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 2012

HIGHLIGHTS

- The Group is committed to invest significant resources and efforts over the next few years to expand its service offerings into the high growth telecom sector, including cloud-based and hosted solutions for the SOHO / SMB market in the US and high-speed broadband services in Singapore

- ANZ, the Group's joint venture company in the US, remains as the main contributor to the Group's consolidated results for the year

- ZONE Singapore completed the acquisition of assets of an accredited domain name registrar and web / data hosting company

- RMI launched "i-Guard" insurance-related services in partnership with HKT Group, Hong Kong's premier telecommunications service provider

RESULTS

The board of directors (the "Board") of e-Kong Group Limited (the "Company") herein announces the audited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2012, together with comparative figures for 2011, as set out below.

Consolidated Income Statement

	Notes	Year ended 31 December 2012 HK$'000	2011 HK$'000
CONTINUING OPERATIONS			
Turnover	2	**554,689**	474,606
Cost of sales		**(392,210)**	(351,472)
Gross profit		**162,479**	123,134
Other revenue and income	3	**2,971**	1,626
		165,450	124,760
Selling and distribution expenses		**(31,122)**	(22,182)
Business promotion and marketing expenses		**(5,707)**	(3,215)
Operating and administrative expenses		**(110,087)**	(93,010)
Other operating expenses		**(18,889)**	(15,403)
Loss from operations		**(355)**	(9,050)
Finance costs	4	**(236)**	(132)
Share of results of an associate		**39**	84
Loss before taxation		**(552)**	(9,098)
Taxation	5		
Current Tax		**(761)**	(452)
Deferred Tax		**(12,442)**	(3,696)
		(13,203)	(4,148)
Loss for the year from continuing operations		**(13,755)**	(13,246)
DISCONTINUED OPERATION	8		
Profit for the year from discontinued operation		**–**	29,313
(Loss) / Profit for the year	4	**(13,755)**	16,067

Consolidated Income Statement *(continued)*

	Notes	Year ended 31 December **2012** **HK$'000**	2011 *HK$'000*
(Loss) / Profit for the year attributable to:			
Equity holders of the Company			
Continuing operations		**(12,851)**	(12,485)
Discontinued operation		**–**	29,313
		(12,851)	16,828
Non-controlling interests			
Continuing operations		**(904)**	(761)
(Loss) / Profit for the year		**(13,755)**	16,067
EBITDA	*6*		
Continuing operations		**15,077**	2,554
Discontinued operation		**–**	(2,161)
		15,077	393
		HK cents	*HK cents*
(Loss) / Earnings per share	*7*		
Basic and diluted			
Continuing operations		**(2.5)**	(2.4)
Discontinued operation		**–**	5.6
Continuing and discontinued operations		**(2.5)**	3.2

Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
(Loss) / Profit for the year	**(13,755)**	16,067
Other comprehensive (loss) / income for the year		
Released from exchange reserve upon disposal of subsidiary	**–**	(939)
Exchange differences on translation of foreign subsidiaries	**920**	(535)
Total comprehensive (loss) / income for the year	**(12,835)**	14,593
Total comprehensive (loss) / income for the year attributable to:		
Equity holders of the Company		
Continuing operations	**(11,931)**	(13,020)
Discontinued operation	**–**	28,374
	(11,931)	15,354
Non-controlling interests		
Continuing operations	**(904)**	(761)
Total comprehensive (loss) / income for the year	**(12,835)**	14,593

Consolidated Statement of Financial Position

	Notes	As at 31 December 2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment		**35,208**	31,495
Intangible assets	9	**34,505**	20,985
Goodwill	10	**33,441**	33,527
Interests in an associate		**917**	924
Deferred tax assets		**145**	12,453
		104,216	99,384
Current assets			
Inventories		**1,723**	1,454
Trade and other receivables	11	**76,167**	81,627
Pledged bank deposits		**79,454**	2,316
Cash and bank balances		**121,186**	121,866
		278,530	207,263
Current liabilities			
Trade and other payables	12	**81,895**	78,444
Current portion of bank borrowings		**3,069**	–
Current portion of obligations under finance leases		**62**	826
Taxation payable		**416**	1,374
		85,442	80,644
Net current assets		**193,088**	126,619
Total assets less current liabilities		**297,304**	226,003
Non-current liabilities			
Deferred revenue		**634**	–
Bank borrowings		**82,615**	–
Obligations under finance leases		**–**	62
Deferred tax liabilities		**533**	348
		83,782	410
NET ASSETS		**213,522**	225,593
Capital and reserves			
Share capital		**5,210**	5,210
Reserves		**209,282**	221,213
Equity attributable to equity holders of the Company		**214,492**	226,423
Non-controlling interests		**(970)**	(830)
TOTAL EQUITY		**213,522**	225,593

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 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 2011 Annual Report.

Moreover, during 2011, the Group completed the transaction involving the merger and creation of ANZ Communications LLC ("ANZ Transaction") whereby its major operations of providing telecommunication services in the United States had been disposed of through contributing a former wholly-owned subsidiary, Zone Telecom, Inc. ("ZONE US") to a newly incorporated jointly-controlled entity. Details of the ANZ Transaction were set out in the Company's circular dated 17 November 2010. According to HKAS 31 "Interests in Joint Ventures", a jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity. The Group's interests in the jointly-controlled entity and its subsidiaries (collectively the "jointly-controlled entities") are accounted for by the proportionate consolidation accounting method, which involves recognising its share of the jointly-controlled entities' assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis.

Effective for accounting periods beginning on or after 1 January 2013, HKFRS 11 "Joint Arrangements", which replaces HKAS 31 "Interests in Joint Ventures", deals with how a joint arrangement of which two or more parties have joint control should be classified. The application of HKFRS 11 will change the classification and subsequent accounting policy applicable to the Group's jointly-controlled entities, which will be accounted for using the equity method. The Group will thereafter recognise its share on each of the net assets and results of the jointly-controlled entities into a single line item as "Interests in Jointly-Controlled Entities" and "Share of Results of Jointly-Controlled Entities" respectively.

The Group has not early-adopted the new and revised HKFRS issued by HKICPA that are not yet effective for the current year. The Group is in the process of assessing the possible impact on the adoption of these new and revised HKFRS in the future. So far it has concluded that the adoption is unlikely to have a material impact on the Group's results or financial position in future, except as described above.

2. Turnover and segmental information

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

Segment results, including the Group's interests in jointly-controlled entities being 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. All liabilities are allocated to reportable segments other than corporate liabilities.

2. Turnover and segmental information *(continued)*

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

(a) *By business segments*

	Year ended 31 December							
	2012				2011			
	Telecom-munication services	**Other operations**	**Eliminations**	**Consolidated**	Telecom-munication services	Other operations	Eliminations	Consolidated
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover								
External sales	**553,508**	**1,181**	**–**	**554,689**	474,007	599	–	474,606
Inter-segments sales	**219**	**–**	**(219)**	**–**	86	–	(86)	–
	553,727	**1,181**	**(219)**	**554,689**	474,093	599	(86)	474,606
Results								
Segment results	**21,208**	**(3,473)**	**–**	**17,735**	12,550	(3,062)	–	9,488
Finance costs	**(236)**	**–**	**–**	**(236)**	(132)	–	–	(132)
Share of results of an associate	**39**	**–**	**–**	**39**	84	–	–	84
Gain on bargain purchase	**–**	**796**	**–**	**796**	–	–	–	–
	21,011	**(2,677)**	**–**	**18,334**	12,502	(3,062)	–	9,440
Other operating income and expenses				**(18,886)**				(18,538)
Loss before taxation				**(552)**				(9,098)

Inter-segments sales are charged at prevailing market prices.

The segmental turnover and results reported by business segments for the year ended 31 December 2011 exclude any amounts relating to the discontinued operation.

2. Turnover and segmental information *(continued)*

(a) *By business segments (continued)*

	As at 31 December 2012			As at 31 December 2011		
	Tele-communication services *HK$'000*	**Other operations** *HK$'000*	**Consolidated** *HK$'000*	Tele-communication services *HK$'000*	Other operations *HK$'000*	Consolidated *HK$'000*
Assets						
Reportable segments	**258,380**	**2,396**	**260,776**	268,366	739	269,105
Unallocated assets			**121,970**			37,542
			382,746			306,647
Liabilities						
Reportable segments	**(165,194)**	**(2,047)**	**(167,241)**	(77,679)	(1,284)	(78,963)
Unallocated liabilities			**(1,983)**			(2,091)
			(169,224)			(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.

	Year ended 31 December			
	Turnover from external sales		Non-current assets	
	2012 *HK$'000*	2011 *HK$'000*	**2012** *HK$'000*	2011 *HK$'000*
North America	**475,513**	391,138	**81,005**	82,055
Asia Pacific	**79,176**	83,468	**23,066**	4,876
	554,689	474,606	**104,071**	86,931

The turnover from external sales reported by geographical segments for the year ended 31 December 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:

	Year ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
Interest income on bank deposits	**493**	578
Interest income on loan receivable	**17**	38
	510	616
Gain on bargain purchase *(note)*	**796**	–
Other	**1,665**	1,010
	2,971	1,626

Note: The gain on bargain purchase arose from the subscription of the equity interests of a new subsidiary.

4. **(Loss) / Profit for the year**

(Loss) / Profit for the year from both continuing and discontinued operations is stated after charging / (crediting) the following:

	Year ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
Finance costs:		
Interest on bank loan and other borrowings wholly repayable within five years	**218**	30
Finance charges on obligations under finance leases	**18**	115
Other interest	**–**	1,297
	236	1,442
Amortisation of intangible assets	**3,615**	1,804
Depreciation of property, plant and equipment	**12,538**	11,519
Impairment loss on property, plant and equipment	**75**	–
(Gain) on disposal of subsidiary (included in profit for the year from discontinued operation)	**–**	(52,412)

5. Taxation

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

	Year ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
Continuing operations		
Current tax		
Overseas income taxes	**(761)**	(1,683)
Over provisions on overseas income taxes in prior years	**–**	1,231
	(761)	(452)
Deferred tax		
Depreciation allowances	**(154)**	121
Tax losses	**(12,288)**	(3,817)
	(12,442)	(3,696)
Taxation charges from continuing operations	**(13,203)**	(4,148)
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	**(13,203)**	(22,057)

Hong Kong Profits Tax has not been provided as the Group's assessable profit for the year was wholly absorbed by unrelieved tax losses brought forward from previous years.

Overseas taxation represents the 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, impairment losses, the share of results of an associate, and the gain on bargain purchase.

7. (Loss) / Earnings per share

The calculations of basic (loss) / earnings per share from continuing and discontinued operations for the years ended 31 December 2012 and 2011 are based on the consolidated (loss) / profit attributable to equity holders of the Company as set out below and on the weighted average number of 521,000,000 (2011: 521,163,218) shares in issue during the year.

	Year ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
Consolidated (loss) / profit attributable to equity holders of the Company:		
Continuing operations	**(12,851)**	(12,485)
Discontinued operation	**–**	29,313
Continuing and discontinued operations	**(12,851)**	16,828

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

8. Discontinued operation

The profit for the period from 1 January to 15 April 2011 from the discontinued operation, which has been included in the consolidated income statement for the year ended 31 December 2011, is as follows:

	2011 *HK$'000*
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 *(note 4)*	(1,310)
Loss before taxation	(5,190)
Taxation *(note 5)*	(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 a loss on disposal of property, plant and equipment of HK$123,000.

9. Intangible assets

	As at 31 December	
	2012	2011
	HK$'000	*HK$'000*
Cost at the beginning of the year	**26,386**	56,530
Written-off	**–**	(52,933)
Additions from jointly-controlled entities	**–**	22,789
Additions	**17,189**	–
Exchange adjustments	**(58)**	–
	43,517	26,386
Accumulated amortisation and impairment losses	**(9,012)**	(5,401)
	34,505	20,985

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

10. Goodwill

	As at 31 December	
	2012	2011
	HK$'000	*HK$'000*
Cost at the beginning of the year	**36,764**	3,237
Additions from jointly-controlled entities	**–**	33,527
Exchange adjustments	**(86)**	–
	36,678	36,764
Accumulated impairment losses	**(3,237)**	(3,237)
	33,441	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.

11. Trade and other receivables

	As at 31 December	
	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**58,563**	68,129
Other receivables		
Deposits, prepayments and other debtors	**12,912**	10,520
Due from an associate	**4,692**	2,978
	76,167	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 allowance for doubtful debts) by invoice date is as follows:

	As at 31 December	
	2012	2011
	HK$'000	*HK$'000*
Less than 1 month	**49,475**	55,783
1 to 3 months	**7,310**	10,750
More than 3 months but less than 12 months	**1,778**	1,596
	58,563	68,129

12. Trade and other payables

	As at 31 December	
	2012	2011
	HK$'000	*HK$'000*
Trade payables	**26,286**	18,708
Other payables		
Deferred revenue	**1,788**	–
Accrued charges and other creditors	**53,821**	59,736
	81,895	78,444

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

	As at 31 December	
	2012	2011
	HK$'000	*HK$'000*
Less than 1 month	**25,304**	16,139
1 to 3 months	**554**	1,781
More than 3 months but less than 12 months	**428**	788
	26,286	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 perspective. 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 *(note 8)*	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)

14. Interests in jointly-controlled entities

As at 31 December 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
ANPI Business, LLC (formerly known as 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 in which the Group has a 50% interest, 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 *HK$'000*	**Current assets** *HK$'000*	**Current liabilities** *HK$'000*	**Non-current liabilities** *HK$'000*	**Net assets** *HK$'000*
As at 31 December 2012					
100 per cent	**162,010**	**247,536**	**(128,744)**	**–**	**280,802**
The Group's 50% share	**81,005**	**123,768**	**(64,372)**	**–**	**140,401**
As at 31 December 2011					
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 *HK$'000*	**Expenses** *HK$'000*	**Profit for the period** *HK$'000*	**EBITDA** *HK$'000*
1 January to 31 December 2012				
100 per cent	**951,026**	**(914,732)**	**36,294**	**62,430**
The Group's 50% share	**475,513**	**(457,366)**	**18,147**	**31,215**
16 April to 31 December 2011				
100 per cent	782,276	(775,972)	6,304	26,130
The Group's 50% share	391,138	(387,986)	3,152	13,065

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

FINAL DIVIDEND

The Board does not recommend payment of a dividend for the year ended 31 December 2012 (2011: Nil).

BUSINESS REVIEW

Overview

During the year under review, the Group's 50:50 joint venture company in the US, ANZ Communications LLC (ANZ), which recorded its first full financial year of operations since the completion of the merger transaction, delivered a satisfactory business performance which made a significant contribution to the Group's consolidated financial results. Besides focusing on growing its more well established carrier and ILEC-related businesses, ANZ, in the second half of 2012, also commenced investing and executing its plans to expand into the high growth cloud-based and hosted solutions business sectors by targeting the SOHO (Small office / Home office) and SMB (Small Medium Business) market. In Asia, the Group continued to enhance its telecommunication businesses mainly through the introduction of new broadband-based services as well as through the acquisition of assets of an accredited domain name registration and web / data hosting company in Singapore. The Group's non-telecom business, RMI, continues to execute on its mass marketing strategy of introducing insurance-related products to its partners with large customer base. Concurrently, RMI, through its international division, made progressed in adopting its mass marketing business model in North America and other parts of Asia.

The Group's turnover for the year 2012 was HK$554.7 million as compared to HK$474.6 million in 2011. The gross margin improved from 25.9% for 2011 to 29.3% mainly as a result of further improvements in operating efficiencies and better utilisation of its network infrastructure. EBITDA improved significantly from HK$0.4 million in the prior year to HK$15.1 million in 2012. However, the Group recorded a loss attributable to equity holders of the Company of HK$12.9 million for the year as compared with a profit of HK$16.8 million in the previous corresponding year. The primary reasons for this variance are attributed to a one-time gain on disposal of the discontinued operation in the prior year, as well as the additional amortisation and depreciation expenses resulting from the purchase of new assets and a negative adjustment to the deferred tax assets held by the Group for the current year. The Group's financial position as at year-end 2012 remained healthy with cash and cash balances of HK$121.2 million and net asset value at HK$213.5 million.

ANZ, United States

The Group, being a 50% equity holder of ANZ, records only its half share of the operating results, assets and liabilities of these jointly-controlled entities by way of the proportionate consolidation accounting method. For the year 2012, ANZ reported turnover of HK$951.0 million, EBITDA of HK$62.4 million and a net profit of HK$36.3 million, 50% of which was taken into account in the Group's consolidated results. ANZ continues to derive most of its revenue and earnings from providing voice and data related services to independent local exchange carriers (ILECs), competitive local exchange carriers (CLECs) and interexchange carriers (IXCs) as well as wireless carriers, corporate enterprise and residential customers throughout the United States.

As a result of a comprehensive business development study initiated in the first half of 2012, the management of ANZ has recommended specific strategies to materially diversify ANZ's product portfolio and associated revenue streams through significant and committed efforts to launch a suite of telecom solutions which incorporate SIP trunking, hosted IP-PBX, collaboration, unified communication, productivity and mobility functionalities. This suite of service offerings will initially be targeting at the SOHO and SMB market through direct and indirect sales distribution across the US and will soon thereafter be expanded to include centralised hosted wholesale offerings to the ILECs and other carrier communities. ANZ has already assembled a well-experienced executive team and is currently investing significant resources to execute its plans for the launch of the initial array of services in early 2013.

ANZ's strategic roadmap entails material diversification of its service offerings and an aggressive rollout timeline that will require upfront capital investment and on-going working capital over the next few years. In anticipation of the need for future funding beyond internally generated resources, ANZ and its equity holders, including the Group, have been pursuing various fundraising options including vendor, equity and debt financing.

Zone Telecom, Asia

During 2012, ZONE Asia recorded turnover of HK$78.0 million, compared to HK$82.9 million for the prior year. ZONE Hong Kong continued to expand its project-based offerings, extending its revenue opportunities into providing more IT and telecom complementary services. Besides hosted services such as IVR, IP-PBX and CRM solutions, ZONE has introduced cloud-based redundancy services to widen its range of offerings. ZONE's profile in the IP telephony industry was further enhanced following its appointment as the exclusive distributor for all of Asia by Elastix (*www.elastix.com*) to distribute its range of award-winning IP-PBX products.

ZONE Singapore remained focussed on transforming itself from being a pure long distance voice service provider into a comprehensive info-communication service company. It now provides local telephone services via its hosted IP-Centrex which complements its IDD services. Its broadband connectivity business is also registering positive growth with a broad spectrum of high speed fibre broadband offerings including point-to-point and point-to-multi-point virtual private networks. Following the completion of the acquisition of assets of Cybersite Pte Ltd in July 2012, ZONE Singapore now offers a full suite of hosting and cloud services comprising domain name registration, web design and web / email hosting.

In 2012, ZONE Singapore continued to be profitable with its voice business remaining stable and providing strong cash flow to further fuel its other business development activities. ZONE Singapore continues to broaden its revenue base through the introduction of new products and services to cater for business communication needs of SMBs and large enterprises. ZONE Singapore will continue to enhance its offerings with more innovative cloud applications that can be deployed quickly through its cloud infrastructure.

RMI, Hong Kong

During the year, RMI introduced the first fully transparent lost, damaged, stolen (LDS) mobile phone protection services in Hong Kong under its "i-Guard" brand in collaboration with the Hong Kong's premier telecommunications service provider, HKT Group. LDS serves to both establish the "i-Guard" brand as well as to introduce mass market mobile phone protection services in Hong Kong. The success of LDS for mobile phones has created a number of opportunities to extend into LDS for tablets as well as to introduce Extended Warranty for products sold by HKT Group, and other relevant insurance products in Hong Kong, all under the "i-Guard" brand. The "i-Guard" franchise will continue to expand its product portfolio in Hong Kong in collaboration with HKT Group and other partners.

In 2012, the setting up of RMI Canada in partnership with one of the largest Canadian insurance brokers was well in progress while, at the same time, it was in the advance stages of concluding a major distribution agreement with one of the largest distributors of gift cards in North America through a network of leading grocery and convenience outlets, pharmacy and specialty stores. RMI Canada will introduce mass market insurance and protection services in collaboration with this distributor to Canada. RMI will continue its international expansion in 2013 through further development opportunities in both the North American and Asian markets.

Outlook

The Group is excited about the potential growth prospects in the US, as its jointly-controlled entity ANZ launches it hosted solutions targeting SOHOs and SMBs across the country, a market segment that is estimated to be in excess of US$15 billion in value. At the same time in Asia, broadband connectivity and cloud services will continue to be the key growth drivers for the telecom business and the Group foresees increases in revenue contributions from its insurance-related RMI businesses, both in Hong Kong and overseas. Looking ahead, the Group is fully committed to transform its telecom operations both in Asia and the US and over the next few years, and will invest significant resources and efforts to evolve from voice-centric telecom service providers to all-encompassing telecom solution providers. While in the short term the Group's financial performance will likely be negatively affected during the investment phase, the Group believes that the businesses being built today will deliver long term earnings growth and increase shareholders value in the coming years.

FINANCIAL REVIEW

General Overview

The financial status and results of the Group for the year ended 31 December 2011 and as at 31 December 2011 presented in this announcement were significantly affected by the one-off financial impact arising from the ANZ Transaction completed in April 2011.

Accordingly, the results of the former ZONE US operations for the period from 1 January 2011 to the date of completion of the ANZ Transaction, as well as the results arising from the disposal of the ZONE US operations were separately presented as a "Discontinued Operation" in the consolidated income statement for the year ended 31 December 2011.

As stated in the Company's 2011 Annual Report, the Group's interests in ANZ were accounted for by the proportionate consolidation accounting method. Following the completion of the ANZ Transaction, the results of ANZ were therefore proportionally consolidated with the Group results and presented under continuing operations for that reporting period. This is a major contributing factor for the significant comparison differences between the turnover and operating results of 2012 from the prior year, as further elaborated on below.

Nevertheless, in order to comply with HKFRS 11 "Joint Arrangements" which is effective for accounting periods beginning 1 January 2013, the financial results of ANZ will thereafter be accounted for in the Group consolidated financial statements by the equity method and hence the Group's share of ANZ's assets, liabilities, income and expenses will no longer be recognised with similar items in the Group consolidated financial statements on a line-by-line basis.

Turnover and Results

During the year, the Group turnover increased by 16.9% from HK$474.6 million to HK$554.7 million. The increase in turnover is due to the inclusion of 12 months of operating results of the jointly-controlled entities in the Group's turnover for the current year as opposed to eight and a half months for the previous year as the ANZ Transaction was only completed as of 15 April 2011. When compared with the Group's combined turnover from its continuing and discontinued operations for the year ended 31 December 2011 of HK$680.1 million, the Group's turnover decreased by 18.4%.

The gross margin for the Group improved to 29.3%, compared to 25.9% for the previous year.

FINANCIAL REVIEW *(continued)*

Turnover and Results (continued)

Total operating expenses of the Group amounted to HK$165.8 million, compared to HK$133.8 million in the previous year.

The Group recognised a gain on bargain purchase of HK$0.8 million in the subscription on equity interests of a new subsidiary in the RMI group. The gain is included in other revenue and income in the current year.

The operating results of the Group recorded a loss of HK$0.4 million, as compared to a loss of HK$9.1 million for the previous year.

The consolidated loss attributable to the equity holders of the Company of HK$12.9 million, compares to a profit of HK$16.8 million for the previous year, attributable primarily to the gains arising from the ANZ Transaction during the previous year, increased amortisation and depreciation expenses, and a negative adjustment to the deferred tax assets during the current year.

The Group's EBITDA for the year amounted to HK$15.1 million, compared to HK$0.4 million for the previous year.

Capital Structure, Liquidity and Financing

During the year the Group continued to have a healthy financial position and, as at 31 December 2012, the net assets amounted to HK$213.5 million compared to HK$225.6 million as at 31 December 2011 or a net asset value per share of HK$0.410 as at 31 December 2012 (2011: HK$0.433).

Capital expenditures for the year amounted to HK$16.4 million mainly in respect of the development of a new service platform, upgrading of switching facilities and acquisitions of network equipment in the US and Singapore.

Cash and bank balances (excluding pledged bank deposits) amounted to HK$121.2 million as at 31 December 2012 (2011: HK$121.9 million). As at 31 December 2012, HK$77.5 million (2011: Nil) was pledged as bank deposits to collateralise a letter of credit issued to a bank in respect of a banking facility extended to a subsidiary. In addition, bank guarantees of HK$2.0 million (2011: HK$2.3 million) were issued to suppliers for operational requirements.

FINANCIAL REVIEW *(continued)*

Capital Structure, Liquidity and Financing (continued)

As at 31 December 2012, total bank borrowings of the Group amounted to HK$85.7 million (2011: Nil), of which HK$77.5 million is denominated in United States dollars (equivalent to US$10,000,000) and the proceeds thereof are intended for general working capital purposes. The loan bears interest at a floating rate and is payable quarterly. The loan facility expires in August 2017, at which time the full amount outstanding is due and payable in United States dollars. The loan is collateralised by a bank letter of credit supported by the Company. The remaining balance of the bank borrowings of HK$8.2 million (2011: Nil) is denominated in Singapore dollars. The loan and interest at a floating rate are repayable monthly in Singapore dollars over a period of three years. The loan, which was utilised for the acquisition of assets during 2012, is secured by the net assets of a subsidiary company.

The Group's liabilities under equipment lease financing decreased by 93.0% to HK$0.1 million as at 31 December 2012 when compared to HK$0.9 million as at 31 December 2011.

As at 31 December 2012, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets was 40.2% (2011: 0.4%). The increase in the gearing ratio is due to the bank borrowings for the year.

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 or borrowings in Singapore dollars increase in future, the Group will, whenever appropriate, take any necessary action to reduce such exchange risks. In this regard, as at 31 December 2012, no related currency hedges had yet been undertaken by the Group.

Contingent Liabilities and Commitments

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

Save as disclosed above, as at 31 December 2012, there were no material contingent liabilities or commitments.

EMPLOYEE REMUNERATION POLICIES

As at 31 December 2012, altogether 141 employees, comprising the headcount of the Group of 89 and half of the headcount of ANZ of 52, (2011: 128) were engaged in the Group's operations in the United States, China, Hong Kong and Singapore. The Group's total staff costs for 2012 were HK$81.8 million (2011: HK$63.2 million; or HK$76.8 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 ("Corporate Governance Code") as set out in Appendix 14 to the Listing Rules which became effective from 1 April 2012. Except for the deviation described below, no director of the Company is aware of any information which would reasonably indicate that the Company is not, or was not at any time during the year ended 31 December 2012, acting in compliance with the Former Corporate Governance Code and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

CORPORATE GOVERNANCE *(continued)*

Code provision A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual so that the responsibilities are not concentrated with any one person. The Company has, as part of its written corporate policies, established and recorded in writing the respective responsibilities of the Chairman and the chief executive (being undertaken by the Managing Director) of the Company, in which it is specified that the Chairman is responsible for providing leadership to and effective running of the Board, while the Managing Director is delegated with the authority and responsibility for overseeing the realisation of the budgets and objectives set by the Board. Nevertheless, with the unanimous approval of the Board, Mr. Richard John Siemens, the Chairman, has also assumed the role of the chief executive of the Company since 16 June 2007. The Board from time to time re-assesses the possible negative impact of the Company deviating from the Corporate Governance Code A.2.1, and believes that vesting the roles of both chairman and chief executive in the same person enables corporate planning and directing execution of business plans and growth strategies to be more effective. At the same time, it is believed that the balance of power and authority is adequately ensured by an effective Board which is comprised of experienced and high calibre individuals with a sufficient number thereof being independent non-executive directors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), as set out in Appendix 10 to the Listing Rules, as its own securities code. All directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standards set out in the Model Code throughout the year ended 31 December 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 interim consolidated financial statements of the Group for the six months ended 30 June 2012 and the audited consolidated financial statements of the Group for the year ended 31 December 2012.

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

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 2012 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, 26 March 2013

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.