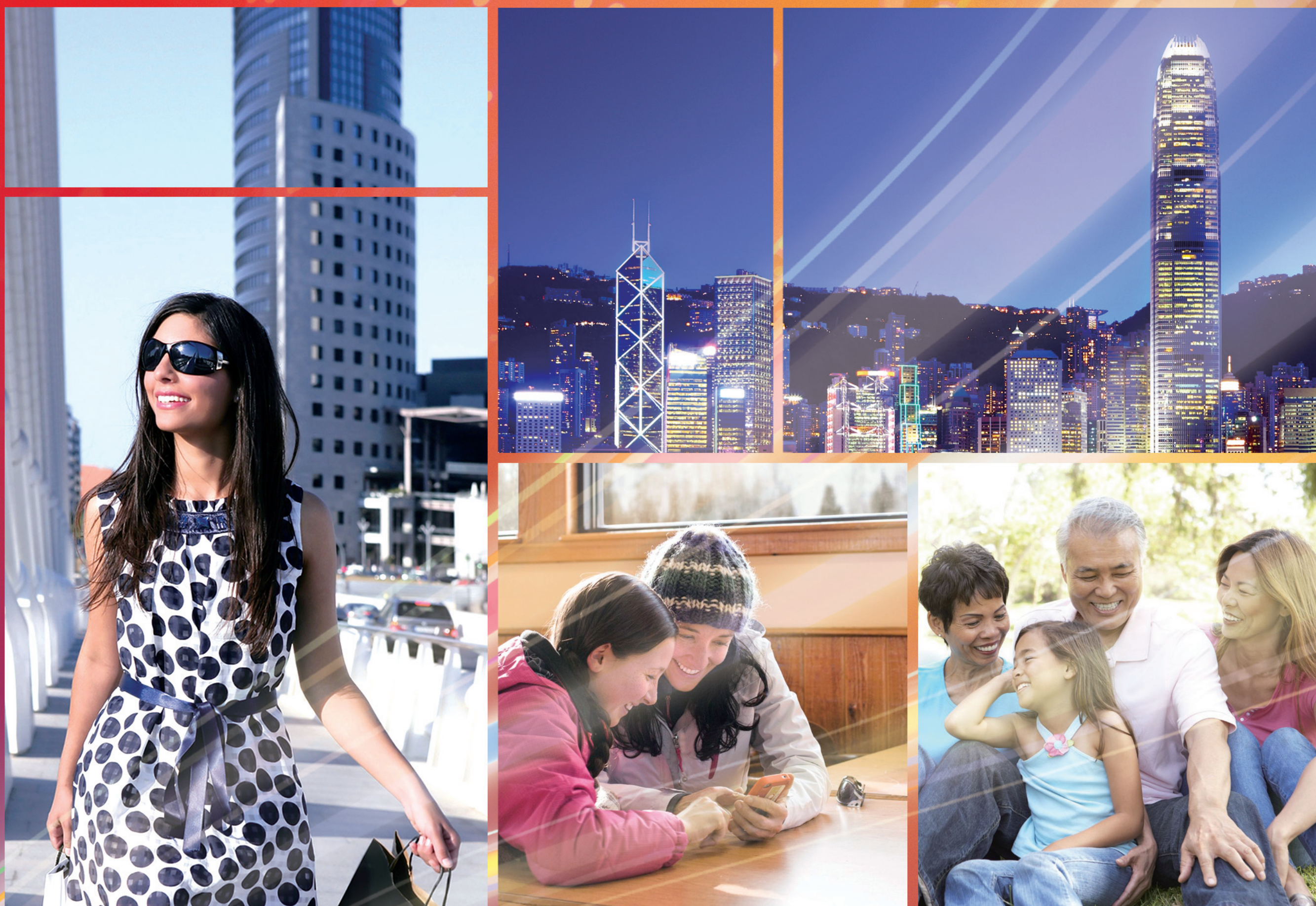
e-KONG Group Limited

Stock Code: 524



Interim Report 2013

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Contents

Corporate Information

Board of Directors

Executive Directors

Richard John Siemens *(Chairman)*
Lim Shyang Guey
William Bruce Hicks

Non-executive Director

Jennifer Wes Saran

Independent Non-executive Directors

John William Crawford J.P.
Gerald Clive Dobby

Company Secretary

Lau Wai Ming Raymond

Auditor

Mazars CPA Limited
Certified Public Accountants

Legal Advisers

Deacons
Conyers Dill & Pearman

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
DBS Bank Limited

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Place of Business

3705 Gloucester Tower
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Hong Kong
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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
26 Burnaby Street
Hamilton HM11
Bermuda

Branch Share Registrar in Hong Kong

Tricor Secretaries Limited
26^{th} 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

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2013

The board of directors (the "Board") of e-Kong Group Limited (the "Company") herein presents the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2013, together with comparative figures for the corresponding period in 2012. The results are unaudited but have been reviewed by the Audit Committee and the external auditor of the Company.

		Six months ended 30 June	
	Notes	**2013 (Unaudited) *HK$'000***	2012 (Unaudited) *HK$'000*
			(Restated)
Turnover	*2*	**36,601**	38,957
Cost of sales		**(17,310)**	(18,714)
Gross profit		**19,291**	20,243
Other revenue and income	*3*	**1,123**	1,141
		20,414	21,384
Selling and distribution expenses		**(2,861)**	(3,560)
Business promotion and marketing expenses		**(1,670)**	(1,907)
Operating and administrative expenses		**(23,484)**	(22,088)
Other operating expenses		**(2,622)**	(1,382)
Loss from operations		**(10,223)**	(7,553)
Share of results of jointly-controlled entities before adjustments on consolidation		**236**	9,483
Adjustments to amortisation and depreciation on consolidation		**(731)**	(731)
Share of results of jointly-controlled entities		**(495)**	8,752
Finance costs	*4*	**(579)**	–
(Loss) / Profit before taxation		**(11,297)**	1,199
Taxation	*5*	**(600)**	(833)
(Loss) / Profit for the period	*4*	**(11,897)**	366

Condensed Consolidated Statement of Profit or Loss (continued)

For the six months ended 30 June 2013

	Notes	Six months ended 30 June 2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000 (Restated)
(Loss) / Profit for the period attributable to:			
Equity holders of the Company		**(11,199)**	731
Non-controlling interests		**(698)**	(365)
(Loss) / Profit for the period		**(11,897)**	366
EBITDA	6	**(7,902)**	(6,733)
		HK cents	*HK cents*
(Loss) / Earnings per share	8		
Basic and diluted		**(2.2)**	0.1

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(Loss) / Profit for the period	**(11,897)**	366
Other comprehensive (loss) / income for the period		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign subsidiaries and jointly-controlled entities	**(569)**	276
Total comprehensive (loss) / income for the period	**(12,466)**	642
Total comprehensive (loss) / income for the period attributable to:		
Equity holders of the Company	**(11,768)**	1,007
Non-controlling interests	**(698)**	(365)
Total comprehensive (loss) / income for the period	**(12,466)**	642

Condensed Consolidated Statement of Financial Position

As at 30 June 2013

	Notes	As at 30 June 2013 (Unaudited) *HK$'000*	As at 31 December 2012 (Audited) *HK$'000*	As at 1 January 2012 (Audited) *HK$'000*
			(Restated)	*(Restated)*
Non-current assets				
Property, plant and equipment	9	**5,832**	6,951	4,876
Intangible assets	10	**14,496**	16,115	–
Goodwill	11	**–**	–	–
Interests in jointly-controlled entities	12	**139,437**	140,401	136,048
Deferred tax assets		**145**	145	12,453
		159,910	163,612	153,377
Current assets				
Inventories		**2,547**	1,723	1,454
Trade and other receivables	13	**17,751**	17,879	16,228
Pledged bank deposits		**79,494**	79,454	2,316
Cash and bank balances		**44,833**	55,706	66,956
		144,625	154,762	86,954
Current liabilities				
Trade and other payables	14	**17,269**	17,585	13,016
Current portion of bank borrowings		**2,958**	3,069	–
Taxation payable		**824**	416	1,374
		21,051	21,070	14,390
Net current assets		**123,574**	133,692	72,564
Total assets less current liabilities		**283,484**	297,304	225,941
Non-current liabilities				
Deferred revenue		**863**	634	–
Bank borrowings		**81,051**	82,615	–
Deferred tax liabilities		**514**	533	348
		82,428	83,782	348
NET ASSETS		**201,056**	213,522	225,593
Capital and reserves				
Share capital		**5,210**	5,210	5,210
Reserves		**197,514**	209,282	221,213
Equity attributable to equity holders of the Company		**202,724**	214,492	226,423
Non-controlling interests		**(1,668)**	(970)	(830)
TOTAL EQUITY		**201,056**	213,522	225,593

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Attributable to equity holders of the Company									
	Share capital (Unaudited) *HK$'000*	**Share premium (Unaudited)** *HK$'000*	**Exchange reserve (Unaudited)** *HK$'000*	**Capital redemption reserve (Unaudited)** *HK$'000*	**Capital reserve (Unaudited)** *HK$'000*	**Contributed surplus (Unaudited)** *HK$'000*	**Accumulated profits (Unaudited)** *HK$'000*	**Total (Unaudited)** *HK$'000*	**Non-controlling interests (Unaudited)** *HK$'000*	**Total equity (Unaudited)** *HK$'000*
As at 1 January 2013	**5,210**	**67,093**	**3,724**	**25**	**6**	**83,489**	**54,945**	**214,492**	**(970)**	**213,522**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(11,199)**	**(11,199)**	**(698)**	**(11,897)**
Other comprehensive loss for the period										
Exchange differences on translation of foreign subsidiaries and jointly-controlled entities	**–**	**–**	**(569)**	**–**	**–**	**–**	**–**	**(569)**	**–**	**(569)**
Total comprehensive loss for the period	**–**	**–**	**(569)**	**–**	**–**	**–**	**(11,199)**	**(11,768)**	**(698)**	**(12,466)**
As at 30 June 2013	**5,210**	**67,093**	**3,155**	**25**	**6**	**83,489**	**43,746**	**202,724**	**(1,668)**	**201,056**
As at 1 January 2012	5,210	67,093	2,804	25	6	83,489	67,796	226,423	(830)	225,593
Profit for the period	–	–	–	–	–	–	731	731	(365)	366
Other comprehensive income for the period										
Exchange differences on translation of foreign subsidiaries and jointly-controlled entities	–	–	276	–	–	–	–	276	–	276
Total comprehensive income for the period	–	–	276	–	–	–	731	1,007	(365)	642
As at 30 June 2012	5,210	67,093	3,080	25	6	83,489	68,527	227,430	(1,195)	226,235

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Net cash used in operating activities	**(9,474)**	(15,242)
Net cash generated from investing activities	**373**	10,673
Net cash used in financing activities	**(1,479)**	–
Net decrease in cash and cash equivalents	**(10,580)**	(4,569)
Cash and cash equivalents as at 1 January	**55,706**	66,956
Exchange (loss) / gain on cash and cash equivalents	**(293)**	570
Cash and cash equivalents as at 30 June	**44,833**	62,957

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements are unaudited and have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The accounting policies and bases of preparation adopted in these interim financial statements are consistent with those adopted in the Company's 2012 Annual Report except as described below.

In the current period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable HKFRS, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the HKICPA that are relevant to the Group and effective for its accounting period beginning on 1 January 2013:

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, the "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income" and the "income statement" is renamed as the "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis, however, the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively and, hence, the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above presentation changes, the application of the amendments to HKAS 1 does not result in any financial impact on profit or loss, other comprehensive income and total comprehensive income.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the requirements in HKAS 27 "Consolidated and Separate Financial Statements" relating to the preparation of consolidated financial statements and HK(SIC)-Int 12 "Consolidation – Special Purpose Entities". It introduces a single approach for determining control for the purpose of consolidation of investee interests by the Group focused on the concept of the power over the investee, exposure to variable returns from its involvement therein and the ability to use its power to affect the amount of those returns. The adoption of HKFRS 10 does not change any of control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

HKFRS 11 Joint Arrangements

HKFRS 11 "Joint Arrangements", which replaces HKAS 31 "Interests in Joint Ventures", deals with how a joint arrangement whereby two or more parties have joint control should be classified and removes the option to account for jointly-controlled entities using the proportional consolidation accounting method. The application of HKFRS 11 affects the Group's accounting policy for interests in jointly-controlled entities, which are accounted for and reported using the equity method. HKFRS 11 has been applied retrospectively and, accordingly, certain comparative figures in these condensed consolidated financial statements have been restated.

The net changes in the individual components of the condensed consolidated financial statements as a result of the adoption of HKFRS 11 are shown below:

	Increase / (Decrease) in profit for six months ended 30 June	
	2013 (Unaudited) *HK$'000*	2012 (Unaudited) *HK$'000*
Turnover	**(219,619)**	(244,613)
Cost of sales	**161,561**	185,675
Gross profit	**(58,058)**	(58,938)
Other revenue and income	**(2,677)**	(14)
	(60,735)	(58,952)
Selling and distribution expenses	**11,721**	12,431
Business promotion and marketing expenses	**905**	781
Operating and administrative expenses	**41,559**	28,812
Other operating expenses	**7,129**	8,173
Profit from operations	**579**	(8,755)
Share of results of jointly-controlled entities	**(495)**	8,752
Share of results of associate	**(92)**	(17)
Finance costs	**8**	20
Profit before taxation	**–**	–
EBITDA	**(5,232)**	(15,475)

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

	Increase / (Decrease)		
	As at 30 June 2013 (Unaudited) *HK$'000*	As at 31 December 2012 (Audited) *HK$'000*	As at 1 January 2012 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment	**(30,728)**	(28,257)	(26,619)
Intangible assets	**(17,221)**	(18,390)	(20,985)
Goodwill	**(33,484)**	(33,441)	(33,527)
Notes receivable	**(1,940)**	–	–
Interests in an associate	**(987)**	(917)	(924)
Interests in jointly-controlled entities	**139,437**	140,401	136,048
	55,077	59,396	53,993
Current assets			
Trade and other receivables	**(62,890)**	(58,288)	(65,399)
Cash and bank balances	**(57,946)**	(65,480)	(54,910)
	(120,836)	(123,768)	(120,309)
Current liabilities			
Trade and other payables	**(65,743)**	(64,310)	(65,428)
Current portion of obligations under finance leases	**(16)**	(62)	(826)
	(65,759)	(64,372)	(66,254)
Net current assets	**(55,077)**	(59,396)	(54,055)
Total assets less current liabilities	**–**	–	(62)
Non-current liabilities			
Obligations under finance leases	**–**	–	(62)
	–	–	(62)
NET ASSETS	**–**	–	–

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

	Increase / (Decrease) for six months ended 30 June	
	2013 (Unaudited) *HK$'000*	2012 (Unaudited) *HK$'000*
Net cash generated from operating activities	**4,322**	(23,598)
Net cash generated from investing activities	**3,303**	14,381
Net cash generated from financing activities	**–**	781
Net increase in cash and cash equivalents	**7,625**	(8,436)
Cash and cash equivalents as at 1 January	**(65,480)**	(54,910)
Exchange gains on cash and cash equivalents	**(91)**	71
Cash and cash equivalents as at 30 June	**(57,946)**	(63,275)

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 specifies the disclosure requirements for subsidiaries, joint arrangements and associates, and introduces new disclosure requirements for unconsolidated structured entities. As a result of the adoption of HKFRS 12, the Group has not made any additional disclosures in these condensed consolidated financial statements.

The Group has not early-adopted the new and revised standards or interpretations issued by HKICPA that are not yet effective for the current period. The Group is in the process of assessing the possible impact on the adoption of these new and revised standards or interpretations in the future.

2. TURNOVER AND SEGMENTAL INFORMATION

The Group's management, who are the chief operating decision-makers, determine the operating segments for the purposes of resource allocation and performance assessment. The consolidated business segments comprise telecommunication services and other operation, representing the provision of insurance-related distribution services.

Segment results 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. All liabilities are allocated to reportable segments other than corporate liabilities.

The Group generates its turnover from Asia Pacific while its jointly-controlled entities operate in North America. As a result, no geographic information is presented.

2. TURNOVER AND SEGMENTAL INFORMATION *(continued)*

Analyses of the consolidated segmental information by business during the period are set out below.

	Six months ended 30 June							
	2013				2012			
	Telecom-munication services (Unaudited) *HK$'000*	**Other operation (Unaudited) *HK$'000***	**Eliminations (Unaudited) *HK$'000***	**Consolidated (Unaudited) *HK$'000***	Telecom-munication services (Unaudited) *HK$'000*	Other operation (Unaudited) *HK$'000*	Eliminations (Unaudited) *HK$'000*	Consolidated (Unaudited) *HK$'000*
					(Restated)			*(Restated)*
Turnover								
External sales	**35,935**	**666**	**–**	**36,601**	38,402	555	–	38,957
Inter-segment sales	**134**	**–**	**(134)**	**–**	114	–	(114)	–
	36,069	**666**	**(134)**	**36,601**	38,516	555	(114)	38,957
Results								
Segment results	**774**	**(1,872)**	**–**	**(1,098)**	3,608	(1,460)	–	2,148
Share of results of jointly-controlled entities	**(495)**	**–**	**–**	**(495)**	8,752	–	–	8,752
Finance costs	**(579)**	**–**	**–**	**(579)**	–	–	–	–
	(300)	**(1,872)**	**–**	**(2,172)**	12,360	(1,460)	–	10,900
Other operating income and expenses				**(9,125)**				(9,701)
(Loss) / Profit before taxation				**(11,297)**				1,199

Inter-segment sales are charged at prevailing market prices.

2. TURNOVER AND SEGMENTAL INFORMATION *(continued)*

	As at 30 June 2013			As at 31 December 2012		
	Telecom-munication services (Unaudited) *HK$'000*	Other operation (Unaudited) *HK$'000*	Consolidated (Unaudited) *HK$'000*	Telecom-munication services (Audited) *HK$'000*	Other operation (Audited) *HK$'000*	Consolidated (Audited) *HK$'000*
				(Restated)		*(Restated)*
Assets						
Reportable segments	**192,648**	**1,326**	**193,974**	194,008	2,396	196,404
Unallocated assets			**110,561**			121,970
			304,535			318,374
Liabilities						
Reportable segments	**(100,156)**	**(1,886)**	**(102,042)**	(100,822)	(2,047)	(102,869)
Unallocated liabilities			**(1,437)**			(1,983)
			(103,479)			(104,852)

3. OTHER REVENUE AND INCOME

	Six months ended 30 June	
	2013 (Unaudited) *HK$'000*	2012 (Unaudited) *HK$'000*
		(Restated)
Interest income on bank deposits	**311**	185
Other	**812**	956
	1,123	1,141

4. (LOSS) / PROFIT FOR THE PERIOD

(Loss) / Profit for the period is stated after charging the following:

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Finance costs:		
Interest on bank loans wholly repayable within five years	**(579)**	–
	(579)	–
Amortisation of intangible assets	**(1,053)**	–
Depreciation of property, plant and equipment	**(1,268)**	(820)

5. TAXATION

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**–**	–
Overseas income taxes	**(600)**	(833)
	(600)	(833)

During the period, no provision for Hong Kong Profits Tax has been made as the Group incurred a loss for taxation purposes. For the six months ended 30 June 2012, Hong Kong Profits Tax has not been provided as the Group's assessable profit for the period was wholly absorbed by unrelieved tax losses brought forward from previous years.

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

6. EBITDA

EBITDA represents earnings before interest expenses, taxation, depreciation, amortisation, and the share of results of jointly-controlled entities.

7. DIVIDEND

The Board does not recommend payment of a dividend for the six months ended 30 June 2013 (30 June 2012: Nil).

8. (LOSS) / EARNINGS PER SHARE

The calculation of basic loss per share for the six months ended 30 June 2013 is based on the consolidated loss attributable to equity holders of the Company of HK$11,199,000 (30 June 2012: profit of HK$731,000) and on the number of 521,000,000 (30 June 2012: 521,000,000) shares in issue during the period.

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

9. ACQUISITIONS AND DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment at a cost of HK$280,000 (31 December 2012: HK$4,063,000 *(restated)*) and certain property, plant and equipment at a cost of HK$2,000 (31 December 2012: HK$413,000 *(restated)*) were disposed of.

10. INTANGIBLE ASSETS

	As at 30 June 2013 (Unaudited) ***HK$'000***	As at 31 December 2012 (Audited) *HK$'000*
		(Restated)
Cost at the beginning of the period / year	**20,786**	3,597
Additions	**–**	17,189
Exchange adjustments	**(623)**	–
	20,163	20,786
Accumulated amortisation and impairment losses	**(5,667)**	(4,671)
	14,496	16,115

Intangible assets acquired during 2012 relate to customer contracts in respect of domain name registration, web/data hosting and other services.

11. GOODWILL

	As at 30 June 2013 (Unaudited) *HK$'000*	As at 31 December 2012 (Audited) *HK$'000*
		(Restated)
Cost at the beginning of the period / year	**3,237**	3,237
Accumulated impairment losses	**(3,237)**	(3,237)
	–	–

Goodwill 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 Group assessed the recoverable amount of the goodwill and, after considering the value of the sole asset of the subsidiary as being fully impaired, determined that the goodwill was also impaired and, therefore, fully provided for it in 2009.

12. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	As at 30 June 2013 (Unaudited) *HK$'000*	As at 31 December 2012 (Audited) *HK$'000*
		(Restated)
Share of net assets	**139,437**	140,401

As at 30 June 2013, 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
ANPI Business, 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

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

The summarised financial information in respect of the jointly-controlled entities (after adjustments to amortisation and depreciation on consolidation) in which the Group has a 50% interests is set out below.

	Non-current assets *HK$'000*	Current assets *HK$'000*	Current liabilities *HK$'000*	Net assets *HK$'000*
As at 30 June 2013 (Unaudited)				
100 per cent	**168,720**	**246,016**	**(135,862)**	**278,874**
The Group's 50% share	**84,360**	**123,008**	**(67,931)**	**139,437**
As at 31 December 2012 (Audited)				
100 per cent	162,010	247,536	(128,744)	280,802
The Group's 50% share	81,005	123,768	(64,372)	140,401

	Turnover *HK$'000*	Expenses *HK$'000*	(Loss) / Profit for the period *HK$'000*	EBITDA *HK$'000*
For six months ended 30 June 2013 (Unaudited)				
100 per cent	**439,238**	**(440,228)**	**(990)**	**10,464**
The Group's 50% share	**219,619**	**(220,114)**	**(495)**	**5,232**
For six months ended 30 June 2012 (Unaudited)				
100 per cent	489,226	(471,722)	17,504	30,950
The Group's 50% share	244,613	(235,861)	8,752	15,475

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

13. TRADE AND OTHER RECEIVABLES

	As at 30 June 2013 (Unaudited) ***HK$'000***	As at 31 December 2012 (Audited) *HK$'000*
		(Restated)
Trade receivables	**9,109**	9,639
Other receivables		
Deposits, prepayments and other debtors	**8,642**	8,240
	17,751	17,879

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 allowances for doubtful debts) with the following ageing analysis by invoice date:

	As at 30 June 2013 (Unaudited) ***HK$'000***	As at 31 December 2012 (Audited) *HK$'000*
		(Restated)
Less than 1 month	**7,044**	7,112
1 to 3 months	**1,743**	1,915
More than 3 months but less than 12 months	**322**	612
	9,109	9,639

14. TRADE AND OTHER PAYABLES

	As at 30 June 2013 (Unaudited) *HK$'000*	As at 31 December 2012 (Audited) *HK$'000*
		(Restated)
Trade payables	**1,648**	2,556
Other payables		
Deferred revenue	**2,901**	1,788
Accrued charges and other creditors	**10,507**	13,241
Due to a jointly-controlled entity	**2,213**	–
	17,269	17,585

The amount due to a jointly-controlled entity is unsecured, interest-free and has no fixed term of repayment.

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

	As at 30 June 2013 (Unaudited) *HK$'000*	As at 31 December 2012 (Audited) *HK$'000*
		(Restated)
Less than 1 month	**1,509**	2,202
1 to 3 months	**55**	276
More than 3 months but less than 12 months	**84**	78
	1,648	2,556

15. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these condensed consolidated financial statements, during the period, the Group had the following transactions with a related party:

	Six months ended 30 June	
	2013 (Unaudited) *HK$'000*	2012 (Unaudited) *HK$'000*
Nature of transactions		
Management fee income	**194**	194
Distribution income	**651**	11,780

	As at 30 June 2013 (Unaudited) *HK$'000*	As at 31 December 2012 (Audited) *HK$'000*
Outstanding balance		
Due to a jointly-controlled entity *(note 14)*	**2,213**	–

The above transactions related to a jointly-controlled entity of the Group.

Report on Review of Interim Financial Statements

MAZARS CPA LIMITED
瑪澤會計師事務所有限公司
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To the Audit Committee of

e-Kong Group Limited
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial statements set out on pages 3 to 21, which comprise the condensed consolidated statement of financial position of e-Kong Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2013 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial statements to be in compliance with the relevant provisions thereof and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these interim financial statements in accordance with HKAS 34.

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

SCOPE OF REVIEW

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

CONCLUSION

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

Mazars CPA Limited
Certified Public Accountants

Hong Kong, 29 August 2013

Weatherseed, Stephen Peter Stuart
Practising Certificate number: P05588

Business Review and Outlook

Overall Performance

During the period under review, the Group's operations continued to focus on maintaining our core voice-centric business while accelerating our transformation efforts into the higher growth IP-centric telecommunications and IT-related sectors. The implementation of various aspects of the business transformation is progressing well and the operating performance of each of the business units to date is in line with our business plans. At the same time, the Group made further advances in diversifying and expanding into the mass marketing and distribution of insurance-related products and services in Asia and North America.

Due to the application of HKFRS 11 "Joint Arrangements", and, therefore, the change in accounting policy that came into effect on 1 January 2013, the Group's interests in our jointly-controlled entity in the United States, ANZ Communications LLC (ANZ), are no longer accounted for by the proportionate consolidation accounting method but instead are accounted for using the equity method. On this basis, for this reporting period, the Group no longer records our 50% share of the operating results, assets and liabilities of ANZ, but instead, only recognises our share on each of the ANZ net assets and net results based on the equity method. Irrespective of how those results, assets and liabilities of ANZ are recorded in the Group, the operations and financial performance of ANZ and the Group's influence over ANZ remain unchanged. As ANZ continues to be a significant asset of the Group, we shall continue to provide detailed updates on the developments of ANZ even though it is no longer considered as one of the Group's business segments for reporting purposes.

The Group's turnover for the period under review was HK$36.6 million as compared to HK$39.0 million for the same period of 2012 (which was restated as a result of the above mentioned change in accounting policy). A significant portion of this turnover was contributed by ZONE Asia, the Group's telecom operations in Hong Kong and Singapore. The gross profit of the Group improved marginally from 52.0% to 52.7% while the EBITDA loss recorded was HK$7.9 million compared to a loss of HK$6.7 million for the prior period. The Group recorded a loss attributable to equity holders of the Company of HK$11.2 million for the period as compared with a profit of HK$0.7 million in the previous corresponding period largely due to the significant variance in the share of the results contributed by our jointly-controlled entity ANZ, being a profit of HK$0.2 million (before adjustments on consolidation) for this period compared to the share of profit of HK$9.5 million for the prior period. The Group's net asset value decreased from HK$213.5 million as at 31 December 2012 to HK$201.1 million as at 30 June 2013.

ANZ, USA

In the US, ANZ continues to execute on its strategy to become a leading provider of cloud-based unified communications and application solutions for small to mid-size businesses as well as small to mid-size local exchange carriers and service providers. ANZ has already developed an industry leading SIP Trunking offering and is advancing its Unified Communications (UC) platform to deliver communication and collaboration tools such as hosted PBX features as well as audio, web and video conferencing. ANZ's hosted UC solutions, which will be available nationwide, will also be complemented by a range of broadband and connectivity offerings, and business continuity and security options.

During the period under review, ANZ began to engage the rural ILEC community to promote its "Hosted Communications and Services Private/White Label Solution", which is architected to allow carriers to deliver a complete business communications package to their end-users that includes the functionalities of a conventional PBX, unified messaging, collaboration tools, mobility and business continuity to prevent service disruptions. The responses from some rural ILEC customers, including ANZ's shareholder partners, have been very encouraging and timely, due to the fact, it is believed, that most of these rural ILECs are actively searching for new service and technology opportunities to augment those segments of business that have come under increasing pressure from changing regulations, evolving technologies and competition from larger carriers.

ZONE Telecom, Asia

For the period under review, ZONE Asia recorded total turnover of HK$35.9 million, as compared to HK$38.4 million for the prior corresponding period. The revenue derived from ZONE Asia's IDD business during the period under review continues to decline at an anticipated rate but this has been partly offset by the increasing revenue contribution from its other new services. For instance, in Singapore, the new web/data hosting services introduced by ZONE (Cybersite) following its acquisition last year made a significant contribution to ZONE's total revenue, while in Hong Kong, ZONE's expansion into distributing IP solutions and products of well-known brands, such as Elastix and Sangoma, is showing encouraging results.

ZONE's aggressive marketing efforts in Singapore, commencing from the second quarter of 2013, have created a broader market awareness of ZONE's data and cloud services, including fibre broadband connectivity, hosted IP-Centrex, point-to-point data connectivity and cloud data storage services, resulting in increasing revenue contributions from these new services. In addition, Cybersite continues to target the web presence market with its price leadership strategy. Accretive benefits have also been achieved through synergistic cross-marketing of the services between the ZONE and Cybersite customer bases and by streamlining both business operations. ZONE Singapore's financial performance for the first half of the year is in line with expectations and is forecast to continue to deliver on its plan.

For the second half of the year, ZONE and Cybersite will further enhance their network platform, improve network efficiency and strengthen their operational capabilities in order to expand into the high-growth "Infrastructure as a Service" (IaaS) and "Software as a Service" (SaaS) markets.

RMI

RMI's platform for mass market distribution of insurance-related products gained significant support in the second quarter with the launch of RMI operations in Canada. RMI-Canada is a joint partnership with Jones Delaurier Blevins (JDB), a top Canadian insurance broker. RMI-Canada and JDB teamed up to launch a suite of in-store insurance products with Blackhawk Network Ltd. (BHN), in Safeway outlets in Western Canada. Under RMI's proprietary brand "SmartAssure", Canadian customers can purchase their insurance needs at Safeway stores. In the coming months, on-going expansion of the BHN-JDB-RMI relationship will be carried out across Canada. The launch of RMI-Canada has also set the stage for wider international expansion, both in Asia and North America. The introduction of retail distribution of insurance products represents a significant new development in the insurance industry globally, and RMI is well positioned to capitalise on opportunities as they present themselves. RMI will continue to look for and evaluate value-enhancing relationships with partners that can assist in a rapid geographical expansion of the RMI mass-market service platform for distribution of various insurance products.

In Hong Kong, RMI continues its new product roll-out programme with the successful launch of Extended Warranty at PCCW-HKT stores in the second quarter of 2013. Capitalising on the inaugural launch of i-GUARD PhoneProtector cover, RMI now includes i-GUARD Extended Warranty, an additional protection and warranty cover for mobile phones and tablets.

Outlook

In the first half of 2013, the Group made considerable progress on our transformation and diversification programmes, committing resources to redefine our telecom businesses as well as diversifying and expanding into the mass-market distribution of insurance products. The Group believes technology innovations and creative distribution solutions will be critical success factors for expanding into these two global industries that are currently undergoing rapid developments. Looking ahead to the second half of 2013, the Group expects to advance our technology platforms for both the telecom and insurance distribution businesses as we further penetrate the high-growth ICT market segments and, through strategic relationships with partners having large customer bases and extensive market reaches, continue to expand our insurance distribution business into other territories in Asia and North America.

Financial Review

General Overview

The financial position as at 30 June 2013 and the results of the Group for the six months ended 30 June 2013 reflect our adoption for the first time of HKFRS 11 which changes the Group's accounting policy on interests in jointly-controlled entities from the previous proportionate consolidation accounting method to the equity method. The effect of this change is that the Group now reports our share of the results and the net assets of the jointly-controlled entities as single line items as "Share of Results of Jointly-Controlled Entities" in the consolidated statement of profit or loss and "Interests in Jointly-Controlled Entities" in the consolidated statement of financial position, respectively. This change in accounting policy has been applied retrospectively and the comparative figures presented have been restated where appropriate.

Turnover and Results

The Group's turnover for the period amounted to HK$36.6 million, representing a decrease of 6.1% from the corresponding period in the prior year. The drop in turnover was mainly due to a change in the revenue mix as the Asian telecom business transforms from being a long distance voice service provider into a comprehensive info-communication service company.

The overall gross margin of the Group for the period was 52.7%, which is in line with that of the previous corresponding period.

Total operating expenses of the Group for the period amounted to HK$30.6 million, an increase of 5.9% from the same period in the prior year.

The operating loss of the Group for the period amounted to HK$10.2 million, compared to a loss HK$7.6 million for the previous corresponding period.

The jointly-controlled entities (in which the Group has a 50% interests) reported a net profit of HK$0.2 million (before adjustments on consolidation) compared to a net profit of HK$9.5 million for the prior year corresponding period. The drop in net profit was primarily a result of increased spending on headcount and technology build-up for the launch of new hosted solutions and services.

The consolidated loss attributable to equity holders of the Company for the period amounted to HK$11.2 million, compared to a profit of HK$0.7 million for the prior period.

The Group's EBITDA for the period amounted to a loss of HK$7.9 million, compared to a loss of HK$6.7 million for the same period in the prior year.

Interim Dividend

The Board does not recommend payment of a dividend for the six months ended 30 June 2013 (30 June 2012: Nil).

Capital Structure, Liquidity and Financing

The Group maintains a healthy financial position with net current assets at HK$123.6 million (31 December 2012: HK$133.7 million). The net asset value of the Group amounted to HK$201.1 million as at 30 June 2013 (31 December 2012: HK$213.5 million).

Capital expenditures for the period amounted to HK$0.3 million mainly in respect of network equipment enhancements in Singapore.

Cash and bank balances (excluding pledged bank deposits) amounted to HK$44.8 million as at 30 June 2013 (31 December 2012: HK$55.7 million). As at 30 June 2013, HK$77.6 million (31 December 2012: HK$77.5 million) was pledged as bank deposits to collateralise a letter of credit issued to a bank in respect of a banking facility extended to a subsidiary. In addition, bank guarantees of HK$1.9 million were issued to suppliers for operations requirements (31 December 2012: HK$2.0 million).

As at 30 June 2013, total bank borrowings of the Group amounted to HK$84.0 million (31 December 2012: HK$85.7 million), of which HK$77.6 million (31 December 2012: HK$77.5 million) is denominated in United States dollars (equivalent to US$10,000,000). The loan bears interest at a floating rate and is payable quarterly. The loan facility expires in August 2017, at which time the full amount outstanding is due and payable in United States dollars. The loan is collateralised by a bank letter of credit supported by the Company. The remaining balance of the bank borrowings of HK$6.4 million (31 December 2012: HK$8.2 million) is denominated in Singapore dollars. The loan and interest at a floating rate are repayable monthly in Singapore dollars over a period of three years. The loan, which was utilised for the acquisition of assets during 2012, is secured by the net assets of a subsidiary company.

The Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets was 41.8% (31 December 2012: 40.1%).

Foreign Exchange Exposure

Since most of the Group's assets and liabilities 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. Following the adoption of HKFRS 11, a substantial portion of the Group's revenue and payments are denominated in Singapore dollars. The Group continues to closely monitor the Singapore-United States dollar exchange rates and, the Group will, whenever appropriate, take appropriate action to mitigate such exchange risks. In this regard, as at 30 June 2013, no related currency hedges had yet been undertaken by the Group.

Contingent Liabilities and Commitments

A subsidiary of a jointly-controlled entity is involved in certain legal actions and claims arising in the ordinary course of business, subject to which certain representations, warranties and indemnities have been provided by a subsidiary. Management believes that it is remote that the outcome of such litigation and claims will have a material effect on the Group's financial position.

Save as disclosed above, as at 30 June 2013, there were no material contingent liabilities or commitments and the directors are not aware of any other material changes from information disclosed in the Company's 2012 Annual Report.

Additional Information

Directors' Interests in Securities

As at 30 June 2013, 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 Rules Governing the Listing of Securities on the Stock Exchange (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	127,850,200 *(Note 1)*	24.5%
Jennifer Wes Saran	Personal	482,400	0.1%
	Held by controlled corporations	76,176,461 *(Note 2)*	14.6%
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	3,930,000	0.8%

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

Notes:

1. *27,850,000 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. *76,176,461 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 RDH Holdings Limited, a company controlled by Mr. William Bruce Hicks.*

All interests disclosed above represent long positions in the shares of the Company and there were no underlying shares held by the directors as at 30 June 2013.

Save as disclosed above, as at 30 June 2013, 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

At no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable any director or the chief executive of the Company to acquire benefits, by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors, the chief executive of the Company nor any of their spouses or children under the age of 18 had any interests in, or had been granted, any rights to subscribe for shares in or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights during the period.

Substantial Shareholders

As at 30 June 2013, 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	76,176,461	14.6%
Ganado Investments Corporation Ltd.	76,176,461	14.6%
RDH Holdings Limited	67,962,428	13.0%
Siemens Enterprises Limited	27,850,000	5.3%

* *"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 and Siemens Enterprises Limited), Mrs. Jennifer Wes Saran (being held through Future (Holdings) Limited and Ganado Investments Corporation Ltd.) and Mr. William Bruce Hicks (being held through RDH Holdings Limited).

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

Save as disclosed above, as at 30 June 2013, 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.

Corporate Governance

Corporate Governance Code

The directors of the Company are committed to maintaining high standards of corporate governance in performing their obligations to act in the best interests of shareholders and enhance long term shareholder value. Except for the deviations described below, no director of the Company is aware of any information which would reasonably indicate that the Company is not, or was not at any time during the six months ended 30 June 2013, acting in compliance with code provisions of 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 our 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 the 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 significant number thereof being independent non-executive directors.

Code Provision A.6.7 of the Corporate Governance Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings. Mr. John William Crawford, an independent non-executive director of the Company, was unable to attend the annual general meeting of the Company held on 16 May 2013 as he had been hospitalised. However, there were sufficient directors present to enable the Board to develop a balanced understanding of the views of the Company's shareholders.

Compliance with Various Listing Rules

Following the retirement of Mr. Shane Frederick Weir after the conclusion of the annual general meeting of the Company on 16 May 2013, the Board of the Company has only two independent non-executive directors ("INEDs") and two Audit Committee members, which fall below the minimum requirements under Rules 3.10(1) and 3.21 respectively of the Listing Rules. In addition, the Board has only two Remuneration Committee members, one of whom is an INED, which deviates from the provisions of Listing Rule 3.25 in respect of the composition of the Remuneration Committee. According to Listing Rule 3.11, the Board should identify suitable candidate(s) to fill the vacancy of an INED, the chairman of the Remuneration Committee and a member of the Audit Committee of the Company by 15 August 2013. The Company is in the process of identifying suitable candidate(s) to best serve the interests of shareholders of the Company but will require more time to finalise our decision. Further details have been set out in the announcement of the Company dated 15 August 2013.

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 our own securities code. All directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standards set out in the Model Code throughout the six-month period ended 30 June 2013.

Audit Committee

The Audit Committee reviewed, with management and the external auditor of the Company, the accounting principles and practices adopted by the Group and discussed / assessed all key auditing, internal controls and financial reporting matters, including a review of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2013. The review conducted by the external auditor of the Company was in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Employee Remuneration Policies

As at 30 June 2013, the Group had 80 (31 December 2012: 89) employees in China, Hong Kong and Singapore. The Group's total staff costs for the six months ended 30 June 2013 were HK$18.1 million (30 June 2012: HK$16.7 million).

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

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 five consecutive years.

Appreciation

The Board would like to thank all our customers, shareholders, business associates and professional advisers for their continued support and extends its appreciation to all fellow directors and employees for their invaluable efforts and hard work, dedication and commitment to the Group during the period.

By Order of the Board

Lau Wai Ming Raymond
Company Secretary

29 August 2013