e-Kong Group Limited

(Incorporated in Bermuda with limited liability)

www.e-kong.com

(Stock Code: 524)

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2011

HIGHLIGHTS

- The Group completed the ZONE/ANPI Transaction in the US and recognised a gain of HK$52.4 million for the year
- Integration of the operations within ANZ is essentially completed. Synergy targets are expected to be achieved
- ZONE Asia registered revenue growth and is in line with the Group's mission to expand services offerings
- The Group's net assets increased to HK$225.6 million after recognising intangible assets and goodwill associated with the merger transaction

RESULTS

The board of directors (the "Board") of e-Kong Group Limited (the "Company") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2011, together with comparative figures for 2010, as set out below.

Consolidated Income Statement

		Year ended 31 December	
		2011	2010
	Notes	***HK$'000***	*HK$'000*
CONTINUING OPERATIONS			
Turnover	*2*	**474,606**	75,750
Cost of sales		**(351,472)**	(33,752)
Gross profit		**123,134**	41,998
Other revenue and income	*3*	**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	*4*	**(132)**	—
Share of results of an associate		**84**	—
Loss before taxation		**(9,098)**	(14,326)
Taxation (charges)	*5*	**(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	*4*	**16,067**	9,995

Consolidated Income Statement *(Continued)*

	Notes	Year ended 31 December **2011** ***HK$'000***	2010 *HK$'000*
Profit / (Loss) for the year attributable to:			
Equity holders of the Company			
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
EBITDA	*6*		
Continuing operations		**2,554**	(11,861)
Discontinued operation		**(2,161)**	15,353
		393	3,492
		HK cents	*HK cents*
Earnings / (Loss) per share	*7*		
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

	Year ended 31 December	
	2011	2010
	HK$'000	*HK$'000*
Profit for the year	**16,067**	9,995
Other comprehensive 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 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	2010
	Notes	***HK$'000***	*HK$'000*
Non-current assets			
Property, plant and equipment		**31,495**	17,651
Intangible assets	*9*	**20,985**	—
Goodwill	*10*	**33,527**	—
Interests in an associate		**924**	—
Deferred tax assets		**12,453**	34,093
		99,384	51,744
Current assets			
Inventories		**1,454**	—
Trade and other receivables	*11*	**81,627**	94,755
Pledged bank deposits		**2,316**	2,320
Cash and bank balances		**121,866**	174,502
		207,263	271,577
Current liabilities			
Trade and other payables	*12*	**78,444**	108,626
Current portion of obligations under finance leases		**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		**62**	296
Deferred tax liabilities		**348**	411
		410	707
NET ASSETS		**225,593**	212,020
Capital and reserves			
Share capital		**5,210**	5,229
Reserves		**221,213**	206,791
Equity attributable to equity holders of the Company		**226,423**	212,020
Non-controlling interests		**(830)**	—
TOTAL EQUITY		**225,593**	212,020

Notes to the Consolidated Financial Statements:

1. Basis of preparation and accounting policies

These consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable 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 consolidated financial statements are consistent with those adopted in the Company's 2010 Annual Report except as described below.

In the current year, the Group has applied, for the first time, the following new and revised HKFRS issued by HKICPA which are mandatory for annual periods beginning on or after 1 January 2011 and relevant to the Group:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 24 (Revised)	Related Party Disclosures
HKFRS 3 (Revised)	Business Combinations

HKAS 1 (Revised) clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group has decided to continue to present the analysis of each component of other comprehensive income in the statement of changes in equity.

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

HKFRS 3 (Revised) clarifies the transitional requirements for contingent consideration from a business combination that occurred before the effective date of HKFRS 3 (Revised) and specifies 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. In addition, HKFRS 3 (Revised) limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests 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 at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by another HKFRS. The adoption of this revised standard has no effect to the financial statements.

Moreover, 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 were set out in the Company's circular dated 17 November 2010. According to HKAS 31 "Interests in Joint Ventures", a jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity. The Group's interests in the jointly-controlled entity and its subsidiaries (collectively the "jointly-controlled entities") are accounted for by the proportionate consolidation method, which involves recognising its share of the jointly-controlled entities' assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis.

Upon completion of the ZONE/ANPI Transaction, the directors consider the results of the former ZONE US operations whereby the Group had full control had been discontinued and thereby constituting a discontinued operation. Accordingly, 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 together with its comparative figures for the year from 1 January to 31 December 2010 are set forth in note 8.

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

2. Turnover and 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 accounted for by proportionate consolidation, represent the results before taxation earned by each segment without allocation of central operating and administrative expenses.

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		
	Telecom-munication services	**Other**	**Eliminations**		Consolidated	Telecom-munication services	Other
Consolidated							
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Turnover							
External sales	**474,007**	**599**	**—**	**474,606**	74,922	828	75,750
Inter-segment 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-segment sales are charged at prevailing market prices.

The segmental turnover and results reported by business segments exclude any amounts relating to the discontinued operation.

(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 proportionate consolidation. 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.

	Year ended 31 December			
	Turnover from external sales		Non-current assets	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'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.

3. Other revenue and income

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

	Year ended 31 December	
	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

4. Profit for the year

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

	Year ended 31 December	
	2011	2010
	HK$'000	*HK$'000*
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
Amortisation of intangible assets	**1,804**	—
Depreciation of property, plant and equipment	**11,519**	10,652
Gain on disposal of subsidiary (included in profit for the year from discontinued operation)	**52,412**	—

5. Taxation

An analysis of taxation from continuing and discontinued operations is as follows:

	Year ended 31 December	
	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Current tax		
Overseas income taxes	**(1,683)**	(1,624)
Over-provision 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

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 represent the income tax provision in certain subsidiaries, calculated at the tax rates prevailing in the countries in which the subsidiaries operate.

6. EBITDA

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

7. 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.

	As at 31 December	
	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 shares 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.

8. Discontinued operation

The profit for the period from 1 January to 15 April 2011 from the discontinued operation together with its comparative figures for the year from 1 January to 31 December 2010, which has been included in the consolidated income statement, is 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	*4*	**(1,310)**	(50)
(Loss) / Profit before taxation		**(5,190)**	7,116
Taxation (charges) / credit	*5*	**(17,909)**	18,976
(Loss) / Profit for the year		**(23,099)**	26,092
Gain on disposal of subsidiary	*13*	**52,412**	—
Profit for the year from discontinued operation	*4*	**29,313**	26,092

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

9. Intangible assets

	As at 31 December	
	2011	2010
	HK$'000	*HK$'000*
Cost at the beginning of the year	**56,530**	56,530
Written-off	**(52,933)**	—
Additions	**22,789**	—
	26,386	56,630
Accumulated amortisation and impairment losses	**(5,401)**	(56,530)
	20,985	—

During the first quarter of 2011, intangible assets relating to customer contracts in respect of telecommunication services in the United States which had fully been provided for in 2008, were written-off in connection with the disposal of the subsidiary which formed part of the completion of the ZONE/ANPI Transaction.

Intangible assets acquired in connection with the ZONE/ANPI Transaction include customer base, trade names and proprietary software, the amount of which is valued with reference to an independent appraisal report.

10. Goodwill

	As at 31 December	
	2011	2010
	HK$'000	*HK$'000*
Cost at the beginning of the year	**3,237**	3,237
Additions	**33,527**	—
	36,764	3,237
Accumulated impairment losses	**(3,237)**	(3,237)
	33,527	—

The amounts of additions represent the goodwill of HK$27,496,000 arisen from the investment in jointly-controlled entities (note 13) and goodwill of HK$6,031,000 shared from the jointly-controlled entities through proportionate consolidation.

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 entities 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 during the year of 2009. As a result of the acquisition, the subsidiary became wholly-owned by the Company. The Group assessed the recoverable value of the goodwill and, after considering the value of the sole asset of the subsidiary as being fully impaired, determined that the goodwill was also impaired and, therefore, fully provided for it in 2009.

11. Trade and other receivables

	As at 31 December	
	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**68,129**	78,169
Other receivables		
Deposits, prepayments and other debtors	**10,520**	16,586
Due from an associate	**2,978**	—
	81,627	94,755

The Group's credit terms on sales mainly range from 30 to 90 days. Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis by invoice date:

	As at 31 December	
	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

12. Trade and other payables

	As at 31 December	
	2011	2010
	HK$'000	*HK$'000*
Trade payables	**18,708**	45,990
Other payables		
Accrued charges and other creditors	**59,736**	62,636
	78,444	108,626

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

	As at 31 December	
	2011	2010
	HK$'000	*HK$'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

13. Investment in jointly-controlled entity and disposal of subsidiary

On 15 April 2011, the Group completed the ZONE/ANPI Transaction as referred to in note 1 above and ANZ, a jointly-controlled entity, was established. Investment details are as follows:

	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 reserve 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)

The Group has recognised a gain on disposal of HK$52,412,000 and recorded goodwill of HK$27,496,000 arising from the investment in the jointly-controlled entities as well as goodwill of HK$6,031,000 shared from the jointly-controlled entities through proportionate consolidation, all amounts having been determined by reference to the fair value of the assets and liabilities disposed of or acquired in connection with the ZONE/ANPI Transaction. The determination of the fair value of such assets and liabilities is based on directors' assessment and include the evaluation of cash flow forecasts for periods beyond normal requirements of management reporting, assessment of the discount rate appropriate to the business, the projected market, and the regulatory conditions.

14. 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.

FINAL DIVIDEND

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

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.

EMPLOYEE REMUNERATION POLICIES

As at 31 December 2011, altogether 128 employees (including half of the headcount of ANZ) (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'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, there were no outstanding share options under the Company's share option scheme.

CORPORATE GOVERNANCE

The directors of the Company are committed to maintaining high standards of corporate governance in discharging their obligations to act in the best interests of shareholders and enhance long term shareholder value. Except for the deviation described below, no director of the Company is aware of any information which would reasonably indicate that the Company is not, or was not at any time during the year ended 31 December 2011, acting in compliance with the Code on Corporate Governance Practices ("Corporate Governance Code") as set out in Appendix 14 to the Listing Rules and is in effect at the date of this announcement.

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 the chairman and the 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.

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.

AUDIT COMMITTEE

The Audit Committee has reviewed, with the management and the auditor of the Company, the accounting principles and practices adopted by the Group and discussed / assessed all key auditing, internal control and financial reporting matters, including a review of the audited consolidated financial statements of the Group for the year ended 31 December 2011.

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**		**Aggregate purchase price**
		Highest	**Lowest**	
		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.

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.

PUBLICATION OF FURTHER INFORMATION

The 2011 Annual Report of the Company containing all information required by Appendix 16 to the Listing Rules will be published on both the websites of Hong Kong Exchanges and Clearing Limited and the Company in due course.

APPRECIATION

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

By Order of the Board
Richard John Siemens
Chairman

Hong Kong, 27 March 2012

As at the date of this announcement, the Board of the Company comprises Executive Directors, Richard John Siemens and Lim Shyang Guey; Non-executive Directors, William Bruce Hicks and Jennifer Wes Saran; and Independent Non-executive Directors, John William Crawford J.P., Gerald Clive Dobby and Shane Frederick Weir.