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 2010

HIGHLIGHTS

- Entered into an agreement for a 50:50 merger between ZONE Telecom and ANPI in the US
- The US merger is anticipated to be completed by the end of March 2011
- ZONE Asia has broadened its revenue base by expanding its product offerings to serve telecom service providers
- Net assets increased to HK$212.0 million of which cash and bank balances amounted to HK$174.5 million; net assets per share increased from HK$0.383 in 2009 to HK$0.405 in 2010

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 2010, together with comparative figures for 2009, as set out below.

Consolidated Income Statement

	Notes	Year ended 31 December 2010 HK$'000	2009 HK$'000
Turnover	*2*	**769,748**	797,852
Cost of sales		**(604,274)**	(613,922)
Gross profit		**165,474**	183,930
Other revenue and income	*3*	**803**	765
		166,277	184,695
Selling and distribution expenses		**(41,107)**	(42,592)
Business promotion and marketing expenses		**(4,280)**	(4,626)
Operating and administrative expenses		**(112,979)**	(105,270)
Other operating expenses		**(15,071)**	(20,491)
(Loss) / Profit from operations		**(7,160)**	11,716
Finance costs	*4*	**(50)**	(110)
(Loss) / Profit before taxation	*4*	**(7,210)**	11,606
Taxation credit	*5*	**17,205**	7,361
Profit for the year		**9,995**	18,967
Profit for the year attributable to:			
Equity holders of the Company		**10,058**	19,034
Non-controlling interests		**(63)**	(67)
Profit for the year		**9,995**	18,967
EBITDA	*6*	**3,492**	25,610
		HK cents	*HK cents*
Earnings per share	*7*		
Basic		**1.9**	3.6
Diluted		**1.9**	3.6

Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2010	2009
	HK$'000	*HK$'000*
Profit for the year	**9,995**	18,967
Other comprehensive income for the year		
Exchange differences on translation of foreign subsidiaries	**1,950**	1,597
Total comprehensive income for the year	**11,945**	20,564
Total comprehensive income for the year attributable to:		
Equity holders of the Company	**12,008**	20,631
Non-controlling interests	**(63)**	(67)
Total comprehensive income for the year	**11,945**	20,564

Consolidated Statement of Financial Position

		As at 31 December	
		2010	2009
	Notes	***HK$'000***	*HK$'000*
Non-current assets			
Property, plant and equipment		**17,651**	14,246
Intangible assets	*8*	**–**	–
Goodwill	*9*	**–**	–
Deferred tax assets		**34,093**	14,805
		51,744	29,051
Current assets			
Trade and other receivables	*10*	**94,755**	88,160
Pledged bank deposits		**2,320**	2,211
Cash and bank balances		**174,502**	197,426
		271,577	287,797
Current liabilities			
Trade and other payables	*11*	**108,626**	112,730
Current portion of obligations under finance leases		**156**	142
Taxation payable		**1,812**	2,956
		110,594	115,828
Net current assets		**160,983**	171,969
Total assets less current liabilities		**212,727**	201,020
Non-current liabilities			
Obligations under finance leases		**296**	453
Deferred tax liabilities		**411**	245
NET ASSETS		**212,020**	200,322
Capital and reserves			
Share capital		**5,229**	5,229
Reserves		**206,791**	195,093
Equity attributable to equity holders of the Company		**212,020**	200,322
Non-controlling interests		**–**	–
TOTAL EQUITY		**212,020**	200,322

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 2009 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 2010 and are relevant to the Group.

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations

HKAS 27 (Revised) requires that total comprehensive income is attributed to the owners of the parent and non-controlling interests even if it results in the non-controlling interests having a deficit balance. This revised standard affects the Group's accounting policy for total comprehensive income attributable to the non-controlling interests. As the Group is exempted from applying the amendments retrospectively, the previously reported results of the Group are not required to be restated on the adoption of this revised standard. Furthermore, HKAS 27 (Revised) requires that a change in the ownership interest in a subsidiary without loss of control is accounted for as an equity transaction. The adoption of this revised standard has resulted in changes in the Group's accounting policy for changes in ownership interest in its subsidiaries in the current year.

HKFRS 3 (Revised) continues to apply the acquisition method to business combinations but with some significant changes when compared with HKFRS 3. While the adoption of this revised standard may affect the Group's accounting for business combinations if and when they occur in future, as the Group had no such transactions during the current year, the adoption of this revised standard has no impact on the Group.

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 future.

2. Turnover and segmental information

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

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

(a) By business segments:

	Year ended 31 December					
	2010			2009		
	Telecom-munication services	**Other**	**Consolidated**	Telecom-munication services	Other	Consolidated
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Turnover						
External sales	**768,920**	**828**	**769,748**	797,014	838	797,852
Results						
Segment results	**10,861**	**(415)**	**10,446**	36,672	28	36,700
Impairment loss on goodwill arising from acquisition of additional interest in a subsidiary	**–**	**–**	**–**	(3,237)	–	(3,237)
	10,861	**(415)**	**10,446**	33,435	28	33,463
Finance costs			**(50)**			(110)
Other operating income and expenses			**(17,606)**			(21,747)
(Loss) / Profit before taxation			**(7,210)**			11,606

(b) By geographical segments:

	Year ended 31 December			
	Turnover from external sales		**Property, plant and equipment**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
North America	**693,998**	717,720	**12,038**	9,236
Asia Pacific	**75,750**	80,132	**5,613**	5,010
	769,748	797,852	**17,651**	14,246

3. Other revenue and income

	Year ended 31 December	
	2010	2009
	HK$'000	*HK$'000*
Interest income on bank deposits	**393**	237
Interest income on loan receivable	**62**	58
	455	295
Other	**348**	470
	803	765

4. (Loss) / Profit before taxation

(Loss) / Profit before taxation is stated after charging the following:

	Year ended 31 December	
	2010	2009
	HK$'000	*HK$'000*
Finance costs:		
Interest on bank loan and other borrowings wholly repayable within five years	**–**	46
Finance charges on obligations under finance leases	**50**	64
	50	110
Depreciation of property, plant and equipment	**10,652**	10,657
Impairment loss on goodwill arising from acquisition of additional interest in a subsidiary included in other operating expenses	**–**	3,237

5. Taxation credit

	Year ended 31 December	
	2010	2009
	HK$'000	*HK$'000*
Current tax		
Overseas income taxes	**(1,974)**	(3,889)
Deferred tax		
Depreciation allowances	**(147)**	193
Tax losses	**19,326**	11,057
	19,179	11,250
	17,205	7,361

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purpose for the year. In 2009, no provision for Hong Kong Profits Tax had been made as the Group's assessable profit was wholly absorbed by unrelieved tax losses brought forward from previous years.

Overseas taxation represents income tax 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 impairment loss on goodwill.

7. Earnings per share

The calculation of basic earnings per share for the year ended 31 December 2010 is based on the consolidated profit attributable to equity holders of the Company of HK$10,058,000 (2009: HK$19,034,000) and on the 522,894,200 (2009: 522,894,200) shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2010 and 2009 is the same as the basic earnings per share.

8. Intangible assets

	As at 31 December	
	2010	2009
	HK$'000	*HK$'000*
Cost	**56,530**	56,530
Accumulated amortisation and impairment losses	**(56,530)**	(56,530)
	–	–

As a result of the significant economic downturn in the fourth quarter of 2008, management considered that impairment losses on the intangible assets related to development costs and customer contracts in respect of the telecommunication business had occurred and, therefore, full impairment was recognised in the year of 2008.

9. Goodwill

	As at 31 December	
	2010	2009
	HK$'000	*HK$'000*
Cost	**3,237**	3,237
Accumulated impairment losses	**(3,237)**	(3,237)
	–	–

Goodwill arose from the acquisition of a 5% additional interest in the share capital of a subsidiary 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.

10. Trade and other receivables

	As at 31 December	
	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**78,169**	77,137
Other receivables		
Deposits, prepayments and other debtors	**16,586**	11,023
	94,755	88,160

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	
	2010	2009
	HK$'000	*HK$'000*
Less than 1 month	**70,531**	66,489
1 to 3 months	**5,792**	8,177
More than 3 months but less than 12 months	**1,846**	2,471
	78,169	77,137

11. Trade and other payables

	As at 31 December	
	2010	2009
	HK$'000	*HK$'000*
Trade payables	**45,990**	53,377
Other payables		
Accrued charges and other creditors	**62,636**	59,353
	108,626	112,730

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

	As at 31 December	
	2010	2009
	HK$'000	*HK$'000*
Less than 1 month	**32,948**	37,586
1 to 3 months	**12,066**	15,140
More than 3 months but less than 12 months	**976**	651
	45,990	53,377

12. Events after the reporting period

In addition to the events disclosed elsewhere in these consolidated financial statements, the Group has the following events which occurred after the reporting period:

(a) Repurchases of shares

The Company repurchased 1,400,000 ordinary shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate cash consideration of approximately HK$1,019,000 including transaction costs in January and February 2011. All such shares were subsequently cancelled in January and February 2011.

(b) De-consolidation of a subsidiary

On 29 September 2010, a contribution agreement was entered into among ZONE USA, Inc. ("ZONE USA"), a wholly-owned subsidiary of the Company, and third parties – Associated Network Partners, Inc., ANPI Holding Inc. ("ANPI Holding") and ANZ Communications LLC ("ANZ") whereby a joint venture will be formed and owned as to 50% by ZONE USA and 50% by ANPI Holding to engage in the provision of telecommunication services in the United States. Details of this transaction have been set out in the Company's circular dated 17 November 2010.

Under the contribution agreement mentioned above, ZONE USA will contribute, among others, its interests in ZONE LLC (converted from ZONE Telecom, Inc.) to ANZ in return for a 50% stake in ANZ.

An ordinary resolution to approve the contribution agreement was duly passed by shareholders of the Company at an extraordinary general meeting held on 9 December 2010. The transaction is anticipated to be completed by the end of March 2011.

Upon the completion of the transaction, ZONE Telecom, Inc. will be treated as a discontinued operation. The business and geographical segments in these consolidated financial statements under which ZONE Telecom, Inc. is presented are telecommunication services and North America, respectively.

FINAL DIVIDEND

The Board does not recommend payment of a dividend for the year ended 31 December 2010 (2009: Nil).

BUSINESS REVIEW

Overall Performance

During the year under review, the Group continued to broaden its revenue and product mix while implementing various proactive measures to mitigate those challenges imposed by the changing landscape in the telecom industry. ZONE US continues to fine-tune its cost, resource and organisational structure in order to overcome the ongoing challenges of margin compression, rising costs and changing customer demands. At the same time, the Group successfully concluded a merger agreement between ZONE US and Associated Network Partners, Inc. (“ANPI”), another US telecom service provider of similar size, whereby ZONE US and ANPI will each inject their entire businesses and operations into a newly-established 50:50 joint venture entity to be called ANZ Communications LLC (“ANZ”). Further details of ANPI, ANZ and the transaction were set forth in the circular of the Company to its shareholders (“Shareholders”) dated 17 November 2010, and at the extraordinary general meeting of the Company held on 9 December 2010, all Shareholders attending the meeting unanimously approved the transaction. This transaction brings together two businesses with, by way of example, a combined 2009 annual turnover of approximately HK$1.4 billion, which will place ANZ in a strong position to combat industry challenges ahead, and to capture and realise the opportunities presented, in particular, in the rural telecom market in the United States.

The Group’s turnover decreased by 3.5% year-on-year to HK$769.7 million for 2010 when compared to HK$797.9 million in 2009. The gross margin also decreased from 23.1% for 2009 to 21.5%, but operating expenses, including all material expenses incurred on the merger transaction described below, were only marginally increased as a result of further improvements in operating efficiencies. Profit attributable to equity holders of the Company decreased to HK$10.1 million for the year as compared with HK$19.0 million in the previous corresponding year. The Group’s operating results were also negatively affected by certain non-recurring expenses and one-off transactional payments attributable to the merger transaction. The Group’s financial position as at year-end 2010, nevertheless, continued to strengthen with its net asset value increasing from HK$200.3 million as at 31 December 2009 to HK$212.0 million as at the end of 2010 of which cash and bank balances were maintained at a healthy level of HK$174.5 million.

US Operations

In 2010, ZONE US experienced declines in the revenue and margin contributions from Independent Local Exchange Carriers (ILECs) and enterprise sectors while revenue growth from the wholesale sector continued to have strong growth. ZONE US achieved turnover of HK$694.0 million which was, on a net basis, 3.3% lower than that recorded in the previous year. To remain competitive, ZONE US continues to implement various short to medium term measures to compensate for the revenue and margin compressions caused by the cumulative impact of short call duration penalties, rate increases by carriers, and migration by ILECs from switched to lower margined dedicated products.

With the ongoing industry turmoil and economic uncertainties over the last few years, an increasing number of telecom industry players in the US are resorting to M&As and consolidation activities as an effective tool in their battle to maintain margins and market share. ZONE US also made considerable progress to ensure long term business sustainability, culminating with entering into the merger agreement between ZONE US and ANPI which currently serves over 400 ILEC customers in the US. Joining forces with ZONE US, which serves over 250 ILECs and other enterprise and wholesale customers, the transaction positions the merged entity to be the logical distributor for all telecom and data products sold in the ILEC sector. The transaction also increases the network reach and improves the proximity for enterprise and wholesale customers to switch networks, allowing greater flexibility in routing customers to switching centres to gain higher margins. This robust combined network with nationwide multiple switch locations will also promote more competitive pricing to gain new customers. The newly created venture will differentiate itself from its competitors in the United States by its financial strength, nationwide network and leveraged buying power.

In the last quarter of 2010, detailed strategic planning was jointly conducted by ZONE US and ANPI executives on synergistic integration processes to be implemented in 2011 which are expected to further improve cost efficiencies in operating expenses, enable network maximisation, provide for lower cost routing integration and accelerate off-net to on-net migration, the aggregate effects of which are anticipated to deliver significant margin improvement during 2011, thereby enabling the Group to directly enjoy the economic benefits of the merger from recurring dividends receivable in accordance with the merger agreement.

Asia Operations

ZONE Asia posted total turnover of HK$74.9 million as compared to HK$79.3 million for 2009. The year-on-year revenue decline has begun to stabilise as ZONE Asia increasingly derives its revenue growth from non-IDD sectors. As ZONE Asia enhances its technical capabilities and widens its network reach, it has intensified its business development initiatives to capture some of the upstream opportunities in the value chain, including providing specialised products and tailor-made services to large corporations and telecommunications operators.

During the year under review, ZONE Hong Kong continued to grow its revenue from delivering IP-based telecom solutions to corporate customers having multiple establishments and was also successful in securing a number of such projects in Hong Kong and Macau. ZONE further widened its business scope and product offerings by forming commercial and strategic relationships with a number of well known equipment suppliers including DELL and Lenovo for computer and server hardware and Juniper Networks for network equipment.

ZONE Hong Kong broadened its revenue base further by progressively expanding its product offerings to serve telecom service providers. For example, ZONE recently repackaged its VoIP service, previously sold to end-user customers, as "ZONE SIP (Session Initiation Protocol) Trunk" bundled with Hong Kong DID (Direct Inward Dialling) and China toll-free numbers and is actively promoting such product via various online marketing channels targeted at global teleconferencing service providers. Also, a major global telecommunications operator which has had a long-standing relationship with the Group recently awarded ZONE an outsourcing contract to service its entire customer portfolio in Hong Kong by utilising ZONE's telecommunications and switching platform.

In Singapore, ZONE maintained its strong presence in the already mature local IDD market. Through competitive pricing, innovation and creative service offerings, ZONE retained its large user base while continuing to acquire new customers. Additionally, it has also introduced new service features as well as customised solutions for its corporate users to gain a competitive edge. All these value-added offerings are aimed at retention, acquisition and driving usage.

ZONE Singapore remained focussed in its strategy to expand its business beyond voice-centric offerings. It has upgraded its switch infrastructure to ensure flexible integration with its impending data network to offer a full suite of telecom solutions. It is also establishing new processes and reviewing its human resources plans to facilitate its entry into the data and broadband arena which is expected in the second half of 2011 when the Singapore's Next Generation National Broadband Network (NGNBN) completes the first phase of its island network coverage.

Outlook

Looking ahead, in the United States, the Group's key focus will be to complete the merger transaction and ensure the smooth integration of the ZONE US and ANPI businesses and operations so that synergistic benefits arising from this merger will be fully realised, while the Group, on some occasions jointly with ANZ, will continue to pursue other M&A and business opportunities that can deliver additional economies of scale and expand its influence across different sectors of the market. In Asia, the Group will continue its efforts to broaden ZONE's revenue base and product mix to deliver sustainable growth, by being less reliant on the commodity-type IDD business, further penetrating the data and project-based sectors and capitalising on other opportunities to provide products and services to telecommunications companies and service providers.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2010, the Group registered turnover of HK$769.7 million representing a slight drop of HK$28.1 million, or 3.5%, as compared to HK$797.9 million for 2009. Among the different segments of the business, ZONE US recorded a 3.3% decrease in turnover from HK$717.7 million in 2009 to HK$694.0 million in 2010, while turnover from ZONE Asia, comprising the Group's telecommunication businesses in China, Hong Kong and Singapore, was HK$74.9 million for 2010 as compared to HK$79.3 million for 2009.

Total Operating Expenses

The Group's cost saving initiatives proved to be effective. Its total operating expenses for 2010, which include one-off expenditure incurred on or attributable to the ZONE-ANPI merger in the amount of approximately HK$9.3 million, only slightly increased to HK$173.4 million when compared to HK$173.0 million in 2009. The Group continued to fine-tune cost efficiencies for different sales activities which resulted in a decrease in selling and distribution expenses from HK$42.6 million in 2009 to HK$41.1 million in 2010.

Results

As a result of the decline in turnover and margin contribution, as well as the one-off expenditure of approximately HK$9.3 million referred to in the above paragraph, the Group recorded a loss from operations for the year of HK$7.2 million when compared to a profit of HK$11.7 million for the previous year. The net profit attributable to equity holders of the Company amounted to HK$10.1 million as compared to HK$19.0 million for the previous year.

Similarly, EBITDA for the Group decreased from HK$25.6 million for 2009 to HK$3.5 million in 2010.

The 2010 financial results do not take into account any anticipated accounting gain on disposal of ZONE US which will arise from the de-consolidation of ZONE US from the Group, since the merger transaction was not completed by the 2010 year end. As stated in the Company's circular dated 17 November 2010, if the merger transaction had been completed on 31 December 2009, such accounting gain would have amounted to approximately HK$81.0 million.

It is now anticipated that the merger transaction will be completed by the end of March 2011. A separate announcement will be issued shortly after the merger transaction is completed.

Capital Structure, Liquidity and Financing

During the year, the Group continued to have a healthy liquidity position and as at 31 December 2010, the net assets of the Group increased to HK$212.0 million when compared to HK$200.3 million as at 31 December 2009 and, accordingly, the net assets per share increased from HK$0.383 as at 31 December 2009 to HK$0.405 as at year end of 2010.

Cash and bank balances (excluding pledged bank deposits) reduced from HK$197.4 million at the end of 2009 to HK$174.5 million as at 31 December 2010. In addition, as at 31 December 2010, the Group maintained pledged bank deposits of HK$2.3 million, compared to HK$2.2 million as at 31 December 2009, to banks for guarantees made to suppliers.

There were no outstanding bank borrowings as at 31 December 2010 (2009: Nil).

The Group's liabilities under equipment lease financing decreased by 24.0% to HK$0.5 million as at 31 December 2010 when compared to HK$0.6 million as at 31 December 2009.

The Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets, remained at the low level of 0.2% (2009: 0.3%).

During the year, the Company repurchased 494,200 shares of HK$0.01 each of the Company, at prices ranging from HK$0.495 to HK$0.500 per share, for an aggregate cash consideration of approximately HK$247,000 including transaction costs, on the Stock Exchange. The repurchased shares were cancelled in January 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 that 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 and currency exchange markets continue to be volatile, the Group will, whenever appropriate, take any necessary action to reduce such exchange risks. In this regard, as at 31 December 2010, no related hedges had yet been undertaken by the Group.

Contingent Liabilities and Commitments

As at 31 December 2010, there were no material contingent liabilities or commitments.

EMPLOYEE REMUNERATION POLICIES

As at 31 December 2010, the Group had 131 (2009: 142) employees in the United States, China, Hong Kong and Singapore. The Group's total staff costs for 2010 increased by 1.4% to HK$74.5 million when compared to HK$73.5 million for 2009.

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 2010 and 2009, 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 deviations described below, no director of the Company is aware of any information which would reasonably indicate that the Company is not, or was not at any time during the year ended 31 December 2010, 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.

Code provision A.1.1 of the Corporate Governance Code stipulates that the Board shall meet at least four times a year at approximately quarterly intervals. During the year, despite there have been numerous ad hoc meetings and discussions among Board members, there were practical difficulties in scheduling a formal Board meeting in the second quarter of the year. In lieu thereof, written resolutions of the Board together with full copies of related documents were circulated to all directors for consideration and approval.

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 2010.

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 2010.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company repurchased 494,200 shares of HK$0.01 each of the Company on the Stock Exchange as follows:

Month of the repurchases	Number of shares repurchased	Price per share Highest	Price per share Lowest	Aggregate purchase price
		HK$	*HK$*	*HK$*
December 2010	494,200	0.500	0.495	246,379

The repurchased shares were cancelled in January 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 2010 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, 29 March 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.*