	**27,189**	1,841
Pledged bank deposits	*20*	**915**	914
Cash and bank balances	*21*	**31,946**	98,170
		60,050	100,925
Current liabilities			
Trade and other payables	*22*	**2,091**	9,928
Net current assets		**57,959**	90,997
NET ASSETS		**225,394**	191,177
Capital and reserves			
Share capital	*25*	**5,210**	5,229
Reserves	*27*	**220,184**	185,948
TOTAL EQUITY		**225,394**	191,177

Approved and authorised for issue by the Board of Directors on 27 March 2012

Richard John Siemens
Director

Lim Shyang Guey
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Share repurchase reserve HK$'000	Contributed surplus HK$'000	Accumulated profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 January 2010	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 / (loss) 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	–	–	–	–	–	(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
Profit for the year	–	–	–	–	–	–	–	16,828	16,828	(761)	16,067
Other comprehensive loss for the year											
Released from exchange reserve upon disposal of subsidiary	–	–	(939)	–	–	–	–	–	(939)	–	(939)
Exchange differences on translation of foreign subsidiaries	–	–	(535)	–	–	–	–	–	(535)	–	(535)
Total comprehensive income / (loss) for the year	–	–	(1,474)	–	–	–	–	16,828	15,354	(761)	14,593
Transactions with equity holders of the Company											
Repurchase of own shares for cancellation *(note 25(b))*	(19)	(1,248)	–	19	–	247	–	(19)	(1,020)	–	(1,020)
Deemed partial disposal of a subsidiary	–	–	–	–	69	–	–	–	69	(69)	–
Total transactions with equity holders of the Company	(19)	(1,248)	–	19	69	247	–	(19)	(951)	(69)	(1,020)
As at 31 December 2011	**5,210**	**67,093**	**2,804**	**25**	**6**	**–**	**83,489**	**67,796**	**226,423**	**(830)**	**225,593**

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES			
Cash used in operations	28	**(21,109)**	(7,219)
Income taxes paid		**(883)**	(3,478)
Interest received		**624**	455
Interest paid		**(1,327)**	–
Interest on obligations under finance leases		**(115)**	(50)
Net cash used in operating activities		**(22,810)**	(10,292)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(5,648)**	(14,044)
Proceeds from disposal of property, plant and equipment		**10**	12
Repayment from an associate		**4,516**	–
Net cash outflow on disposal of subsidiary and investment in jointly-controlled entity	29	**(25,911)**	–
Net cash used in investing activities		**(27,033)**	(14,032)
FINANCING ACTIVITIES			
Shares repurchased		**(1,020)**	(247)
Repayment of obligations under finance leases		**(1,577)**	(143)
Net cash used in financing activities		**(2,597)**	(390)
Net decrease in cash and cash equivalents		**(52,440)**	(24,714)
Cash and cash equivalents as at 1 January		**174,502**	197,426
Exchange (losses) / gains on cash and cash equivalents		**(196)**	1,790
Cash and cash equivalents as at 31 December	21	**121,866**	174,502

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

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, associate and jointly-controlled entities of the Company are disclosed in notes 16, 17 and 35 to the consolidated financial statements, respectively.

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 2010 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

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 was revised to include a new definition of related parties and to provide a partial exemption from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with:

(a) a government that has control, joint control or significant influence over the reporting entity; and
(b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

The Group adopted the new definition in its accounting policies but such adoption does not have an effect on the disclosures made in these consolidated financial statements.

Improvements to HKFRS 2010 – Improvements to HKFRS 2010

The improvements comprise a number of improvements to HKFRS including the following that are considered to be relevant to the Group:

Amendments to HKFRS 3 (Revised): Business Combinations

The amendments clarify the transitional requirements for contingent consideration from a business combination that occurred before the effective date of HKFRS 3 (Revised) and specify that the application guidance in HKFRS 3 (Revised) applies to all unexpired share-based payment awards that form part of a business combination, regardless of whether the acquirer is obliged to replace the award. They also clarify that only the entity with present ownership instruments that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation can choose to measure the non-controlling interests at fair value or the non-controlling interests' proportionate share of the acquiree's identifiable net assets. These amendments have no effect to these consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Adoption of new and revised HKFRS *(continued)*

Improvements to HKFRS 2010 – Improvements to HKFRS 2010 (continued)

Amendments to HKAS 1 (Revised): Presentation of Financial Statements: Clarification of Statement of Changes in Equity

The amendments clarify that the reconciliation of each component of other comprehensive income may be presented either in the statement of changes in equity or in the notes to the financial statements. The Group has decided to continue presenting the reconciliation on the face of the statement of changes in equity.

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. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement is made on an acquisition-by-acquisition basis.

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.

Changes in ownership interests

Changes in the Group's ownership interests 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.

When disposal of a subsidiary represents a contribution to a jointly-controlled entity in exchange for an equity interest in the jointly-controlled entity, only the portion of a gain or loss attributable to the equity interests of the other venturers is recognised in profit or loss for the period. The unrealised gain or loss is eliminated against the underlying assets contributed to the jointly-controlled entity under proportionate consolidation accounting method.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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.

Associates

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

The Group's investment in an associate is accounted for under the equity method of accounting. The consolidated income statement includes the Group's share of the post-acquisition results of the associate for the year. The consolidated statement of financial position includes the Group's share of the net assets of the associate and also goodwill. The Group discontinues recognising its share of further losses when the Group's share of losses of the associate equals or exceeds the carrying amount of its interests in the associate, which includes any long term interests that, in substance, form part of the Group's net investment in the associate.

Joint venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Jointly-controlled entities

The Group's interests in a jointly-controlled entity are accounted for by proportionate consolidation accounting method, which involves recognising its share of the jointly-controlled entity's assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis. Profits and losses resulting from the transactions between the Group with its jointly-controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly-controlled entity that are not related to the Group.

Goodwill

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. Goodwill arising on an acquisition of an associate or a jointly-controlled entity is measured at the excess of the cost of an acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the acquired associate or jointly-controlled entity.

Goodwill on acquisitions of subsidiaries and jointly-controlled entities accounted for using proportionate consolidation accounting method is recognised as a separate asset. Goodwill on acquisitions of associates is included in interests in associates. 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 able to be reversed.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

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. In respect of an associate or a jointly-controlled entity, any excess of the Group's share of its net fair value of identifiable assets and liabilities over the cost of an acquisition is recognised as income immediately.

Discontinued operation

A discontinued operation is a component of the Group that comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group. It represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when an operation is abandoned.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Intangible assets

Intangible assets acquired separately

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

Research and development costs

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

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

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and the Group has transferred substantially all the risks and rewards of ownership of the financial asset. A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

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.

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, 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.

Inventories

Inventory is stated at the lower of cost and net realisable value. Cost is calculated using the first in, first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Revenue recognition

Consolidated revenue comprises revenue of the Company and its subsidiaries plus the Group's share of revenues of its jointly-controlled entities and excludes sales taxes and discounts.

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.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Foreign currency translation

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

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

On consolidation, the 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 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 by 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.

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

Employee benefits

Short-term employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

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 26 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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:
   (i) has control or joint control over the Group;
   (ii) has significant influence over the Group; or
   (iii) is a member of the key management personnel of the Group or of the parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:
   (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   (iii) Both entities are joint ventures of the same third party.
   (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
   (vi) The entity is controlled or jointly-controlled by a person identified in (a).
   (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

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 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 judgments 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 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 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 2012 and 2013 which are reviewed by management.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Critical accounting estimates and judgements *(continued)*

Impairment of interests in subsidiaries

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Details of the estimates used to calculate the recoverable amount are given in note 15 to the consolidated financial statements.

Useful lives of intangible assets

The Group assesses whether the intangible assets are of finite useful lives at the end of each reporting period. In determining useful lives of intangible assets, the Group has considered various factors, such as expected usage of the asset, forecasted customer attrition pattern, expected period of future economic benefit and legal or similar limits on the use of the asset. The estimation of the useful lives of the intangible assets is based on the experience of the Group with similar intangible assets that generate similar future economic benefits.

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.

Amendments to HKFRS 1 (Revised)	*Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [1]
Amendments to HKFRS 7	*Disclosures – Transfer of Financial Assets* [1]
Amendments to HKAS 12	*Deferred Tax: Recovery of Underlying Assets* [2]
Amendments to HKAS 1 (Revised)	*Presentation of Items of Other Comprehensive Income* [3]
HKAS 19 (2011)	*Employee Benefits* [4]
HKAS 27 (2011)	*Separate Financial Statements* [4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [4]
HKFRS 10	*Consolidated Financial Statements* [4]
HKFRS 11	*Joint Arrangements* [4]
HKFRS 12	*Disclosures of Interests with Other Entities* [4]
HKFRS 13	*Fair Value Measurement* [4]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [4]
Amendments to HKFRS 7	*Disclosure – Offsetting Financial Assets and Financial Liabilities* [4]
Amendments to HKAS 32	*Presentation – Offsetting Financial Assets and Financial Liabilities* [5]
HKFRS 9	*Financial Instruments* [6]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2014
[6] Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of assessing the possible impact on the adoption of these new and revised HKFRS in future, but are not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

3. TURNOVER

An analysis of turnover from continuing operations, recognised by category, is as follow:

	Consolidated	
	2011	2010
	HK$'000	*HK$'000*
Telecommunication services income	**474,007**	74,922
Other	**599**	828
	474,606	75,750

4. OTHER REVENUE AND INCOME

An analysis of other revenue and income from continuing operations is as follow:

	Consolidated	
	2011	2010
	HK$'000	*HK$'000*
Interest income on bank deposits	**578**	373
Interest income on loan receivable	**38**	62
	616	435
Other	**1,010**	348
	1,626	783

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2011

5. PROFIT FOR THE YEAR

Profit for the year from both continuing and discontinued operations is stated after charging / (crediting) the following:

		Consolidated	
		2011	2010
		HK$'000	*HK$'000*
(a)	**Finance costs**		
	Interest on bank loan and other borrowings wholly repayable within five years	**30**	–
	Finance charges on obligations under finance leases	**115**	50
	Other interest	**1,297**	–
		1,442	50
(b)	**Other items**		
	Employee salaries and other benefits (including directors' emoluments)	**74,229**	72,397
	Retirement benefit scheme contributions	**2,606**	2,093
	Total staff costs	**76,835**	74,490
	Auditors' remuneration		
	– audit fees	**2,675**	1,363
	Cost of services provided	**523,844**	604,274
	Depreciation of property, plant and equipment	**11,519**	10,652
	Amortisation of intangible assets	**1,804**	–
	Allowance for doubtful debts	**2,949**	3,221
	Operating lease charges on premises	**9,441**	10,387
	Exchange losses, net	**4**	236
	Loss / (Gain) on disposals of property, plant and equipment	**141**	(10)
	(Gain) on disposal of a subsidiary (included in profit for the year from discontinued operation)	**(52,412)**	–

6. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION

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

	2011			
	Director fees *HK$'000*	**Salaries and other emoluments** *HK$'000*	**Retirement benefit scheme contributions** *HK$'000*	**Total** *HK$'000*
Executive directors				
Richard John Siemens	**–**	**1,950**	**12**	**1,962**
Lim Shyang Guey	**–**	**2,571**	**24**	**2,595**
Non-executive directors				
William Bruce Hicks	**150**	**100**	**–**	**250**
Ye Fengping *(resigned on 15 November 2011)*	**131**	**19**	**–**	**150**
Jennifer Wes Saran *(appointed on 1 December 2011)*	**13**	**–**	**–**	**13**
Independent non-executive directors				
John William Crawford J.P.	**150**	**100**	**–**	**250**
Gerald Clive Dobby	**150**	**–**	**–**	**150**
Shane Frederick Weir	**150**	**–**	**–**	**150**
	744	**4,740**	**36**	**5,520**

	2010			
	Director fees *HK$'000*	Salaries and other emoluments *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total *HK$'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

There were no arrangements under which a director waived or agreed to waive any emoluments for the year *(2010: Nil)*. In addition, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as a compensation for loss of office for the year *(2010: Nil)*.

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

Individuals with highest emoluments

Of the five *(2010: five)* individuals with the highest emoluments from continuing and discontinued operations, two *(2010: one)* are directors whose emoluments are disclosed above. The aggregate of the emoluments in respect of the other three *(2010: four)* individuals are as follows:

	2011 *HK$'000*	2010 *HK$'000*
Salaries and other emoluments	**4,618**	11,489
Retirement benefit scheme contributions	**114**	166
	4,732	11,655

The emoluments of the three *(2010: four)* individuals with the highest emoluments are within the following bands:

	2011 *Number of individuals*	2010 *Number of individuals*
HK$1,000,001 to HK$1,500,000	**2**	–
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,000,001 to HK$3,500,000	**–**	2
	3	4

The executive directors of the Company, together with the above-mentioned three *(2010: four)* highest paid individuals, are regarded as the key management personnel of the Group for related parties disclosure purposes.

During the year, no remunerations were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office *(2010: Nil)*. There was no arrangement under which any of the five highest paid individuals waived or agreed to waive any remuneration during the year *(2010: Nil)*.

The remuneration of directors and key management personnel is determined by the remuneration committee having regard to the performance of individual and market trends.

7. TAXATION

Hong Kong Profits Tax has not been provided as the Group's assessable profit for the year was wholly absorbed by unrelieved tax losses brought forward from previous years. In 2010, no provision for Hong Kong Profits Tax had been made as the Group incurred a loss for taxation purposes for the year.

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

7. TAXATION *(continued)*

	Consolidated	
	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Current tax		
Overseas income taxes	**(1,683)**	(1,624)
Overprovision in prior year		
Overseas income taxes	**1,231**	–
Deferred tax		
Depreciation allowances	**121**	(147)
Tax losses	**(3,817)**	–
	(3,696)	(147)
Taxation (charges) from continuing operations	**(4,148)**	(1,771)
Discontinued operation		
Current tax		
Overseas income taxes	**(69)**	(350)
Deferred tax		
Tax losses	**(17,840)**	19,326
Taxation (charges) / credit from discontinued operation	**(17,909)**	18,976
Total taxation (charges) / credit from continuing and discontinued operations	**(22,057)**	17,205

Further details in the deferred taxation status are set out in note 24.

7. TAXATION *(continued)*

Reconciliation of effective tax rate from continuing operations

	Consolidated	
	2011	2010
	%	%
Applicable tax rate	**(16)**	(27)
Share of results of an associate	**(1)**	–
Non-deductible expenses	**7**	2
Tax exempt revenue	**(10)**	(4)
Overprovision in prior year	**(13)**	–
Unrecognised tax losses	**85**	41
Recognition of previously unrecognised tax losses	**(3)**	–
Recognition of previously unrecognised temporary differences	**(4)**	–
Other	**1**	–
Effective tax rate for the year	**46**	12

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

8. DISCONTINUED OPERATION

During the year, the Group completed a transaction (the "ZONE/ANPI Transaction") whereby its major operations of providing telecommunication services in the United States had been disposed of through contributing a former wholly-owned subsidiary, ZONE Telecom, Inc. ("ZONE US") to a newly incorporated jointly-controlled entity. Details of the ZONE/ANPI Transaction had been set out in the Company's circular dated 17 November 2010. The ZONE/ANPI Transaction has given rise to material alterations in the Group's operations, resulting in a substantive change to the economic characteristics as well as the participating role of the Group in them on a prospective basis.

Upon completion of the ZONE/ANPI Transaction on 15 April 2011, the directors consider the results of the former ZONE US operations whereby the Group had full control had been discontinued and thereby constituted a discontinued operation. Accordingly, certain comparative figures in the consolidated income statement and consolidated statement of comprehensive income have been presented to separately reflect the results of the continuing operations and discontinued operation. The results of the discontinued operation for the period from 1 January to 15 April 2011 together with its comparative figures for the year from 1 January to 31 December 2010, which have been included in the consolidated income statement, are as follows:

	Notes	**2011** ***HK$'000***	2010 *HK$'000*
Turnover		**205,451**	693,998
Cost of sales		**(172,372)**	(570,522)
Gross profit		**33,079**	123,476
Other revenue and income		**8**	20
		33,087	123,496
Selling and distribution expenses		**(11,178)**	(37,355)
Business promotion and marketing expenses		**(471)**	(1,195)
Operating and administrative expenses		**(21,835)**	(66,467)
Other operating expenses*		**(3,483)**	(11,313)
(Loss) / Profit from operations		**(3,880)**	7,166
Finance costs	*5(a)*	**(1,310)**	(50)
(Loss) / Profit before taxation		**(5,190)**	7,116
Taxation (charges) / credit	*7*	**(17,909)**	18,976
(Loss) / Profit for the year		**(23,099)**	26,092
Gain on disposal of subsidiary	*29*	**52,412**	–
Profit for the year from discontinued operation	*5*	**29,313**	26,092

* *Includes depreciation on property, plant and equipment of HK$1,719,000 (2010: HK$8,187,000), and loss on disposals of property, plant and equipment of HK$123,000 (2010: Nil).*

8. DISCONTINUED OPERATION *(continued)*

	2011	2010
	HK$'000	*HK$'000*
Net cash flows		
Operating activities	**(20,913)**	(6,109)
Investing activities	**(1,274)**	(11,021)
Financing activities	**38,305**	(142)
Total cash inflow / (outflow)	**16,118**	(17,272)

9. PROFIT / (LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit / (loss) for the year attributable to equity holders of the Company includes a profit of HK$35,484,000 *(2010: HK$6,258,000)* which has been dealt with in the financial statements of the Company.

10. EBITDA

EBITDA represents earnings before interest expenses, taxation, depreciation, amortisation and the share of results of an associate.

11. DIVIDEND

The Board does not recommend payment of a dividend for the year ended 31 December 2011 *(2010: Nil)*.

12. EARNINGS / (LOSS) PER SHARE

The calculation of basic earnings / (loss) per share from continuing and discontinued operations for the years ended 31 December 2011 and 2010 is based on the consolidated profit / (loss) attributable to equity holders of the Company as set out below and on the weighted average number of 521,163,218 *(2010: 522,894,200)* shares in issue during the year.

	2011	2010
	HK$'000	*HK$'000*
Consolidated profit / (loss) attributable to equity holders of the Company:		
Continuing operations	**(12,485)**	(16,034)
Discontinued operation	**29,313**	26,092
Continuing and discontinued operations	**16,828**	10,058

The Group has no dilutive potential ordinary share in issue during the current and prior years and, therefore, diluted earnings / (loss) per share is the same as basic earnings / (loss) per share for the years presented.

13. PROPERTY, PLANT AND EQUIPMENT

	Consolidated				
	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 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
As at 1 January 2011	689	11,194	5,727	41	17,651
Additions	60	3,977	1,611	–	5,648
Additions from jointly-controlled entities ("JCE") *(note 29)*	749	15,806	9,016	5	25,576
Disposals	(1)	(1,745)	(390)	–	(2,136)
Contribution to JCE *(note 29)*	(731)	(20,336)	(2,936)	(46)	(24,049)
Write-back of accumulated depreciation on disposals	1	1,600	384	–	1,985
Write-back of accumulated depreciation on contribution to JCE *(note 29)*	434	15,136	2,722	30	18,322
Depreciation	(508)	(7,357)	(3,642)	(12)	(11,519)
Exchange adjustments	(1)	(5)	23	–	17
As at 31 December 2011	**692**	**18,270**	**12,515**	**18**	**31,495**
Representing:					
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 1 January 2011	689	11,194	5,727	41	17,651
Cost	3,271	79,903	38,214	1,421	122,809
Accumulated depreciation	(2,579)	(61,633)	(25,699)	(1,403)	(91,314)
As at 31 December 2011	**692**	**18,270**	**12,515**	**18**	**31,495**

The carrying amount of the consolidated property, plant and equipment as at 31 December 2011 includes an amount of HK$2,386,000 *(2010: HK$392,000)* in respect of assets held under finance leases.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

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

	Company			
	Leasehold improvements *HK$'000*	**Office equipment, furniture and fittings** *HK$'000*	**Motor vehicle** *HK$'000*	**Total** *HK$'000*
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
As at 1 January 2011	–	2,093	–	2,093
Additions	–	181	–	181
Disposals	–	(80)	–	(80)
Write-back of accumulated depreciation on disposals	–	79	–	79
Depreciation	–	(40)	–	(40)
As at 31 December 2011	**–**	**2,233**	**–**	**2,233**
Representing:				
Cost	1,631	3,214	1,400	6,245
Accumulated depreciation	(1,631)	(1,121)	(1,400)	(4,152)
As at 1 January 2011	–	2,093	–	2,093
Cost	1,631	3,315	1,400	6,346
Accumulated depreciation	(1,631)	(1,082)	(1,400)	(4,113)
As at 31 December 2011	**–**	**2,233**	**–**	**2,233**

14. INTANGIBLE ASSETS

	Consolidated				
	Development costs *HK$'000*	**Customer contracts** *HK$'000*	**Proprietary software** *HK$'000*	**Trade names** *HK$'000*	**Total** *HK$'000*
As at 1 January 2010, 31 December 2010 and 1 January 2011	–	–	–	–	–
Additions from jointly-controlled entities *(note 29)*	–	19,429	951	2,409	22,789
Amortisation	–	(1,720)	(84)	–	(1,804)
As at 31 December 2011	**–**	**17,709**	**867**	**2,409**	**20,985**
Representing:					
Cost	3,597	52,933	–	–	56,530
Accumulated amortisation and impairment losses	(3,597)	(52,933)	–	–	(56,530)
As at 1 January 2011	–	–	–	–	–
Cost	3,597	19,429	951	2,409	26,386
Accumulated amortisation and impairment losses	(3,597)	(1,720)	(84)	–	(5,401)
As at 31 December 2011	**–**	**17,709**	**867**	**2,409**	**20,985**

Intangible assets of HK$52,933,000 relating to customer contracts in respect of telecommunication services which had fully been provided for in 2008 were written-off during the year.

15. GOODWILL

	Consolidated	
	2011	2010
	HK$'000	*HK$'000*
As at 1 January	**–**	–
Additions from jointly-controlled entities *(note 29)*	**33,527**	–
As at 31 December	**33,527**	–
Representing:		
Cost	**36,764**	3,237
Accumulated impairment losses	**(3,237)**	(3,237)
As at 31 December	**33,527**	–

Additions from jointly-controlled entities represent the goodwill of HK$27,496,000 arising from the investment in jointly-controlled entities (note 29) and the goodwill of HK$6,031,000 shared from the jointly-controlled entities through proportionate consolidation accounting method.

Goodwill arising from the investment in jointly-controlled entities is calculated as the difference between the consideration offered by the Group and the fair value of the net assets acquired in the ZONE/ANPI Transaction. The Group has assessed the value of the goodwill as being fully recoverable, after considering the value of the jointly-controlled entity based on projected cash flows from the business.

Goodwill at the beginning of the year arose from the acquisition of a 5% additional interest in the share capital of a subsidiary which engaged in IP-based communication services during 2009. As a result of the acquisition, the subsidiary became wholly-owned by the Company.

The carrying amount of goodwill has been allocated to cash generating units ("CGUs") identified as follows:

	Consolidated	
	2011	2010
	HK$'000	*HK$'000*
Telecommunication services in the U.S.	**33,527**	–
IP-based communication services in Asia Pacific	**–**	–
	33,527	–

Impairment test on goodwill

Telecommunication services in the U.S.

The jointly-controlled entity appointed an independent professional valuer to perform an appraisal of the market value of the business of its operating subsidiaries as at 30 September 2011 and copy of the appraisal report was provided to the Group. The recoverable amount of the CGU has been determined based on a value-in-use calculation. This methodology uses cash flow projections based on financial projections approved by management covering an eight-year period which is appropriate after considering the history of the jointly-controlled entity's customers base and the track record of its past business results. Cash flows beyond the eight-year period have been extrapolated using a 3% long-term growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

15. GOODWILL *(continued)*

Impairment test on goodwill *(continued)*

Telecommunication services in the U.S. (continued)

Key assumptions used for the value-in-use calculations are as follows:

	2011
Gross profit margin	**20%–23%**
Average growth rate	**8%–14%**
Long-term growth rate	**3%**
Discount rate	**20%–22%**

Management of the jointly-controlled entity determined the budgeted gross profit margin based on past performance and its expectation of future market developments. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

Apart from the considerations described above in determining the value-in-use of CGU, the Company's management is not aware of any other probable changes that would necessitate changes in the key assumptions, and the valuation between the date of appraisal and the end of the reporting period.

No impairment has been recognised in respect of goodwill for the year ended 31 December 2011 as its value-in-use exceeds the carrying amount. If the cash flow projections had been prepared on financial projections covering a five-year period and extrapolated cash flows for the subsequent years using the long-term growth rate of 3%, the value-in-use of goodwill would still be higher than its carrying amount and no impairment of goodwill would be needed.

IP-based communication services in Asia Pacific

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 impaired and, therefore, fully provided for it in 2009.

16. INTERESTS IN SUBSIDIARIES

	Company	
	2011 *HK$'000*	2010 *HK$'000*
Unlisted shares, at cost	**–**	–
Due from subsidiaries	**614,334**	585,009
Less: Provisions	**(449,132)**	(486,922)
	165,202	98,087

The amounts due from subsidiaries are unsecured, interest-free and not expected to be repayable within one year, except for an amount of HK$63,714,000 *(2010: HK$42,790,000)* which bears interest at 5.5% per annum and is repayable on 23 April 2013. The carrying values of the amounts due approximate their fair values.

16. INTERESTS IN SUBSIDIARIES *(continued)*

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 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
ZONE Resources Limited	Hong Kong	HK$2	–	100%	Provision of consultancy services
speedinsure Global Limited	British Virgin Islands	US$10,102	–	100%	Investment holding
Relevant Marketing (HK) Limited	Hong Kong	HK$10,000	–	75%	Provision of sales and fulfilment solutions
Relevant Marketing Group Limited	British Virgin Islands	US$4	–	75%	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	–	75%	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 affect the results or form 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 debt securities in issue at any time during the years ended 31 December 2011 and 2010.

17. INTERESTS IN AN ASSOCIATE

	Consolidated	
	2011	2010
	HK$'000	*HK$'000*
Share of net assets	**656**	–
Loan to associate	**268**	–
	924	–

The associate is unlisted and the amounts are shared from the jointly-controlled entities through proportionate consolidation accounting method.

The loan to associate is unsecured, interest-bearing at 6% per annum and repayable on 1 April 2018.

Details of the associate at the end of the reporting period are as follows:

Name of associate	Place of incorporation / operation	Effective indirect ownership interest	Principal activities
Common Point, LLC	United States of America	12.5%	Provision of tandem switched access services

Summary of financial information of the associate is as follows:

	2011	2010
	HK$'000	*HK$'000*
Share of associate's assets and liabilities:		
Non-current assets	**94**	–
Current assets	**325**	–
Non-current liabilities	**(268)**	–
Current liabilities	**(103)**	–
Share of associate's turnover and profit:		
Turnover	**645**	–
Profit	**84**	–

The above financial information is prepared using the same accounting policies as those adopted by the Group.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2011

18. INVENTORIES

	Consolidated	
	2011	2010
	HK$'000	*HK$'000*
Finished goods	**1,454**	–

19. TRADE AND OTHER RECEIVABLES

	Consolidated		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables	**71,823**	84,780	**–**	–
Allowance for doubtful debts	**(3,694)**	(6,611)	**–**	–
	68,129	78,169	**–**	–
Other receivables				
Deposits, prepayments and other debtors	**10,520**	16,586	**2,080**	1,841
Due from a subsidiary	**–**	–	**25,109**	–
Due from an associate	**2,978**	–	**–**	–
	81,627	94,755	**27,189**	1,841

The amount due from a subsidiary are unsecured, interest-free and expected to be repayable within one year, except for an amount of HK$23,510,000 *(2010: Nil)* which bears interest at 5.5% per annum and is repayable on 30 September 2012. The carrying values of the amounts due approximates their fair value.

The amounts due from an associate are unsecured, interest-free and have no fixed term of repayment.

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:

	Consolidated	
	2011	2010
	HK$'000	*HK$'000*
Less than 1 month	**55,783**	70,531
1 to 3 months	**10,750**	5,792
More than 3 months but less than 12 months	**1,596**	1,846
	68,129	78,169

The Group's credit policy is set out in note 31.

19. TRADE AND OTHER RECEIVABLES *(continued)*

The movements in allowance for doubtful debts are as follows:

	Consolidated		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
As at 1 January	**6,611**	8,089	**–**	–
Increase in allowance	**2,949**	3,221	**–**	–
Additions from jointly-controlled entities ("JCE")	**1,823**	–	**–**	–
Contribution to JCE	**(3,489)**	–	**–**	–
Amounts written off as uncollectible	**(4,156)**	(4,745)	**–**	–
Exchange adjustments	**(44)**	46	**–**	–
As at 31 December	**3,694**	6,611	**–**	–

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

	Consolidated	
	2011	2010
	HK$'000	*HK$'000*
1 to 3 months past due	**12,563**	7,347
More than 3 months but less than 12 months past due	**1,100**	1,796
Amounts past due	**13,663**	9,143
Neither past due nor impaired	**54,466**	69,026
	68,129	78,169

The Group has not provided for any impairment losses on the above trade debtors as there have not been significant changes 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.

20. PLEDGED BANK DEPOSITS

At the end of the reporting period, the Group and the Company had pledged bank deposits amounting to HK$2,316,000 *(2010: HK$2,320,000)* and HK$915,000 *(2010: HK$914,000)*, respectively, to banks for guarantees made by them to certain telecommunication carriers for payments due by the Group. The directors do not consider it probable that a claim will be made against the Group under these guarantees. The amounts utilised by the Group and the Company at the end of the reporting period under these guarantees were HK$1,232,000 *(2010: HK$1,298,000)* and HK$127,000 *(2010: HK$184,000)*, respectively, representing the outstanding amounts payable to these carriers.

21. CASH AND BANK BALANCES

	Consolidated		Company	
	2011 *HK$'000*	2010 *HK$'000*	**2011** *HK$'000*	2010 *HK$'000*
Cash at bank and in hand	**84,018**	71,973	**7,924**	3,495
Short-term time deposits	**37,848**	102,529	**24,022**	94,675
	121,866	174,502	**31,946**	98,170

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.

22. TRADE AND OTHER PAYABLES

	Consolidated		Company	
	2011 *HK$'000*	2010 *HK$'000*	**2011** *HK$'000*	2010 *HK$'000*
Trade payables	**18,708**	45,990	**–**	–
Other payables				
Accrued charges and other creditors	**59,736**	62,636	**2,091**	2,540
Due to subsidiaries	**–**	–	**–**	7,388
	78,444	108,626	**2,091**	9,928

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

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

	Consolidated	
	2011 *HK$'000*	2010 *HK$'000*
Less than 1 month	**16,139**	32,948
1 to 3 months	**1,781**	12,066
More than 3 months but less than 12 months	**788**	976
	18,708	45,990

23. OBLIGATIONS UNDER FINANCE LEASES

The obligations under finance leases are repayable as follows:

	Consolidated			
	Minimum lease payments		Present value of minimum lease payments	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Finance leases due:				
Within one year	**849**	193	**826**	156
After one year but within two years	**64**	193	**62**	172
After two years but within five years	**–**	129	**–**	124
	913	515	**888**	452
Future finance charges	**(25)**	(63)	**–**	–
Present value of lease obligations	**888**	452	**888**	452

	Consolidated	
	2011	2010
	HK$'000	*HK$'000*
Reported as:		
Current liabilities	**826**	156
Non-current liabilities	**62**	296
	888	452

The finance lease payments relate to certain property, plant and equipment of the Group. The carrying values of the finance leases approximate their fair values.

24. DEFERRED TAX

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

	Consolidated		
	Tax losses *HK$'000*	**Depreciation allowances** *HK$'000*	**Total** *HK$'000*
As at 1 January 2010	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
Income statement (charges) / credit	(21,657)	121	(21,536)
Exchange adjustments	(44)	3	(41)
As at 31 December 2011	**12,431**	**(326)**	**12,105**

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

	Consolidated	
	2011 *HK$'000*	2010 *HK$'000*
Deferred tax assets to be recovered:		
Within 12 months	**6,108**	16,984
After 12 months	**6,345**	17,109
	12,453	34,093
Deferred tax liabilities to be settled:		
Within 12 months	**(168)**	(162)
After 12 months	**(180)**	(249)
	(348)	(411)
As at 31 December	**12,105**	33,682

24. DEFERRED TAX *(continued)*

Unrecognised deferred tax assets

	Consolidated	
	2011 ***HK$'000***	2010 *HK$'000*
Tax losses	**98,275**	69,492
Deductible temporary differences	**21,317**	23,688
As at 31 December	**119,592**	93,180

The unrecognised tax losses of HK$394,389,000 *(2010: HK$299,937,000)* and deductible temporary differences of HK$62,961,000 *(2010: HK$70,130,000)* have no expiry dates under current tax legislation, except for tax losses of HK$189,722,000 *(2010: HK$114,299,000)* 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.

25. SHARE CAPITAL

(a) Authorised and issued share capital

	2011		2010	
	Number of shares	***Amount HK$'000***	*Number of shares*	*Amount HK$'000*
Ordinary shares of HK$0.01 each				
Authorised:				
As at 1 January and 31 December	**12,000,000,000**	**120,000**	12,000,000,000	120,000
Issued and fully paid:				
At beginning of the year	**522,894,200**	**5,229**	522,894,200	5,229
Cancellation of shares	**(1,894,200)**	**(19)**	–	–
As at 31 December	**521,000,000**	**5,210**	522,894,200	5,229

25. SHARE CAPITAL *(continued)*

(b) Repurchase of own shares

During the years ended 31 December 2011 and 2010, the Company repurchased its own ordinary shares on the Stock Exchange through its subsidiary as follows:

Month of repurchase	Number of ordinary shares repurchased	Highest price per share	Lowest price per share	Aggregate consideration paid
		HK$	*HK$*	*HK$'000*
December 2010	494,200	0.500	0.495	247
January 2011	1,270,000	0.850	0.500	931
February 2011	130,000	0.700	0.620	89
	1,894,200			1,267

All repurchased shares were cancelled in January and February 2011 and the issued share capital of the Company was reduced by the par value of the repurchased shares so cancelled. Pursuant to Section 40(1) of the Companies Act 1981 of Bermuda (as amended), the amount equivalent to the par value of the shares cancelled of approximately HK$19,000 was transferred from accumulated profits to the capital redemption reserve. The premium paid on the repurchase of the shares of approximately HK$1,248,000 was charged to share premium.

26. SHARE OPTIONS

(a) The Company

On 28 June 2002, the Company adopted a share option scheme. Under the 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 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.

26. SHARE OPTIONS *(continued)*

Summary of principal terms

A summary of the principal terms of the 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 2011 and 2010, there were no outstanding share options under the share option scheme adopted by the Company.

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

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

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

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

26. SHARE OPTIONS *(continued)*

Summary of principal terms *(continued)*

(iv) Basis of determining the subscription price

Company share option scheme

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

Subsidiary scheme rules and procedures

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

(v) Remaining life of the scheme

The Company scheme is valid and effective, at the discretion of the board of directors, subject to a maximum period of 10 years from the date of its adoption, that is, up to 27 June 2012.

During the year, no share options were granted / forfeited / exercised and there were no share options outstanding / exercisable at the end of the reporting period.

27. RESERVES

	Attributable to equity holders of the Company									
	Share premium *HK$'000*	Exchange reserve *HK$'000*	Capital redemption reserve *HK$'000*	Capital reserve *HK$'000*	Share repurchase reserve *HK$'000*	Contributed surplus *HK$'000*	Accumulated profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
Group										
As at 1 January 2010	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 / (loss) 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	–	–	–	–	(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
Profit for the year	–	–	–	–	–	–	16,828	16,828	(761)	16,067
Other comprehensive loss for the year										
Released from exchange reserve upon disposal of subsidiary	–	(939)	–	–	–	–	–	(939)	–	(939)
Exchange differences on translation of foreign subsidiaries	–	(535)	–	–	–	–	–	(535)	–	(535)
Total comprehensive income / (loss) for the year	–	(1,474)	–	–	–	–	16,828	15,354	(761)	14,593
Transactions with equity holders of the Company										
Repurchase of own shares for cancellation *(note 25(b))*	(1,248)	–	19	–	247	–	(19)	(1,001)	–	(1,001)
Deemed partial disposal of a subsidiary	–	–	–	69	–	–	–	69	(69)	–
Total transactions with equity holders of the Company	(1,248)	–	19	69	247	–	(19)	(932)	(69)	(1,001)
As at 31 December 2011	**67,093**	**2,804**	**25**	**6**	**–**	**83,489**	**67,796**	**221,213**	**(830)**	**220,383**
Company										
As at 1 January 2010	68,341	–	6	–	–	83,489	27,854	179,690	–	179,690
Profit for the year and other comprehensive income 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
Profit for the year and other comprehensive income for the year	–	–	–	–	–	–	35,484	35,484	–	35,484
Transaction with equity holders of the Company										
Repurchase of own shares for cancellation *(note 25(b))*	(1,248)	–	19	–	–	–	(19)	(1,248)	–	(1,248)
As at 31 December 2011	**67,093**	**–**	**25**	–	–	**83,489**	**69,577**	**220,184**	**–**	**220,184**

27. 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 increase in the carrying value of non-controlling interests of a subsidiary relating to the deemed partial disposal of the subsidiary during the year.

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:

	2011 ***HK$'000***	2010 *HK$'000*
Contributed surplus	**83,489**	83,489
Accumulated profits	**69,577**	34,112
	153,066	117,601

28. CASH USED IN OPERATIONS

	Consolidated	
	2011	2010
	HK$'000	*HK$'000*
(Loss) / Profit before taxation:		
Continuing operations	**(9,098)**	(14,326)
Discontinued operation	**(5,190)**	7,116
	(14,288)	(7,210)
Interest income	**(624)**	(455)
Interest expenses	**1,327**	–
Interest on obligations under finance leases	**115**	50
Depreciation	**11,519**	10,652
Amortisation of intangible assets	**1,804**	–
Share of results of an associate	**(84)**	–
Exchange differences	**(453)**	310
Loss / (Gain) on disposal of property, plant and equipment	**141**	(10)
Allowance for doubtful debts	**2,949**	3,221
Changes in working capital:		
Inventories	**(1,454)**	–
Trade and other receivables	**11,721**	(9,526)
Trade and other payables	**(33,782)**	(4,251)
Cash used in operations	**(21,109)**	(7,219)

29. CONTRIBUTION OF A SUBSIDIARY TO A JOINTLY-CONTROLLED ENTITY IN RETURN FOR 50% EQUITY INTERESTS IN JOINTLY-CONTROLLED ENTITY

During the year, the Group contributed a subsidiary with a net asset value of HK$84,234,000 (including cash and bank balances of HK$69,726,000, other assets of HK$99,962,000 and total liabilities of HK$85,454,000) to a jointly-controlled entity, in return for a 50% equity interest in the jointly-controlled entity valued at HK$173,311,000 for the businesses contributed by the two venturers. After the effect of the release from exchange reserves of HK$1,878,000, the gross gain on disposal of the subsidiary was HK$90,955,000, which represents realised a gain of HK$52,412,000 and an unrealised gain of HK$38,543,000. The unrealised gain is eliminated against the underlying assets contributed to the jointly-controlled entities under the proportionate consolidation accounting method.

The above transaction was effectively an exchange of 50% interests in the subsidiary with the 50% interests in the business contributed by the other venturer from the Group's perspectives. The calculation below presents the transaction in this way and, thereby, excludes the unrealised portion of the contribution of the 50% interests in the subsidiary from the transaction.

No tax expense relating to the gain on disposal has been incurred.

29. CONTRIBUTION OF A SUBSIDIARY TO A JOINTLY-CONTROLLED ENTITY IN RETURN FOR 50% EQUITY INTERESTS IN JOINTLY-CONTROLLED ENTITY *(continued)*

	HK$'000
Contribution of a subsidiary:	
Property, plant and equipment	5,727
Trade and other receivables	44,254
Cash and bank balances	34,863
Trade and other payables	(42,520)
Obligations under finance leases	(207)
	42,117
Released from exchange reserves upon disposal of subsidiary	(939)
Gain on disposal of subsidiary	52,412
Fair value of 50% equity interests acquired	93,590
Represented by:	
Property, plant and equipment	25,576
Intangible assets	22,789
Goodwill	6,031
Interests in an associate	872
Trade and other receivables	50,381
Cash and bank balances	8,952
Trade and other payables	(46,287)
Obligations under finance leases	(2,220)
	66,094
Goodwill	27,496
	93,590
Analysis of net cash outflow:	
Cash and bank balances acquired	8,952
Cash and bank balances disposal of	(34,863)
	(25,911)

29. CONTRIBUTION OF A SUBSIDIARY TO A JOINTLY-CONTROLLED ENTITY IN RETURN FOR 50% EQUITY INTERESTS IN JOINTLY-CONTROLLED ENTITY *(continued)*

At the date of the completion of the ZONE/ANPI Transaction, a gain on disposal of HK$81,200,000 and goodwill of HK$29,032,000 was provisionally recognised based on management's preliminary assessment of the fair values of the assets and liabilities disposed of or acquired, respectively. During the preparation of the consolidated financial statements for the year ended 31 December 2011, the identification and determination of the fair values of the net identifiable assets acquired was completed by reference to an appraisal report prepared by an independent professional valuer. The following adjustments have been made on the provisional amount recognised at the date of completion of the ZONE/ANPI Transaction.

	Amounts provisionally recognised at the date of completion of ZONE/ANPI Transaction *HK$'000*	**Fair value adjustments** *HK$'000*	**Fair values** *HK$'000*
Net identifiable assets acquired:			
Property, plant and equipment	25,905	(329)	25,576
Intangible assets	57,785	(34,996)	22,789
Goodwill	–	6,031	6,031
Interests in an associate	872	–	872
Trade and other receivables	48,560	1,821	50,381
Cash and bank balances	8,952	–	8,952
Trade and other payables	(46,508)	221	(46,287)
Obligations under finance leases	(2,220)	–	(2,220)
	93,346	(27,252)	66,094

30. RELATED PARTY TRANSACTIONS

In addition to the transactions / information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following transactions with a related party:

Transactions with a jointly-controlled entity of the Group

	2011 *HK$'000*	2010 *HK$'000*
Nature of transactions		
Management fee income	**194**	–
Distribution income	**2,810**	–

The above transactions with a jointly-controlled entity of the Group represented the total amounts before elimination of the Group's 50% interests in the jointly-controlled entity based on the proportionate consolidation accounting method.

31. 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 obligations by counterparties arises to the extent of 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.

The Company's credit risk is primarily related to amounts due from subsidiaries. As at 31 December 2011, the Company had a concentration of risk to the extent of 43% *(2010: 47%)* and 98% *(2010: 98%)* of the total amounts are due from the Company's largest subsidiary and five largest subsidiaries, respectively, before provisions.

31. 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.

	Consolidated				
	On demand *HK$'000*	**Less than 3 months** *HK$'000*	**3 to 12 months** *HK$'000*	**After 1 year but within 5 years** *HK$'000*	**Total** *HK$'000*
As at 31 December 2011					
Obligations under finance leases	–	213	636	64	913
Trade and other payables	2,245	75,104	1,095	–	78,444
Bank guarantee commitments *(note 20)*	1,084	–	–	–	1,084
	3,329	**75,317**	**1,731**	**64**	**80,441**
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
Bank guarantee commitments *(note 20)*	1,022	–	–	–	1,022
	10,493	97,746	1,602	322	110,163

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2011

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

Liquidity risk *(continued)*

	Company				
	On demand *HK$'000*	**Less than 3 months** *HK$'000*	**3 to 12 months** *HK$'000*	**After 1 year but within 5 years** *HK$'000*	**Total** *HK$'000*
As at 31 December 2011					
Trade and other payables	–	1,549	542	–	2,091
Bank guarantee commitments *(note 20)*	788	–	–	–	788
	788	**1,549**	**542**	**–**	**2,879**
As at 31 December 2010					
Trade and other payables	8,476	1,034	418	–	9,928
Bank guarantee commitments *(note 20)*	730	–	–	–	730
	9,206	1,034	418	–	10,658

Fair value

The carrying values of all financial instruments approximate their fair values as at 31 December 2011 and 2010.

32. 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 2011 and 2010.

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:

	2011 *HK$'000*	2010 *HK$'000*
Obligations under finance leases	**(888)**	(452)
Trade and other payables	**(78,444)**	(108,626)
Taxation payable	**(1,374)**	(1,812)
Less: Cash and bank balances	**121,866**	174,502
Pledged bank deposits	**2,316**	2,320
Net surplus	**43,476**	65,932
Total equity	**225,593**	212,020
Net debt-to-equity ratio	**N / A**	N / A

33. 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 were payable as follows:

	Consolidated		Company	
	2011 *HK$'000*	2010 *HK$'000*	2011 *HK$'000*	2010 *HK$'000*
Within one year	**7,081**	8,305	**4,738**	2,955
In the second to fifth years inclusive	**9,093**	7,527	**7,829**	–
	16,174	15,832	**12,567**	2,955

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.

34. SEGMENTAL INFORMATION

The Group's management determines the operating segments for the purposes of resource allocation and performance assessment. The consolidated business segments comprise telecommunication services and other operations, representing the provision of insurance brokerage and consultancy services.

Segment results, including the Group's interests in jointly-controlled entities being accounting for by the proportionate consolidation accounting method, represent the results before taxation earned by each segment without allocation of 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 consolidated segmental information by business and geographical segments during the year are set out below.

(a) By business segments

	Year ended 31 December						
	2011				2010		
	*Tele-communication services HK$'000	Other HK$'000	Eliminations HK$'000	Consolidated HK$'000	Tele-communication services HK$'000	Other HK$'000	Consolidated HK$'000
Turnover							
External sales	**474,007**	**599**	**–**	**474,606**	74,922	828	75,750
Inter-segments sales	**86**	**–**	**(86)**	**–**	–	–	–
	474,093	**599**	**(86)**	**474,606**	74,922	828	75,750
Results							
Segment results	**12,550**	**(3,062)**	**–**	**9,488**	3,695	(415)	3,280
Finance costs	**(132)**	**–**	**–**	**(132)**	–	–	–
Share of results of an associate	**84**	**–**	**–**	**84**	–	–	–
	12,502	**(3,062)**	**–**	**9,440**	3,695	(415)	3,280
Other operating income and expenses				**(18,538)**			(17,606)
Loss before taxation				**(9,098)**			(14,326)

Inter-segments sales are charged at prevailing market prices.
The segmental turnover and results reported by business segment exclude any amounts relating to the discontinued operation.

34. SEGMENTAL INFORMATION *(continued)*

(a) By business segments *(continued)*

	Year ended 31 December					
	2011			2010		
	*Tele-communication services HK$'000	Other HK$'000	Consolidated HK$'000	Tele-communication services HK$'000	Other HK$'000	Consolidated HK$'000
Assets						
– Reportable segments	**268,366**	**739**	**269,105**	217,667	1,297	218,964
– Unallocated assets			**37,542**			104,357
			306,647			323,321
Liabilities						
– Reportable segments	**(77,679)**	**(1,284)**	**(78,963)**	(108,120)	(641)	(108,761)
– Unallocated liabilities			**(2,091)**			(2,540)
			(81,054)			(111,301)
Other information						
Capital expenditures						
– Reportable segments	**5,327**	**140**	**5,467**	13,957	37	13,994
– Unallocated assets			**181**			50
			5,648			14,044
Interest income from continuing operations						
– Reportable segments	**175**	**–**	**175**	99	–	99
– Unallocated income			**441**			336
			616			435
Amortisation and depreciation from continuing operations						
– Reportable segments	**(11,546)**	**(18)**	**(11,564)**	(2,033)	(9)	(2,042)
– Unallocated expenses			**(40)**			(423)
			(11,604)			(2,465)
Non-cash items other than amortisation and depreciation from continuing operations						
– Reportable segments	**(1,428)**	**–**	**(1,428)**	(125)	–	(125)

* *Includes the Group's 50% interests in jointly-controlled entities being accounted for by proportionate consolidation accounting method of which summarised financial information is set out in note 35.*

34. SEGMENTAL INFORMATION *(continued)*

(b) By geographical information

The Group operates in Asia Pacific while its jointly-controlled entities operate in North America. Since the economic characteristics of these two geographical areas are not similar, they are considered as two separate segments. The geographical information in North America comprises the Group's interests in jointly-controlled entities being accounted for by the proportionate consolidation accounting method. The non-current assets reported by geographical segments exclude deferred tax assets. The analysis of geographical segments is based on the geographical location of customers, or the location of assets, as appropriate.

	Turnover from external sales		Non-current assets	
	2011 *HK$'000*	2010 *HK$'000*	2011 *HK$'000*	2010 *HK$'000*
North America	**391,138**	–	**82,055**	12,038
Asia Pacific	**83,468**	75,750	**4,876**	5,613
	474,606	75,750	**86,931**	17,651

The turnover from external sales reported by geographical segments excludes any amounts relating to the discontinued operation.

35. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

As at 31 December 2011, the Group had interests in the following jointly-controlled entities:

Name of entity	Form of business structure	Place of establishment / operation	Proportion of nominal value of issued capital held by the Group		Proportion of voting power held	Principal activities
			Directly	*Indirectly*		
ANZ Communications LLC	Limited liability company	United States of America	50%	–	50%	Investment holding
ZONE Telecom, LLC	Limited liability company	United States of America	–	50%	50%	Provision of telecommunication services
ANPI, LLC	Limited liability company	United States of America	–	50%	50%	Provision of telecommunication services

The Group is entitled to share the operating results, assets and liabilities of these jointly-controlled entities based on the Group's ownership interests.

35. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(continued)*

The summarised financial information in respect of the Group's interests in jointly-controlled entities attributable to the Group's interest therein which are accounted for using the proportionate consolidation accounting method in a line-by-line reporting format is set out below.

	2011 *HK$'000*	2010 *HK$'000*
Share of the jointly-controlled entities' assets and liabilities:		
Non-current assets	**82,055**	–
Current assets	**120,309**	–
Current liabilities	**(66,254)**	–
Non-current liabilities	**(62)**	–
Net assets	**136,048**	–
Share of the jointly-controlled entities' results:		
Turnover	**391,138**	–
Expenses	**(387,986)**	–
Profit for the year	**3,152**	–

The above financial information is prepared using the same accounting policies as those adopted by the Group.

36. COMPARATIVE FIGURES

Certain comparative figures in the consolidated income statement have been re-presented to separately reflect the results of the continuing operations and discontinued operation. The results of the discontinued operation for the period from 1 January to 15 April 2011 and the comparative figures for the last year are set forth in note 8 to these consolidated financial statements.

Summary of Results, Assets and Liabilities of the Group

	Results of the Group for the five years ended 31 December				
	Continued and discontinued operations				
	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
Turnover	**680,057**	769,748	797,852	786,997	795,252
Profit / (Loss) before taxation	**38,124**	(7,210)	11,606	(29,460)	46,614
Taxation (charges) / credit	**(22,057)**	17,205	7,361	(14,273)	(2,394)
Profit / (Loss) for the year	**16,067**	9,995	18,967	(43,733)	44,220
	HK cents	HK cents	HK cents	HK cents	HK cents
Earnings / (Loss) per share					
Basic	**3.2**	1.9	3.6	(8.3)	8.6
Diluted	**3.2**	1.9	3.6	N / A	N / A

	Assets and liabilities of the Group as at 31 December				
	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
Non-current assets	**99,384**	51,744	29,051	25,424	73,937
Current assets	**207,263**	271,577	287,797	281,424	275,388
Total assets	**306,647**	323,321	316,848	306,848	349,325
Non-current liabilities	**410**	707	698	962	4,976
Current liabilities	**80,644**	110,594	115,828	125,465	119,859
Total liabilities	**81,054**	111,301	116,526	126,427	124,835
Net assets	**225,593**	212,020	200,322	180,421	224,490

Shareholder Information

ANNUAL GENERAL MEETING

The 2012 Annual General Meeting will be held at The China Club, 13/F., The Old Bank of China Building, Bank Street, Central, Hong Kong on Wednesday, 16 May 2012 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 2012, and a copy thereof is printed on the circular to shareholders of the Company (the "Shareholders") dated 12 April 2012 and despatched to Shareholders and other recipients together with this 2011 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 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 2011 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 Shareholder, the arrangement as set forth in the said letter.

Shareholders may also obtain this 2011 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）索取此二零一一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 2011 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 2011 Annual Report and is available on the Company's website (*www.e-kong.com*).

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 2012, opting for receiving corporate communications by electronic means, will each receive a coupon to purchase ESET NOD32 Antivirus 5 Standard Edition Box Set with 1 year licence at the special price of HK$165 (Original price: HK$198). 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 28 July 2012.

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. 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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The Landmark
15 Queen's Road Central
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Fax: +852 2801 7238
Web: www.e-kong.com