e-Kong Group Limited

(Incorporated in Bermuda with limited liability)

www.e-kong.com

(Stock Code: 524)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

HIGHLIGHTS FOR THE PERIOD

- The Group's turnover amounted to HK$283.6 million and EBITDA recorded to be HK$8.7 million
- ANZ, the Group's joint venture company in the US, made a material contribution to the Group's result
- The Group continued to expand into high growth telecom sector, including cloud-based and hosted solutions for the enterprise market in the US and high-speed broadband service in Singapore
- ZONE Singapore concluded a definitive agreement to acquire the assets of an accredited domain name registrar and web/data hosting company in Singapore
- RMI launched "i-Guard" insurance-related services in a partnership with a leading telecom company in Hong Kong

RESULTS

The board of directors (the "Board") of e-Kong Group Limited (the "Company") herein announces the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2012, together with comparative figures for the corresponding period in 2011. The results were unaudited but have been reviewed by the Audit Committee and the auditor of the Company.

Condensed Consolidated Income Statement

	Notes	Six months ended 30 June **2012** **(Unaudited)** ***HK$'000***	2011 (Unaudited) *HK$'000* *(Restated)*
CONTINUING OPERATIONS			
Turnover	*2*	**283,570**	158,132
Cost of sales		**(204,389)**	(112,720)
Gross profit		**79,181**	45,412
Other revenue and income	*3*	**1,155**	559
		80,336	45,971
Selling and distribution expenses		**(15,991)**	(7,617)
Business promotion and marketing expenses		**(2,688)**	(1,620)
Operating and administrative expenses		**(50,900)**	(35,921)
Other operating expenses		**(9,555)**	(4,128)
Profit / (Loss) from operations		**1,202**	(3,315)
Finance costs	*4*	**(20)**	(53)
Share of results of an associate		**17**	53
Profit / (Loss) before taxation		**1,199**	(3,315)
Taxation	*5*	**(833)**	(919)
Profit / (Loss) for the period from continuing operations		**366**	(4,234)
DISCONTINUED OPERATION	*8*		
Profit for the period from discontinued operation		**–**	29,313
Profit for the period	*4*	**366**	25,079

Condensed Consolidated Income Statement *(continued)*

	Notes	Six months ended 30 June **2012** **(Unaudited)** ***HK$'000***	2011 (Unaudited) *HK$'000* *(Restated)*
Profit / (Loss) for the period attributable to:			
Equity holders of the Company			
Continuing operations		**731**	(3,880)
Discontinued operation		**–**	29,313
		731	25,433
Non-controlling interests			
Continuing operations		**(365)**	(354)
Profit for the period		**366**	25,079
EBITDA	*6*		
Continuing operations		**8,742**	27
Discontinued operation		**–**	(2,161)
		8,742	(2,134)
		HK cents	*HK cents* *(Restated)*
Earnings / (Loss) per share	*7*		
Basic and diluted			
Continuing operations		**0.1**	(0.7)
Discontinued operation		**–**	5.6
Continuing and discontinued operations		**0.1**	4.9

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Profit for the period	**366**	25,079
Other comprehensive income for the period		
Released from exchange reserve upon disposal of subsidiary	**–**	(939)
Exchange differences on translation of foreign subsidiaries	**276**	1,152
Total comprehensive income for the period	**642**	25,292
Total comprehensive income for the period attributable to:		
Equity holders of the Company		
Continuing operations	**1,007**	(2,728)
Discontinued operation	**–**	28,374
	1,007	25,646
Non-controlling interests		
Continuing operations	**(365)**	(354)
Total comprehensive income for the period	**642**	25,292

Condensed Consolidated Statement of Financial Position

	Notes	As at 30 June 2012 (Unaudited) HK$'000	As at 31 December 2011 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**29,192**	31,495
Intangible assets	*9*	**19,686**	20,985
Goodwill	*10*	**33,484**	33,527
Interests in an associate		**919**	924
Deferred tax assets		**12,437**	12,453
		95,718	99,384
Current assets			
Inventories		**1,461**	1,454
Trade and other receivables	*11*	**84,324**	81,627
Pledged bank deposits		**1,709**	2,316
Cash and bank balances		**126,232**	121,866
		213,726	207,263
Current liabilities			
Trade and other payables	*12*	**81,395**	78,444
Current portion of obligations under finance leases		**90**	826
Taxation payable		**1,353**	1,374
		82,838	80,644
Net current assets		**130,888**	126,619
Total assets less current liabilities		**226,606**	226,003
Non-current liabilities			
Obligations under finance leases		**16**	62
Deferred tax liabilities		**355**	348
		371	410
NET ASSETS		**226,235**	225,593
Capital and reserves			
Share capital		**5,210**	5,210
Reserves		**222,220**	221,213
Equity attributable to equity holders of the Company		**227,430**	226,423
Non-controlling interests		**(1,195)**	(830)
TOTAL EQUITY		**226,235**	225,593

Notes to the Condensed Consolidated Financial Statements:

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 2011 Annual Report except as described below.

As set out in the consolidated financial statements for the year ended 31 December 2011, the Group had recorded adjustments based on the provisional amount attributable to the fair values of the assets and liabilities disposed of or acquired, respectively, recognised at the date of completion of the ZONE/ANPI Transaction, a detailed explanation of which is set out in note 13 to these condensed consolidated financial statements. Accordingly, certain comparative figures in these condensed consolidated financial statements have been restated.

(a) The effects on the results for the six months ended 30 June 2011 are as follows:

	HK$'000
Decrease in gain on disposal of subsidiary (included in profit for the period from discontinued operation)	28,788
Decrease in profit for the period	28,788
Decrease in profit / (loss) and total comprehensive income for the period attributable to equity holders of the Company	28,788

(b) The effect on the basic and diluted earnings / (loss) per share for the six months ended 30 June 2011 is as follows:

	HK cents
Decrease in basic and diluted earnings / (loss) per share	5.5

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 of the adoption of these new and revised standards or interpretations 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 sales and fufilment solutions, and insurance brokerage services.

Segment results, including the Group's interests in jointly-controlled entities accounted for by the proportionate consolidation accounting method, represent the results before taxation earned by each segment without allocation of central operating and administrative expenses. All assets are allocated to reportable segments other than unallocated assets which are mainly cash and bank balances.

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

(a) *By business segments:*

	Six months ended 30 June						
	2012				2011		
	Telecom-munication services (Unaudited) ***HK$'000***	**Other operations (Unaudited)** ***HK$'000***	**Eliminations (Unaudited)** ***HK$'000***	**Consolidated (Unaudited)** ***HK$'000***	Telecom-munication services (Unaudited) *HK$'000*	Other operations (Unaudited) *HK$'000*	Consolidated (Unaudited) *HK$'000*
Turnover							
External sales	**283,015**	**555**	**–**	**283,570**	157,838	294	158,132
Inter-segments sales	**114**	**–**	**(114)**	**–**	–	–	–
	283,129	**555**	**(114)**	**283,570**	157,838	294	158,132
Results							
Segment results	**12,363**	**(1,460)**	**–**	**10,903**	7,157	(1,416)	5,741
Finance costs	**(20)**	**–**	**–**	**(20)**	(53)	–	(53)
Share of results of an associate	**17**	**–**	**–**	**17**	53	–	53
	12,360	**(1,460)**	**–**	**10,900**	7,157	(1,416)	5,741
Other operating income and expenses				**(9,701)**			(9,056)
Profit / (Loss) before taxation				**1,199**			(3,315)

Inter-segments sales are charged at prevailing market prices.
The segmental turnover and results reported by business segments for the six months ended 30 June 2011 exclude any amounts relating to the discontinued operation.

(a) *By business segments (continued):*

	As at 30 June 2012			As at 31 December 2011		
	Telecom-munication services (Unaudited) ***HK$'000***	**Other operations (Unaudited)** ***HK$'000***	**Consolidated (Unaudited)** ***HK$'000***	Telecom-munication services (Audited) *HK$'000*	Other operations (Audited) *HK$'000*	Consolidated (Audited) *HK$'000*
Assets						
Reportable segments	**270,056**	**740**	**270,796**	268,366	739	269,105
Unallocated assets			**38,648**			37,542
			309,444			306,647
Liabilities						
Reportable segments	**(79,579)**	**(1,384)**	**(80,963)**	(77,679)	(1,284)	(78,963)
Unallocated liabilities			**(2,246)**			(2,091)
			(83,209)			(81,054)

(b) *By geographical information:*

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

	Turnover from external sales		**Non-current assets**	
	Six months ended 30 June		**30 June**	31 December
	2012 (Unaudited) ***HK$'000***	2011 (Unaudited) *HK$'000*	**2012 (Unaudited)** ***HK$'000***	2011 (Audited) *HK$'000*
North America	**244,613**	119,749	**78,066**	82,055
Asia Pacific	**38,957**	38,383	**5,215**	4,876
	283,570	158,132	**83,281**	86,931

The turnover from external sales reported by geographical segments for the six months ended 30 June 2011 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:

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income on bank deposits	**250**	269
Interest income on loan receivable	**9**	34
	259	303
Other	**896**	256
	1,155	559

4. Profit for the period

Profit for the period from continuing operations is stated after (charging) / crediting the following:

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Finance costs:		
Interest on bank loan and other borrowings wholly repayable within five years	**(8)**	(13)
Finance charges on obligations under finance leases	**(6)**	(40)
Other interest	**(6)**	–
	(20)	(53)
Amortisation of intangible assets	**(1,272)**	–
Depreciation of property, plant and equipment	**(6,268)**	(3,342)
Gain on disposal of subsidiary (included in profit for the period from discontinued operation)	**–**	52,412

5. Taxation

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

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Continuing operations		
Current tax		
Overseas income taxes	**(833)**	(919)
Taxation charges from continuing operations	**(833)**	(919)
Discontinued operation		
Current tax		
Overseas income taxes	**–**	(69)
Deferred tax		
Tax losses	**–**	(17,840)
Taxation charges from discontinued operation	**–**	(17,909)
Total taxation charges from continuing and discontinued operations	**(833)**	(18,828)

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 an associate.

7. Earnings / (Loss) per share

The calculations of basic earnings / (loss) per share from continuing and discontinued operations for the six months ended 30 June 2012 and 2011 are based on the consolidated profit / (loss) attributable to equity holders of the Company as set out below and on the weighted average number of 521,000,000 (30 June 2011: 521,329,141) shares in issue during the period.

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Consolidated profit / (loss) attributable to equity holders of the Company:		
Continuing operations	**731**	(3,880)
Discontinued operation	**–**	29,313
Continuing and discontinued operations	**731**	25,433

Diluted earnings / (loss) per share from continuing and discontinued operations for the six months ended 30 June 2012 and 2011 are the same as the basic earnings / (loss) per share.

8. Discontinued operation

The profit for the period from 1 January to 15 April 2011 from the discontinued operation, which has been separately presented as "Discontinued Operation" in the condensed consolidated income statement for comparison purposes, is as set out below.

	For the period 1 January to 15 April 2011 (Unaudited) *HK$'000* *(Restated)*
Turnover	205,451
Cost of sales	(172,372)
Gross profit	33,079
Other revenue and income	8
	33,087
Selling and distribution expenses	(11,178)
Business promotion and marketing expenses	(471)
Operating and administrative expenses	(21,835)
Other operating expenses*	(3,483)
Loss from operations	(3,880)
Finance costs	(1,310)
Loss before taxation	(5,190)
Taxation	(17,909)
Loss for the period	(23,099)
Gain on disposal of subsidiary *(note 13)*	52,412
Profit for the period from discontinued operation	29,313

* Includes depreciation on property, plant and equipment of HK$1,719,000, and loss on disposals of property, plant and equipment of HK$123,000.

9. Intangible assets

	As at 30 June 2012 (Unaudited)	As at 31 December 2011 (Audited)
	HK$'000	*HK$'000*
Cost at the beginning of the period / year	**26,386**	56,530
Written-off	**–**	(52,933)
Additions from jointly-controlled entities	**–**	22,789
Exchange adjustments	**(29)**	–
	26,357	26,386
Accumulated amortisation and impairment losses	**(6,671)**	(5,401)
	19,686	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 during 2011 in connection with the ZONE/ANPI Transaction include customer base, trade names and proprietary software, the amount of which is valued by reference to an independent appraisal report.

10. Goodwill

	As at 30 June 2012 (Unaudited) *HK$'000*	As at 31 December 2011 (Audited) *HK$'000*
Cost at the beginning of the period / year	**36,764**	3,237
Additions from jointly-controlled entities	**–**	33,527
Exchange adjustments	**(43)**	–
	36,721	36,764
Accumulated impairment losses	**(3,237)**	(3,237)
	33,484	33,527

Additions from jointly-controlled entities during 2011 represented goodwill of HK$27,496,000 which arose from the investment in jointly-controlled entities (note 13) and goodwill of HK$6,031,000 shared from the jointly-controlled entities through the proportionate consolidation accounting method. 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 of HK$3,237,000 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 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 30 June 2012 (Unaudited) *HK$'000*	As at 31 December 2011 (Audited) *HK$'000*
Trade receivables	**65,616**	68,129
Other receivables		
Deposits, prepayments and other debtors	**15,279**	10,520
Due from an associate	**3,429**	2,978
	84,324	81,627

The Group's credit terms on sales mainly range from 30 to 90 days. The ageing analysis of the trade receivables (net of allowances for doubtful debts) by invoice date is as follows:

	As at 30 June 2012 (Unaudited) *HK$'000*	As at 31 December 2011 (Audited) *HK$'000*
Less than 1 month	**57,281**	55,783
1 to 3 months	**7,247**	10,750
More than 3 months but less than 12 months	**1,088**	1,596
	65,616	68,129

12. Trade and other payables

	As at 30 June 2012 (Unaudited) HK$'000	As at 31 December 2011 (Audited) HK$'000
Trade payables	**28,051**	18,708
Other payables		
Accrued charges and other creditors	**53,344**	59,736
	81,395	78,444

The ageing analysis of the trade payables by invoice date is as follows:

	As at 30 June 2012 (Unaudited) HK$'000	As at 31 December 2011 (Audited) HK$'000
Less than 1 month	**25,212**	16,139
1 to 3 months	**2,190**	1,781
More than 3 months but less than 12 months	**649**	788
	28,051	18,708

13. Contribution of a subsidiary to a jointly-controlled entity in return for 50% equity interests in jointly-controlled entity

During 2011, the Group contributed a subsidiary with a net asset value of HK$84,234,000 (including cash and bank balances of HK$69,726,000, other assets of HK$99,962,000 and total liabilities of HK$85,454,000) to a jointly-controlled entity, in return for a 50% equity interests in the jointly-controlled entity valued at HK$173,311,000 for the businesses contributed by the two venturers. After the effect of the release from exchange reserves of HK$1,878,000, the gross gain on disposal of the subsidiary was HK$90,955,000, which represented a realised gain of HK$52,412,000 and an unrealised gain of HK$38,543,000. The unrealised gain was eliminated against the underlying assets contributed to the jointly-controlled entities under the proportionate consolidation accounting method.

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

No tax expense arose in 2011 in respect of the gain on disposal from the above transaction.

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

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

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

14. Interests in jointly-controlled entities

As at 30 June 2012, the Group had interests in the following jointly-controlled entities:

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

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

The summarised financial information in respect of the jointly-controlled entities of which the Group has 50% interests, which information are accounted for in the Group's financial position and results using the proportionate consolidation accounting method in a line-by-line reporting format, is set out below.

	Non-current assets	**Current assets**	**Current liabilities**	**Non-current liabilities**	**Net assets**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 June 2012 (Unaudited)					
100 per cent	**156,134**	**253,272**	**(143,714)**	**(32)**	**265,660**
The Group's 50% share	**78,067**	**126,636**	**(71,857)**	**(16)**	**132,830**
As at 31 December 2011 (Audited)					
100 per cent	164,110	240,618	(132,508)	(124)	272,096
The Group's 50% share	82,055	120,309	(66,254)	(62)	136,048

	Turnover	**Expenses**	**Profit for the period**	**EBITDA**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
1 January to 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**
16 April to 30 June 2011 (Unaudited)				
100 per cent	239,498	(234,538)	4,960	9,658
The Group's 50% share	119,749	(117,269)	2,480	4,829

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

15. Events after the reporting period

On 22 May 2012, a sale and purchase agreement was entered into between an indirect wholly-owned subsidiary of the Company (the "Purchaser") and a third party in Singapore (the "Vendor"), pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase, among other things, its customer base, contracts, intellectual properties, licenses, deposits, and goodwill for a consideration of S$2.9 million (equivalent to approximately HK$18 million). Details of this transaction were set out in the Company's announcement dated 22 May 2012. The transactions contemplated in the sale and purchase agreement were completed in July 2012.

INTERIM DIVIDEND

The Board does not recommend payment of a dividend for the six months ended 30 June 2012 (30 June 2011: Nil).

BUSINESS REVIEW AND OUTLOOK

Overview

During the first six months of 2012, the synergistic benefits realised by ANZ, the Group's 50:50 joint venture company in the US, in its first year of operations contributed to an improvement of its operating results which, in turn, had a positive impact on the Group's financial performance. At the same time, the Group made further progress in executing its other business expansion strategies, focusing on high-growth sectors such as those relating to broadband connectivity and cloud-based applications in the telecom industry, as well as entering into the nascent and potentially lucrative mass market insurance distribution business in Hong Kong. Some of the key highlights and accomplishments from the Group's efforts during this period include the execution of an asset purchase agreement to acquire the assets of an accredited domain name registrar and web/data hosting company in Singapore and the launch of "i-Guard" services, RMI's mass market insurance-related products in partnership with the largest telecom operator in Hong Kong.

The Group's financial results for the six month period ended 30 June 2011 were significantly affected by the one-off financial impact arising from the ZONE/ANPI Transaction and the changes made in the presentation of the Group's financial statements in compliance with accepted accounting standards. Such effects should be taken into consideration when comparing the Group's turnover in the first half of 2012 of HK$283.6 million with the turnover from its Continuing Operations for the corresponding period in 2011 of HK$158.1 million, or the Group's combined turnover from its Continuing Operations and Discontinued Operation for the same period of HK$363.6 million. The profit attributable to equity holders of the Company recorded by the Group for the period under review was HK$0.7 million compared to HK$25.4 million for the prior period which included a one-time gain of HK$52.4 million from the disposal of the Group's discontinued operation. The EBITDA recorded for the first six months of 2012 amounted to HK$8.7 million when compared to a negative EBITDA of HK$2.1 million for the prior period. The Group's financial position remains strong with the net asset value increasing to HK$226.2 million as at 30 June 2012, compared to HK$225.6 million as at the end of 2011.

ANZ, United States

ANZ recorded turnover of HK$489.2 million during the first six months of 2012, half of which contributed to the Group's turnover. The majority of its revenue continued to be derived from the wholesale and enterprise voice segments. Despite the lower overall business volume, ANZ recorded net profit of HK$17.5 million and EBITDA of HK$31.0 million, 50% of which was taken into account in the Group's consolidated results, and made a material contribution towards the Group's operating results for the period. The increase in net profit was mainly attributable to an improvement in gross margin and the realisation of the synergistic benefits through successful implementation of various rationalisation programmes and better operating efficiencies.

During the period under review, as part of its long term strategic planning process, the stakeholders and management of ANZ collectively embarked on a comprehensive business development study to identify and assess new opportunities and service offerings, particularly those in the high growth areas that ANZ can enter into by leveraging on it existing infrastructure, competencies and customer base in the enterprise and rural sectors. ANZ's initial assessment has established that cloud-based and hosted solutions for the enterprise market would be an attractive sector to pursue and it is progressing well with the execution of its plan for the launch of these services. Other business segments that are currently being reviewed include managed-service hosted solutions and other joint venture opportunities in the wireless and fixed broadband service sectors in rural America.

In tandem with the above study and in anticipation of the funding required to finance the implementation of its long-term strategies in the coming years, ANZ and the Group have initiated discussions with various interested parties regarding different fund-raising options, including vendor, equity and debt financing alternatives.

Zone Telecom, Asia

During the reporting period for 2012, ZONE Asia recorded turnover of HK$38.4 million, compared to HK$38.1 million for the prior period, with increased contributions from ZONE Hong Kong's infrastructure sales and project-based revenue. ZONE managed to secure a sizeable order from one of the world's largest telecom equipment vendors for the supply of high-end connectivity products. It also introduced new services including hosted Interactive Voice Response Systems (IVRS) and bundling of third-party data centre hosted solutions with its own suite of telecom-related products.

ZONE Singapore accomplished a number of major milestones as it continues to transform itself into a full service information and communications provider. In the second quarter of 2012, ZONE launched its high-speed fiber-optic broadband service targeted at business users which offers mission-critical class of service with speeds of up to 1Gbps. At the same time, it also introduced other new service offerings including managed network security and remote data back-up storage services.

In May 2012, ZONE Singapore executed an asset purchase agreement to acquire, among others, the customer base and equipment of Cybersite Pte Ltd., one of the local domain name registrars accredited by the Singapore Network Information Centre Pte Ltd (SGNIC), which also services its customers with web hosting and data hosting facilities. Following the completion of the acquisition in July 2012, ZONE has established its new business as an accredited domain name registrar in Singapore and expanded its web hosting and data hosting services to all its existing and acquired customers. In addition to broadening the Group's revenue base, this acquisition is expected to produce immediate accretive cashflow and accelerate ZONE's entry into new market segments.

RMI, Hong Kong

RMI's platform of mass market distribution of insurance-related services was launched in June 2012 with the introduction of the Lost / Damaged / Stolen (LDS) mobile phone product under the brandname "i-Guard" in partnership with the HKT Group, a subsidiary of PCCW and the largest telecommunications company in Hong Kong. This mass market insurance distribution model promoted by RMI has caught the attention and interest of a number of key industry players including insurers, intermediaries and retailers and is creating significant industry enthusiasm resulting in a number of new opportunities being presented to RMI and its partners.

In addition to developments in Hong Kong, RMI is also pursuing overseas opportunities in North America and other countries in Asia. In each of these markets, discussions are well underway with key parties that can provide the necessary reach to the mass market and access to large groups of consumers. RMI is expected to conclude a distribution partnership arrangement with at least one of these parties before the end of 2012.

Outlook

Looking ahead to the second half of 2012, the Group will continue to advance its key initiatives in each of the operating units to expand their revenue base as well as to improve operating results. In the United States, the Group foresees that ANZ will maintain its focus on the core business while it executes its plan to offer cloud-based and hosted solutions to the enterprise sector and will also be in a position to make other strategy recommendations following the completion of its business development study. In Asia, ZONE is expected to launch an aggressive marketing plan to cross-sell data services to its existing voice customers and at the same time expand its suite of business-centric telecommunications services.

FINANCIAL REVIEW

General Overview

For comparison purposes, the financial results of the Group for the six months ended 30 June 2011 and as at 31 December 2011 are presented in this announcement, which results were significantly affected by the one-off financial impact arising from the ZONE/ANPI Transaction completed in April 2011.

Accordingly, the results of the former ZONE US operations, comprised 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. were separately presented as a "Discontinued Operation" in the Condensed Consolidated Income Statement for the six months ended 30 June 2011.

As stated in the Company's 2011 Annual Report, the Group's interests in ANZ are accounted for by the proportionate consolidation accounting method. Following the completion of the ZONE/ANPI Transaction, the results of ANZ are therefore proportionately consolidated with the Group results and presented under continuing operations for that reporting period. This is the main reason for the significant comparison differences in turnover and operating results over the first six month period in 2012 from the corresponding period in the prior year, as further elaborated below.

Turnover and Results

The Group's turnover during the period under review amounted to HK$283.6 million, representing an increase of 79.3% from the Group's turnover for the six months ended 30 June 2011. When compared with the Group's combined turnover from its continuing operations and discontinued operation for the six months ended 30 June 2011 of HK$363.6 million, it reflects a decrease of 22.0%.

The overall gross margin of the Group during the period is calculated to be 27.9%, compared to 28.7% from the Group's continuing operations (or 21.6% from its continuing and discontinued operations) during the prior period.

Total operating expenses of the Group during the period amounted to HK$79.1 million, compared to HK$49.3 million in the Group's continuing operations (or HK$86.3 million in its continuing and discontinued operations) during the previous corresponding period.

The operating results of the Group for the period under review amounted to a profit of HK$1.2 million, as compared to a loss of HK$3.3 million for the Group's continuing operations (or a loss of HK$7.2 million for its combined continuing and discontinued operations) during the previous corresponding period.

The consolidated profit attributable to equity holders of the Company amounted to HK$0.7 million, compared to HK$25.4 million for the first six months of 2011, the latter being primarily attributable to the gain arising from the ZONE/ANPI Transaction.

The Group's EBITDA for the period under review amounted to HK$8.7 million, compared to a negative HK$2.1 million for the same period in the prior year.

Capital Structure, Liquidity and Financing

The Group maintained a healthy liquidity position with net current assets at HK$130.9 million (31 December 2011: HK$126.6 million). Net asset value of the Group improved to HK$226.2 million as at 30 June 2012 (31 December 2011: HK$225.6 million).

Capital expenditure for the current period amounted to HK$4.0 million mainly in respect of the development of a new billing system, upgrading of switching facilities and acquisition of network equipment.

Cash and bank balances (excluding pledged bank deposits) as at 30 June 2012 amounted to HK$126.2 million (31 December 2011: HK$121.9 million). The Group had pledged bank deposits of HK$1.7 million as at 30 June 2012 (31 December 2011: HK$2.3 million) to banks for guarantees made to suppliers.

There were no outstanding bank borrowings as at 30 June 2012 (31 December 2011: Nil).

As at 30 June 2012, the Group's liabilities under equipment lease financing amounted to HK$0.1 million (31 December 2011: HK$0.9 million).

The Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets, remained at the low level of 0.1% (31 December 2011: 0.4%).

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 30 June 2012, no related hedges had yet been undertaken by the Group.

Contingent Liabilities and Commitments

As at 30 June 2012, there were no material contingent liabilities or commitments.

EMPLOYEE REMUNERATION POLICIES

As at 30 June 2012, altogether 124 employees, comprising the headcount of the Group of 75 and half of the headcount of ANZ of 49 (31 December 2011: 128), were engaged in the Group's operations in the United States, China, Hong Kong and Singapore. The Group's total staff costs from its continuing operations for the six months ended 30 June 2012 were HK$39.2 million (30 June 2011: HK$24.5 million; or HK$38.2 million from its continuing and discontinued operations).

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.

CORPORATE GOVERNANCE

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. The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices ("Former Corporate Governance Code") which was effective until 31 March 2012 and the Corporate Governance Code ("Revised Corporate Governance Code") which became effective from 1 April 2012 as set out in Appendix 14 to the Listing Rules. 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 six months ended 30 June 2012, acting in compliance with the Former Corporate Governance Code and the Revised Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

Code provision A.2.1 of the Revised 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 Revised Corporate Governance Code A.2.1, and believes that vesting the roles of both chairman and chief executive in the same person enables corporate planning and directing execution of business plans and growth strategies to be more effective. At the same time, it is believed that the balance of power and authority is adequately ensured by an effective Board which is comprised of experienced and high calibre individuals with a sufficient number thereof being independent non-executive directors.

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 six months ended 30 June 2012.

AUDIT COMMITTEE

The Audit Committee reviewed, with management and the auditor of the Company, the accounting principles and practices adopted by the Group and discussed / assessed all key auditing, internal controls and financial reporting matters, including a review of the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2012. The review conducted by the 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 its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF FURTHER INFORMATION

The 2012 Interim 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 our customers, shareholders, business associates and professional advisers for their continuous 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
Richard John Siemens
Chairman

Hong Kong, 29 August 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.