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 2011

HIGHLIGHTS

- The ZONE/ANPI Transaction in the United States was completed on 15 April 2011
- Profit attributable to the shareholders of the Company for the first half of 2011 amounted to HK$54.2 million, primarily attributable to the gain arising from the ZONE/ANPI Transaction
- Net asset values improved to HK$265.1 million (including cash and cash equivalent of HK$125.2 million)
- ZONE Hong Kong was awarded ISO 9001:2008 accreditation

RESULTS

The board of directors (the "Board") of e-Kong Group Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2011, together with comparative figures for the corresponding period in 2010. The results were unaudited but have been reviewed by the Audit Committee and the auditor of the Company.

Condensed Consolidated Income Statement

		Six months ended 30 June	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
			(Restated)
CONTINUING OPERATIONS			
Turnover	*2*	**158,132**	37,664
Cost of sales		**(112,720)**	(16,235)
Gross profit		**45,412**	21,429
Other revenue and income	*3*	**559**	167
		45,971	21,596
Selling and distribution expenses		**(7,617)**	(1,766)
Business promotion and marketing expenses		**(1,620)**	(1,580)
Operating and administrative expenses		**(35,921)**	(20,037)
Other operating expenses		**(4,128)**	(1,742)
Loss from operations		**(3,315)**	(3,529)
Finance costs	*4*	**(53)**	–
Share of results of an associate		**53**	–
Loss before taxation	*4*	**(3,315)**	(3,529)
Taxation	*5*	**(919)**	(1,103)
Loss for the period from continuing operations		**(4,234)**	(4,632)
DISCONTINUED OPERATION	*8*		
Profit for the period from discontinued operation		**58,101**	6,781
Profit for the period		**53,867**	2,149

Condensed Consolidated Income Statement *(continued)*

	Notes	Six months ended 30 June **2011** **(Unaudited)** ***HK$'000***	2010 (Unaudited) *HK$'000* *(Restated)*
Profit / (Loss) for the period attributable to:			
Equity holders of the Company			
Continuing operations		**(3,880)**	(4,642)
Discontinued operation		**58,101**	6,781
		54,221	2,139
Non-controlling interests			
Continuing operations		**(354)**	10
Profit for the period		**53,867**	2,149
EBITDA	*6*		
Continuing operations		**27**	(2,366)
Discontinued operation		**(2,161)**	11,278
		(2,134)	8,912
		HK cents	*HK cents* *(Restated)*
Earnings / (Loss) per share	*7*		
Basic and diluted			
Continuing operations		**(0.7)**	(0.9)
Discontinued operation		**11.1**	1.3
Continuing and discontinued operations		**10.4**	0.4

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**53,867**	2,149
Other comprehensive income for the period		
Released from exchange reserve upon disposal of subsidiary	**(939)**	–
Exchange differences on translation of foreign subsidiaries	**1,152**	(102)
Total comprehensive income for the period	**54,080**	2,047
Total comprehensive income for the period attributable to:		
Equity holders of the Company		
Continuing operations	**(2,728)**	(4,744)
Discontinued operation	**57,162**	6,781
	54,434	2,037
Non-controlling interests		
Continuing operations	**(354)**	10
Total comprehensive income for the period	**54,080**	2,047

Condensed Consolidated Statement of Financial Position

	Notes	As at 30 June 2011 (Unaudited) *HK$'000*	As at 31 December 2010 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**36,176**	17,651
Intangible assets	*9*	**57,860**	–
Goodwill	*10*	**29,070**	–
Interests in an associate		**919**	–
Deferred tax assets		**16,230**	34,093
		140,255	51,744
Current assets			
Trade and other receivables	*11*	**92,169**	94,755
Pledged bank deposits		**2,393**	2,320
Cash and bank balances		**125,247**	174,502
		219,809	271,577
Current liabilities			
Trade and other payables	*12*	**90,550**	108,626
Current portion of obligations under finance leases		**1,934**	156
Taxation payable		**1,962**	1,812
		94,446	110,594
Net current assets		**125,363**	160,983
Total assets less current liabilities		**265,618**	212,727
Non-current liabilities			
Obligations under finance leases		**106**	296
Deferred tax liabilities		**432**	411
NET ASSETS		**265,080**	212,020
Capital and reserves			
Share capital		**5,210**	5,229
Reserves		**260,293**	206,791
Equity attributable to equity holders of the Company		**265,503**	212,020
Non-controlling interests		**(423)**	–
TOTAL EQUITY		**265,080**	212,020

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 2010 Annual Report except as described below.

In the current period, the Group completed a transaction (the "ZONE/ANPI Transaction") whereby the former ZONE US operations were contributed to a newly incorporated jointly-controlled entity. Details of the ZONE/ANPI Transaction had been set out in the Company's circular dated 17 November 2010. According to Hong Kong Accounting Standard 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 are accounted for by the proportionate consolidation method, which involves recognising its share of the jointly-controlled entity's assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis.

Upon completion of the ZONE/ANPI Transaction, the results of the former ZONE US operations that, prior to the completion of the ZONE/ANPI Transaction, engaged in the provision of telecommunication services in the United States constitute a discontinued operation. Accordingly, certain comparative figures in the condensed consolidated income statement have been restated 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 period from 1 January to 30 June 2010 are set forth in note 8 to 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 determines the operating segments for the purposes of resource allocation and performance assessment. The business segments of the Group comprise telecommunication services and other operation, including the provision of insurance brokerage services.

Segment results represent the results before taxation earned by each segment without allocation of central operating and administrative expenses.

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

(a) By business segments:

	Six months ended 30 June					
	2011			2010		
	Telecom-munication services (Unaudited) *HK$'000*	**Other (Unaudited)** *HK$'000*	**Consolidated (Unaudited)** *HK$'000*	Telecom-munication services (Unaudited) *HK$'000* *(Restated)*	Other (Unaudited) *HK$'000* *(Restated)*	Consolidated (Unaudited) *HK$'000* *(Restated)*
Turnover						
External sales	**157,838**	**294**	**158,132**	37,238	426	37,664
Results						
Segment results	**7,157**	**(1,416)**	**5,741**	5,593	33	5,626
Finance costs	**(53)**	**–**	**(53)**	–	–	–
Share of results of an associate	**53**	**–**	**53**	–	–	–
	7,157	**(1,416)**	**5,741**	5,593	33	5,626
Other operating income and expenses			**(9,056)**			(9,155)
Loss before taxation			**(3,315)**			(3,529)

The segment results reported by business segments exclude any amounts relating to the discontinued operation.

(b) *By geographical information:*

The Group operates in two principal geographical areas which are North America (country of domicile) and Asia Pacific. 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
	2011	2010	**2011**	2010
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		
North America	**119,749**	–	**118,890**	12,038
Asia Pacific	**38,383**	37,664	**5,135**	5,613
	158,132	37,664	**124,025**	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 follow:

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Interest income on bank deposits	**269**	131
Interest income on loan receivable	**34**	32
	303	163
Other	**256**	4
	559	167

4. Loss before taxation

Loss before taxation from continuing operations is stated after charging the following:

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Finance costs:		
Interest on bank loan and other borrowings wholly repayable within five years	**(13)**	–
Finance charges on obligations under finance leases	**(40)**	–
	(53)	–
Depreciation of property, plant and equipment	**(3,342)**	(1,163)

5. Taxation

An analysis of taxation from continuing operations is as follow:

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Current tax		
Overseas income taxes	**(919)**	(1,103)

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

Overseas taxation represents an income tax provision in a subsidiary, calculated at the tax rates prevailing in the country in which the subsidiary operates.

6. EBITDA

EBITDA represents earnings before interest expenses, taxation, depreciation, amortisation and 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 six months ended 30 June 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 521,329,141 (30 June 2010: 522,894,200) shares in issue during the period.

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Consolidated profit / (loss) attributable to equity holders of the Company:		
Continuing operations	**(3,880)**	(4,642)
Discontinued operation	**58,101**	6,781
Continuing and discontinued operations	**54,221**	2,139

Diluted earnings / (loss) per share from continuing and discontinued operations for the six months ended 30 June 2011 and 2010 is 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 included in the condensed consolidated income statement, is as follow:

	For the period	
	1 January to 15 April 2011 (Unaudited)	1 January to 30 June 2010 (Unaudited)
	HK$'000	*HK$'000*
Turnover	**205,451**	341,533
Cost of sales	**(172,372)**	(280,200)
Gross profit	**33,079**	61,333
Other revenue and income	**8**	10
	33,087	61,343
Selling and distribution expenses	**(11,178)**	(17,781)
Business promotion and marketing expenses	**(471)**	(800)
Operating and administrative expenses	**(21,835)**	(30,313)
Other operating expenses	**(3,483)**	(5,172)
(Loss) / Profit from operations	**(3,880)**	7,277
Finance costs	**(1,310)**	(27)
(Loss) / Profit before taxation	**(5,190)**	7,250
Taxation	**(17,909)**	(469)
(Loss) / Profit for the period	**(23,099)**	6,781
Gain on disposal of subsidiary *(note 13 (b))*	**81,200**	–
Profit for the period from discontinued operation	**58,101**	6,781

9. Intangible assets

	As at 30 June 2011 (Unaudited) *HK$'000*	As at 31 December 2010 (Audited) *HK$'000*
Cost at the beginning of the period / year	**56,530**	56,530
Write-off on disposal of subsidiary	**(52,933)**	–
Investment in jointly-controlled entity *(note 13 (a))*	**57,785**	–
Exchange adjustments	**75**	–
	61,457	56,530
Accumulated amortisation and impairment losses	**(3,597)**	(56,530)
	57,860	–

During the first quarter of 2011, intangible assets relating to customer contracts in respect of the telecommunication services which had fully been provided for in 2008, were written-off in connection with the disposal of the subsidiary.

On 15 April 2011, the ZONE/ANPI Transaction was completed. The new business, thereafter, is organised to be owned by a jointly-controlled entity, ANZ Communications LLC ("ANZ"), with the Group and ANPI Holding, Inc. each beneficially owning 50%.

Intangible assets acquired in connection with the ZONE/ANPI Transaction included customer base, trade names and proprietary software, which amount is estimated with reference to an independent appraisal report. No amortisation amount has been provided for the current period as the new business has just commenced operations.

10. Goodwill

	As at 30 June 2011 (Unaudited) *HK$'000*	As at 31 December 2010 (Audited) *HK$'000*
Cost at the beginning of the period / year	**3,237**	3,237
Investment in jointly-controlled entity *(note 13 (a))*	**29,032**	–
Exchange adjustments	**38**	–
	32,307	3,237
Accumulated impairment losses	**(3,237)**	(3,237)
	29,070	–

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

Goodwill at the beginning of the period under review 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 30 June 2011 (Unaudited) ***HK$'000***	As at 31 December 2010 (Audited) *HK$'000*
Trade receivables	**74,897**	78,169
Other receivables		
Deposits, prepayments and other debtors	**17,272**	16,586
	92,169	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 allowances for doubtful debts) with the following ageing analysis by invoice date:

	As at 30 June 2011 (Unaudited) ***HK$'000***	As at 31 December 2010 (Audited) *HK$'000*
Less than 1 month	**69,359**	70,531
1 to 3 months	**5,036**	5,792
More than 3 months but less than 12 months	**502**	1,846
	74,897	78,169

12. Trade and other payables

	As at 30 June 2011 (Unaudited)	As at 31 December 2010 (Audited)
	HK$'000	*HK$'000*
Trade payables	**25,659**	45,990
Other payables		
Accrued charges and other creditors	**64,891**	62,636
	90,550	108,626

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

	As at 30 June 2011 (Unaudited)	As at 31 December 2010 (Audited)
	HK$'000	*HK$'000*
Less than 1 month	**22,514**	32,948
1 to 3 months	**2,011**	12,066
More than 3 months but less than 12 months	**1,134**	976
	25,659	45,990

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

On 15 April 2011, the Group completed the ZONE/ANPI Transaction as set out in note 9 above and ANZ, a jointly-controlled entity, was formed. Investment details are as follow:

a) Investment in jointly-controlled entity

	HK$'000
Net assets acquired:	
Property, plant and equipment	25,905
Intangible assets	57,785
Interests in an associate	872
Trade and other receivables	48,560
Cash and bank balances	8,952
Trade and other payables	(46,508)
Current portion of obligations under finance leases	(2,220)
	93,346
Goodwill	29,032
Consideration	122,378
Satisfied by:	
Injection of equity interest in a subsidiary at fair value	122,378

b) Disposal of subsidiary

	HK$'000
Net assets disposed:	
Property, plant and equipment	5,727
Trade and other receivables	44,254
Cash and bank balances	34,863
Trade and other payables	(42,520)
Current portion of obligations under finance leases	(80)
Obligations under finance leases	(127)
	42,117
Released from exchange reserve upon disposal of subsidiary	(939)
Gain on disposal of subsidiary	81,200
Consideration	122,378
Satisfied by:	
50% interests in ANZ	122,378

Analysis of net cash outflow:	
Cash and bank balances acquired	8,952
Cash and bank balances disposal of	(34,863)
	(25,911)

After completion of the ZONE/ANPI Transaction on 15 April 2011, the Group recognises a gain on disposal of subsidiary of HK$81,200,000 and capitalises goodwill of HK$29,032,000 arising on the investment in jointly-controlled entity, both amounts are determined with reference to the fair value of the assets and liabilities disposed of or acquired, respectively. The determination of the fair value of such assets and liabilities involves a number of judgmental areas, including preparation of cash flow forecasts for periods beyond normal requirements of management reporting, assessment of the discount rate appropriate to the business, estimation of fair value of cash-generating units, the results of purchase cost allocation that ANZ will adopt and the projected market and regulatory conditions. Changes in any of these assumptions would have impact on the fair values assigned, and consequentially the said amounts of the gain on disposal of subsidiary and the goodwill. The Company anticipates that the determination of those fair values will be finalised by the despatch of the 2011 annual report.

INTERIM DIVIDEND

The Board does not recommend payment of a dividend for the six months ended 30 June 2011 (30 June 2010: Nil).

BUSINESS REVIEW AND OUTLOOK

Overall Performance

During the period under review, the Group achieved an important milestone in its M&A and business development initiatives, benefiting financially from the improved structure, horizon and synergy of its business. The Group successfully completed the ZONE/ANPI Transaction between its US operating subsidiary Zone Telecom, Inc. ("ZONE Telecom") and Associated Network Partners, Inc. ("ANPI") on 15 April 2011 whereby ZONE Telecom and ANPI's respective holding companies became equal partners in a newly established company called ANZ Communications LLC ("ANZ"). Following completion of the ZONE/ANPI Transaction, ZONE Telecom (which was converted into Zone Telecom, LLC prior to closing) ceased to be a subsidiary of the Group and its interests in ANZ thereafter are accounted for by the proportionate consolidation method. Accordingly, the results of the Group for the first half of 2011 comprise, in addition to the Group's operations in Asia, 3½ months (between 1 January to 15 April 2011) of the disposed US subsidiary Zone Telecom, LLC and 2½ months (between 16 April to 30 June 2011) of the proportionately accounted results of ANZ. As a result of the ZONE/ANPI Transaction, the Group recognised a gain on disposal of the US subsidiary of HK$81.2 million.

Following the ZONE/ANPI Transaction, the financial performance of the former ZONE US 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 former ZONE US operations), including the financial performance of ANZ for the 2½ months proportionately accounted for in the Group's consolidated financial statements, is categorised as "Continuing Operations". The comparative financial performance of the Group for the corresponding period in 2010 has also been similarly restated.

In light of the above, the Group's turnover from Continuing Operations increased by 320.0% to HK$158.1 million in the first half of 2011 when compared to HK$37.7 million for the prior period. This significant increase is mainly due to the inclusion of 2½ months of the proportionate accounted results of ANZ in the Group's results for the first half of 2011. The profit attributable to equity holders of the Company from continuing and discontinued operations recorded by the Group for the period under review was HK$54.2 million compared to HK$2.1 million for the prior period. The Group's net asset value improved by 25.0% from HK$212.0 million as at 31 December 2010 to HK$265.1 million as at 30 June 2011.

US Operations

The integration process of ANZ's operations since the completion of the ZONE/ANPI Transaction has been progressing well with significant synergistic benefits having already been realised during the period under review. Key areas targeted to achieve better operating results included reduction in combined operating costs, improvements in margins through efficient utilisation of a combined network infrastructure and the elimination of outsourced billing expenses by bringing this function in-house. Improvements in ANZ's operating performance achieved through the merger have contributed considerably to mitigate some of the negative impact resulting from the on-going industry turmoil and regulatory uncertainties. Intense price competition, particularly in the enterprise and wholesale sectors, rate increases by underlying carriers and migration by Independent Local Exchange Carriers (ILECs) from switched to lower margin dedicated products remains a significant challenge to telecom service providers across the board. In addition to the operational synergy gains, ANZ is capitalising on some opportunities to increase revenue by cross-selling and bundling products and services of ZONE Telecom and ANPI to the combined customer base.

ANZ board members, comprising three members nominated by ANPI shareholders and three members nominated by the Group, are now in the process of formulating mid to long-term strategic plans for the management team to deliver. At the same time the board has established the audit, finance and remuneration committees that are tasked to ensure effective implementation of the highest standard of corporate governance for this 50:50 joint venture.

Asia Operations

For the period under review, ZONE Asia recorded total turnover of HK$38.4 million, a 1.9% increase as compared to HK$37.7 million for the corresponding prior period. The revenue derived from ZONE Asia's core IDD business during the period continued to decline but was offset mainly by the revenue contribution from the newly established telecom infrastructure division of ZONE Hong Kong operations. Following the appointment of ZONE Hong Kong as a main distributor of products and services from TE Connectivity (NYSE:TEL) to the carrier market segment in Hong Kong and Macau, ZONE has been providing high-end fibre connectivity products to major telecom operators in these regions that have been actively expanding their fibre backbone networks in support of their forthcoming 4G Long Term Evolution (LTE) and Fibre-to-the-home (FTTH) roll-outs. Revenue and margin contributions from this business segment are expected to grow further as these telecom operators increase their network capacity to meet end-user's growing demand for high-speed broadband connectivity.

During the period under review, ZONE Hong Kong was awarded ISO 9001:2008 accreditation, demonstrating its commitment to provide best-in-class products and services to its customers. This accreditation also facilitates ZONE's expansion into businesses that demand such high quality assurance standards as it continues to work with telecommunication service providers and equipment vendors, in both cases as their outsourced partner as well as collaborating amongst them to vie for multi-vendor projects in Hong Kong. ZONE Hong Kong is also reinforcing its presence in the telecom solution market on the Internet, resulting in additional revenue contributions from customers outside Hong Kong.

In Singapore, ZONE's strategy to re-invent itself to target corporate customers has delivered positive results. The introduction of a suite of value-added services that enabled ZONE to differentiate itself from the competition has resulted in the growth of its corporate customer base. Additionally, with the implementation of the new switching and network platform, ZONE was able to revamp its website to facilitate additional web-based functionalities to push ahead its new business strategy of providing full suites of voice and data products and services.

ZONE Singapore continues its efforts to become a full-service telecom provider. In the second half of 2011, in tandem with the progress of Singapore's Next Generation National Broadband Network (NGNBN), ZONE's broadband-related services footprint is expected to reach more than 60% of Singapore geographically. ZONE's services using this network will include IDD voice, VoIP SIP Trunk, full-featured conference call solutions and broadband connectivity targeted at the corporate users as well as government projects and tenders.

Relevant Marketing Group ("RMI"), the re-branded entity that holds the Group's insurance-related assets, made further progress to introduce innovative non-traditional mass distribution of insurance products to the Asian region. In the first half of 2011, RMI successfully delivered a relevant suite of insurance products to several notable Hong Kong brands. For example, several white-labeled insurance portals were launched, partnering with Quam Group, an integrated financial services group (*www.q-insure.com*), and AsiaXPAT.com, the largest expatriate community website in Asia (*www.asiaxpress.asia*). These new endeavours enhance RMI's ability to identify the needs of each partner's community and respond with a relevant suite of products and services efficiently and effectively. In addition, RMI continues to upgrade its insurance products delivery and fulfillment platform to ensure its scalability, robustness and flexibility to handle mass retail distribution of insurance products through both conventional as well as virtual retailers. Through this enhanced platform and in conjunction with established insurance companies, RMI is expected to launch in the second half of 2011 a number of new insurance products tailored to specific partners, each with large communities of end-users.

Outlook

Looking ahead to the second half of 2011, ANZ in the United States will continue its efforts to realise and monetise the synergistic benefits arising from the operating efficiencies and improvements in operating margins derived from the ZONE/ANPI Transaction, while expanding its revenue base by introducing new products and services to the combined customer base. In the meantime, ANZ's board will progress its planning process to crystallise its long-term strategic plans for execution. In Asia, the Group will continue to broaden its revenue base particularly through expanding its telecom infrastructure product distribution business in Hong Kong, growing the data-related segment of its ZONE business in Singapore, and delivering on the revenue contribution from some of RMI's mass market insurance distribution initiatives. The Group will also continue, and even accelerate its efforts, to pursue other M&A and business collaboration opportunities in the pipeline to further improve shareholders' returns.

FINANCIAL REVIEW

General Overview

During the first half of 2011, changes which had an impact on the scope of the Group (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 ("Contribution Agreement") whereby each of ANPI Holding and ZONE US would, following respective reorganisations, contribute their entire interests in their respective wholly-owned subsidiaries in return for 50% stakes in a newly incorporated company called ANZ Communications LLC ("ANZ"). Each of ANPI Holding and ZONE US has equal representation on the Board of ANZ.

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

Accordingly, the turnover and 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, LLC are presented under the discontinued operation line in the Condensed Consolidated Income Statement. Correspondingly and in accordance with Generally Accepted Accounting Principles in Hong Kong, for comparative purposes, the results of the Group for the prior period have been restated to the effect that the ZONE US operations are re-categorised under 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 differences in turnover, operating margins and operating expenses for the current period from the prior period in 2010, as further elaborated below.

Continuing Operations

During the period under review, the Group's turnover increased by 320.0% from HK$37.7 million to HK$158.1 million.

The overall gross margin was down from 56.9% to 28.7% due mainly to the reclassification of the ZONE US operations to discontinued operation.

Total operating expenses, including one-off restructuring costs associated with the ZONE/ANPI Transaction, were HK$49.3 million which represents 31.2% of turnover compared to 66.7% in the previous corresponding period.

Results of Continuing Operations

The operating results for the period under review amounted to a loss of HK$3.3 million as compared to a loss of HK$3.5 million for the previous corresponding period.

Discontinued Operation

During the period from 1 January to 15 April 2011, the date of completion of the Contribution Agreement, the turnover from the discontinued operation was HK$205.5 million compared to HK$341.5 million in the first six months of 2010, a decrease of 39.8%. This is due mainly to the shorter reporting time frame for the discontinued operation, which only covered the period of $3^1/_2$ months.

The overall gross margin was down from 18.0% to 16.1% due essentially to material changes in supplier carrier pricing which has a direct effect on operating margins in ZONE's business, in particular in the wholesale segment.

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 15.8% in the first six months of 2010.

Results of Discontinued Operation

The operating results for the period amounted to a loss of HK$3.9 million compared to a profit of HK$7.3 million for the first six months of 2010.

The profit for the period was HK$58.1 million compared to a profit of HK$6.8 million for the corresponding period in 2010, after registering a gain on disposal of the US subsidiary of HK$81.2 million, partially offset by a deferred income tax charge of HK$17.8 million for the period.

Consolidated Profit

The consolidated profit attributable to equity holders of the Company amounted to HK$54.2 million (compared to HK$2.1 million for the first six months of 2010), primarily attributable to the gain arising from the ZONE/ANPI Transaction.

The Group's EBITDA for the period under review amounted to a loss of HK$2.1 million compared to a profit of HK$8.9 million for the same period prior year.

Capital Structure, Liquidity and Financing

The Group maintained a healthy liquidity position with net current assets at HK$125.4 million (31 December 2010: HK$161.0 million).

The decrease in net current assets, primarily cash, is mainly due to a capital injection to the ZONE US operations in the process of the ZONE US reorganisation, as a condition precedent to the completion of the Contribution Agreement, and settlement of transaction-related costs.

Net asset values of the Group improved to HK$265.1 million as at 30 June 2011 (31 December 2010: HK$212.0 million) mainly due to the intangible assets and goodwill contributed by ANZ. The valuation of the intangible assets and goodwill is under review and will be updated, if necessary, in the future.

Capital expenditure for the current period amounted to HK$3.4 million mainly in respect of development of a new billing system, upgrading of switching facilities and acquisitions of network equipment.

Cash and bank balances (excluding pledged bank deposits) as at 30 June 2011 amounted to HK$125.2 million (31 December 2010: HK$174.5 million). The Group had pledged bank deposits of HK$2.4 million as at 30 June 2011 (31 December 2010: HK$2.3 million) to banks for guarantees made to suppliers.

There were no outstanding bank borrowings as at 30 June 2011 (31 December 2010: Nil).

As at 30 June 2011, the Group's liabilities under equipment lease financing amounted to HK$2.0 million (31 December 2010: HK$0.5 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 0.8% (31 December 2010: 0.2%).

During the period, the Company repurchased 1,400,000 shares of HK$0.01 each of the Company 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, on the Stock Exchange. The 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.

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 2011, no related hedges had yet been undertaken by the Group.

Contingent Liabilities and Commitments

As at 30 June 2011, there were no material contingent liabilities or commitments.

EMPLOYEE REMUNERATION POLICIES

As at 30 June 2011, altogether 133 employees (including half of the headcount of ANZ) (31 December 2010: 131) are engaged in the Group's operations in the United States, China, Hong Kong and Singapore. The Group's total staff costs from continuing operations for the six months ended 30 June 2011 amounted to HK$24.5 million (30 June 2010: HK$13.4 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 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 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 six months ended 30 June 2011, acting in compliance with the Code on Corporate Governance Practices ("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 officer should be separate and should not be performed by the same individual so that the responsibilities are not concentrated with any one person. The Company has, as part of its written corporate policies, established and recorded in writing the respective responsibilities of the Chairman and the chief executive officer (being undertaken by the Managing Director) of the Company, in which it is specified that the Chairman is responsible for providing leadership to and effective running of the Board, while the Managing Director is delegated with the authority and responsibility for overseeing the realisation of the budgets and objectives set by the Board. Nevertheless, with the unanimous approval of the Board, Mr. Richard John Siemens, the Chairman, has also assumed the role of the chief executive officer of the Company since 16 June 2007. The Board from time to time re-assesses the possible negative impact of the Company deviating from Corporate Governance Code A.2.1, and believes that vesting the roles of both chairman and chief executive officer in the same person enables more effective and efficient planning of expansion blueprints together with implementation of business plans and growth strategies. At the same time, it is believed that the balance of power and authority is not impaired and is adequately ensured by an effective Board which is comprised of experienced and high calibre individuals with a sufficient number thereof being independent non-executive directors.

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 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 unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2011. 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, the Company repurchased 1,400,000 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$*	*HK$*
January 2011	1,270,000	0.85	0.50	926,900
February 2011	130,000	0.70	0.62	87,500

The 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 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 2011 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, 18 August 2011

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 Ye Fengping; and Independent Non-executive Directors, John William Crawford J.P.*, Gerald Clive Dobby and Shane Frederick Weir.*