THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licenced securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in e-Kong Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, licenced securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

The circular appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of e-Kong Group Limited.

e-Kong Group Limited

(Incorporated in Bermuda with limited liability)

www.e-kong.com

(Stock Code: 524)

VERY SUBSTANTIAL ACQUISITION, VERY SUBSTANTIAL DISPOSAL AND MAJOR TRANSACTION IN RESPECT OF FORMATION OF ANZ COMMUNICATIONS LLC

Financial adviser to e-Kong Group Limited

Quam CAPITAL 華富嘉洛企業融資

A notice convening an extraordinary general meeting of e-Kong Group Limited to be held at The China Club, 13/F., The Old Bank of China Building, Bank Street, Central, Hong Kong on Thursday, 9 December 2010 at 11:00 a.m. or any adjournment(s) thereof is set out on pages 102 to 103 of this circular. A form of proxy for use at the extraordinary general meeting is also enclosed.

Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

17 November 2010

CONTENTS

Page

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"ANPI"	Associated Network Partners, Inc., an Illinois corporation
"ANPI Capital Contribution"	the contribution to be made by ANPI Holding to ANZ, as a capital contribution, the ANPI LLC Membership Interests, free and clear of any liens at the Completion
"ANPI Group"	ANPI and its subsidiary
"ANPI Holding"	ANPI Holding, Inc., an Illinois corporation
"ANPI LLC"	ANPI, LLC, a limited liability company to be organised as part of the ANPI Reorganisation under the laws of the State of Delaware, the U.S. and is a wholly-owned subsidiary of ANPI Holding
"ANPI LLC Membership Interests"	the entire equity interests of ANPI LLC
"ANPI Merger"	as defined in the term "ANPI Reorganisation"
"ANPI Reorganisation"	ANPI will have (i) caused NewStreets to have been merged into ANPI, with ANPI being the surviving entity; (ii) caused ANPI Holding to have formed ANPI LLC; (iii) merged into ANPI LLC, with ANPI LLC being the surviving entity (the "ANPI Merger") with the result that following the ANPI Merger, ANPI Holding will own all of the ANPI LLC Membership Interests, and as part of the ANPI Reorganisation, immediately after the ANPI Merger, and without any action on the part of ANPI Holding, ANPI will pay ANPI Holding the sum of US$1,725,000 (equivalent to approximately HK$13.4 million) in cash and transfer to ANPI Holding the Qualified Patronage Capital Certificates issued by NRTC to NewStreets and ANPI
"ANZ"	ANZ Communications LLC, a limited liability company to be organised in the State of Delaware, the U.S. in accordance with the provisions of the Contribution Agreement and the LLC Agreement, which will be beneficially owned as to 50% by ZONE US and 50% by ANPI Holding upon establishment
"ANZ Board"	the board of managers of ANZ
"associate"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors

"Business"	the business of ANZ which is provided in the LLC Agreement to be, primarily, provision of telecommunications services to the retail business market and wholesale carrier market, including long distance telephone services, local exchange services, high-speed internet services, broadband distribution and content, wireless services, access and signalling services, private data networks and value added telecommunications and / or administration services
"Class A Member(s)"	those persons holding Class A Units and executing the LLC Agreement as members of ANZ, including any substitute Class A Members or additional Class A Members, in each such person's capacity as a Class A Member of ANZ
"Class A Unit(s)"	an interest having the rights and obligations specified with respect to a Class A Unit in the LLC Agreement, major terms of which are set out under the sections headed "Capitalisation and units of ANZ", "Profit distribution", "Board of managers", "Restriction on transfer of the Units", "Non-competition" and "Dissolution" in the "Letter from the Board" in this circular
"Class B Member(s)"	those persons holding Class B Units and executing the LLC Agreement as members of ANZ, including any substitute Class B Members or additional Class B Members, in each such person's capacity as a Class B Member of ANZ
"Class B Unit(s)"	an interest having the rights and obligations specified with respect to a Class B Unit in the LLC Agreement and in the grant agreement applicable thereto, major terms of which are set out under the sections headed "Capitalisation and units of ANZ", "Profit distribution", "Board of managers", "Restriction on transfer of the Units", "Non-competition" and "Dissolution" in the "Letter from the Board" in this circular
"Company"	e-Kong Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
"Completion"	the completion of the ANPI Capital Contribution and the ZONE Capital Contribution in accordance with the Contribution Agreement
"connected person"	has the meaning ascribed to it under the Listing Rules and the word "connected" shall be construed accordingly
"Contribution Agreement"	the conditional contribution agreement executed on 29 September 2010 by, among others, ZONE US, ANPI, ANPI Holding and ANZ (by way of joinder) as further described in this circular

"Controlling Shareholders"	(i) Mr. Richard John Siemens, the Chairman of the Company, who, through companies controlled by him, owned 122,700,200 Shares representing approximately 23.5% of the issued share capital of the Company; (ii) Mrs. Jennifer Wes Saran, who, through companies controlled by her together with her personal interests, beneficially held 75,017,661 Shares representing approximately 14.3% of the issued share capital of the Company; and (iii) Mr. William Bruce Hicks, a non-executive Director, who, through a company controlled by him together with his personal interests, owned 71,912,342 Shares representing approximately 13.8% of the issued share capital of the Company, as at the Latest Practicable Date
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company and any adjournment thereof, to be convened and held to consider and, if thought fit, approve the Contribution Agreement and the transactions contemplated thereunder
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong GAAP"	Generally Accepted Accounting Principles in Hong Kong
"ILEC"	incumbent local exchange carrier
"Latest Practicable Date"	11 November 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"LLC Agreement"	a limited liability company agreement to be executed by, among others, ZONE US and ANPI Holding in respect of, among other things, the establishment, ownership and management of ANZ
"Long Stop Date"	1 January 2011 or such later date as the Parties may agree in writing prior to such date
"Member"	either a Class A Member or a Class B Member

"NewStreets"	NewStreets, Inc., a Delaware corporation
"NRTC"	the National Rural Telecommunications Cooperative, a member-owned, not-for-profit, tax-exempt cooperative servicing telecommunications and information technology needs in rural communities in the U.S.
"Parties"	ANPI, ANPI Holding, ZONE US and ANZ; and "Party" shall mean any one of them
"Remaining Group"	the Group excluding its interest in ANZ after the Completion
"Reorganised Group"	the Group upon the Completion
"Series 1 Class B Members"	holders of Series 1 Class B Units at Completion, who are certain management executives of ANZ
"Series 1 Class B Units"	those 100 Class B Units to be issued and granted to Series 1 Class B Members tentatively on or about the Completion
"Series 2 Class B Units"	Class B Units designated as "Series 2" upon issuance thereof
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	share(s) of HK$0.01 each in the issued and fully paid up share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Super-Majority of Class A Units"	an individual member or group of members holding an aggregate of more than 80% of the outstanding Class A Units
"Tax Distribution"	a distribution by ANZ of its income to the Members earmarked for offsetting any tax liabilities arising from business operations and activities of ANZ and assumed by such Members in accordance with the relevant tax legislation in the U.S.
"Transaction"	the transactions contemplated under the Contribution Agreement and the LLC Agreement, including (but not limited to) the formation of ANZ, the ZONE US Reorganisation and the ZONE Capital Contribution

"Units"	the Class A Units and the Class B Units, together with any other Units authorised by the ANZ Board at any time and from time to time pursuant to the LLC Agreement
"U.S."	United States of America
"US$"	United States dollar(s), the lawful currency of the U.S., and the exchange rate for the purpose of this circular is US$1 = HK$7.79
"U.S. GAAP"	Generally Accepted Accounting Principles in the U.S.
"ZONE Asia"	the Group's business of provision of telecommunications and related services under the tradename "ZONE", other than that carried on by ZONE Telecom, currently in the PRC, Hong Kong and Singapore
"ZONE Capital Contribution"	the contribution to be made by ZONE US, as a capital contribution, to ANZ the ZONE LLC Membership Interests, free and clear of any liens at the Completion
"ZONE Conversion"	as defined in the term "ZONE US Reorganisation"
"ZONE Global"	ZONE Global Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company and the immediate holding company of ZONE US
"ZONE LLC"	Zone Telecom, LLC, a wholly-owned subsidiary of ZONE US and a limited liability company under the laws of the State of Delaware, the U.S. to be converted from ZONE Telecom pursuant to ZONE Conversion
"ZONE LLC Membership Interests"	the entire equity interests of ZONE LLC
"ZONE Telecom"	Zone Telecom, Inc., a Delaware corporation, being a wholly-owned subsidiary of ZONE US, whose principal business is the provision of telecommunications and related services in the U.S. under the tradename "ZONE"
"ZONE US"	Zone USA, Inc., a Delaware corporation
"ZONE US Reorganisation"	ZONE US will have (i) caused ZONE Telecom to have been converted into ZONE LLC as a wholly-owned subsidiary of ZONE US ("ZONE Conversion"); (ii) immediately prior to the completion of the ZONE Conversion, assumed all ZONE Telecom's obligations of and in the term loan advanced by the Company to ZONE Telecom; and (iii) immediately following the ZONE Conversion, and prior to the ZONE Capital Contribution, contributed US$4.6 million (equivalent to approximately HK$35.8 million) to ZONE LLC as capital contribution
"%"	per cent

e-Kong Group Limited

(Incorporated in Bermuda with limited liability)

www.e-kong.com

(Stock Code: 524)

Executive Directors:
Richard John Siemens
Lim Shyang Guey

Non-executive Directors:
William Bruce Hicks
Ye Fengping

Independent Non-executive Directors:
Shane Frederick Weir
John William Crawford J.P.
Gerald Clive Dobby

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Place of Business:
3705 Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

17 November 2010

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION, VERY SUBSTANTIAL DISPOSAL AND MAJOR TRANSACTION IN RESPECT OF FORMATION OF ANZ COMMUNICATIONS LLC

INTRODUCTION

On 29 September 2010, ZONE US, a wholly-owned subsidiary of the Company, ANPI, ANPI Holding and ANZ (by way of joinder) executed the Contribution Agreement whereby, subject to the fulfilment of certain conditions precedent under the Contribution Agreement, ANZ will be established in the form of a limited liability company in the State of Delaware, the U.S..

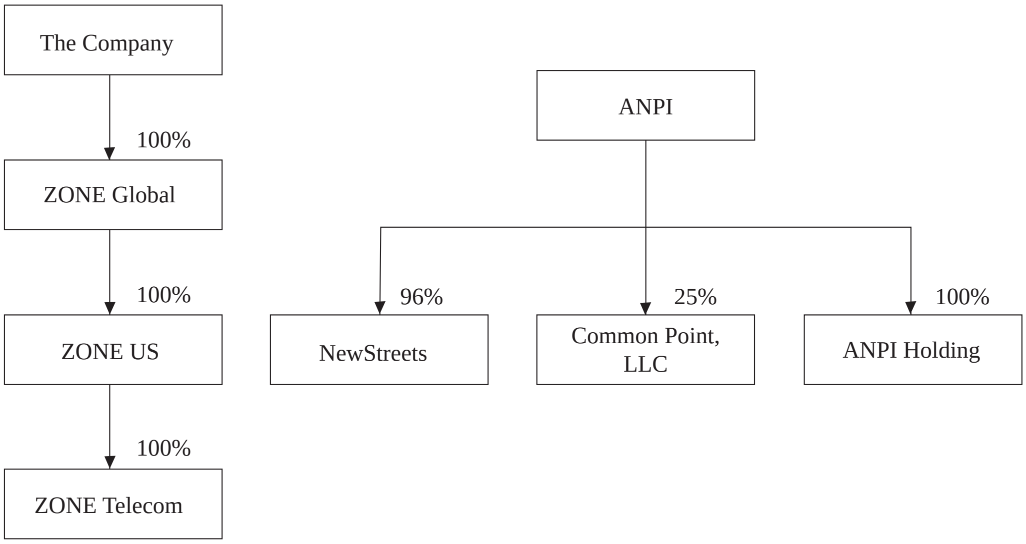
ZONE US will, following the ZONE US Reorganisation, contribute the ZONE LLC Membership Interests to ANZ in return for a 50% stake in ANZ whereas ANPI Holding will, following the ANPI Reorganisation, contribute the ANPI LLC Membership Interests to ANZ in return for a 50% stake in ANZ. ANZ will principally engage in the Business in the U.S..

Upon the Completion, the LLC Agreement will be entered into among the parties thereto as the limited liability company agreement of ANZ in respect of, among other things, the establishment, ownership and management of ANZ.

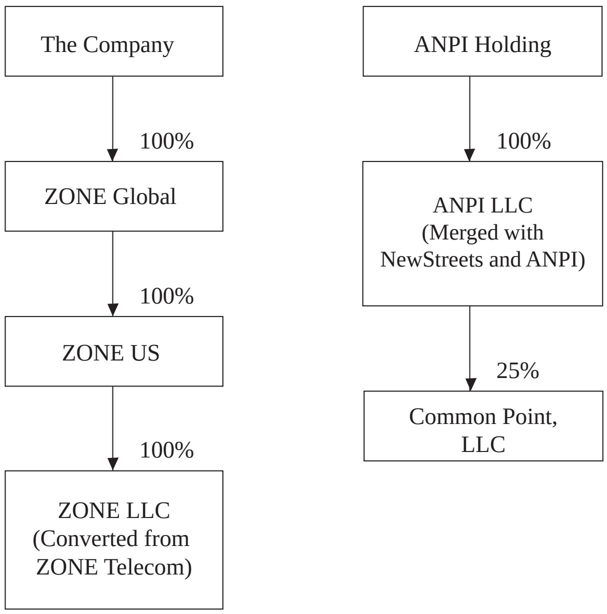
The purpose of this circular is to provide you with, among others, further details of the Transaction and the notice of the EGM.

THE TRANSACTION

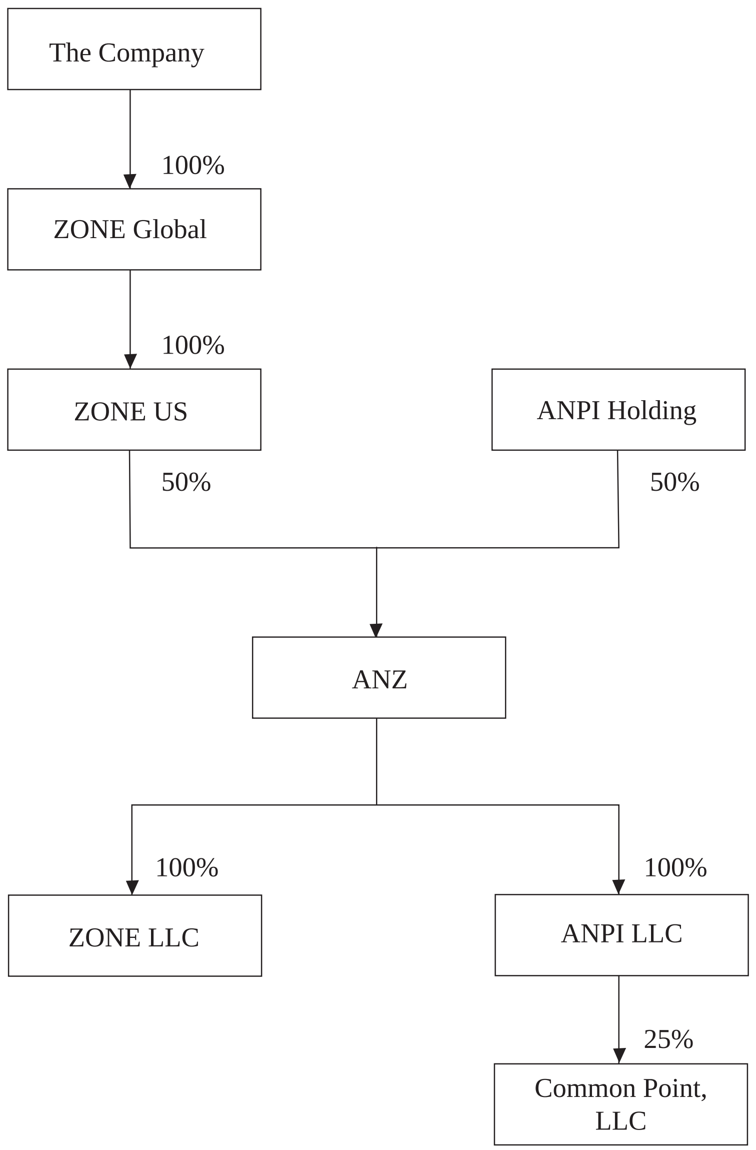
The current simplified corporate structures are illustrated as below:



The simplified corporate structures after the ZONE US Reorganisation and the ANPI Reorganisation but immediately before the Completion are illustrated as below:



The simplified corporate structure immediately after the Completion is illustrated as below:



THE CONTRIBUTION AGREEMENT

Date

29 September 2010

Parties

(a) ANPI;

(b) ANPI Holding;

(c) ZONE US;

(d) ANZ; and

(e) on specific warranties only, the Company and ZONE Global.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, ANPI, ANPI Holding and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

ANZ will enter into the Contribution Agreement by way of joinder where ANZ agrees to be bound by the Contribution Agreement as though it had signed the Contribution Agreement contemporaneously with the other Parties.

Formation of ANZ

ZONE US and ANPI Holding will establish ANZ which will engage in the Business in the U.S.. ANZ will be beneficially owned as to 50% by ZONE US and 50% by ANPI Holding.

Capital contribution

Recognising the synergies that may be realised by the Transaction, ZONE US and ANPI Holding have reached an agreement after arm's length negotiations that each of them will hold 50% of ANZ, taking into account that the respective size of operation of ZONE Telecom and ANPI is similar with reference to the financial performance of the two businesses as described in the sections headed "Information on the Group and ZONE Telecom" and "Information on the ANPI Group" below.

As part of the capital contribution, ZONE US will conduct the ZONE US Reorganisation whereby:

(a) ZONE Telecom will be converted into ZONE LLC as a wholly-owned subsidiary of ZONE US and as a limited liability company under the laws of the State of Delaware, the U.S. but the deferred tax assets of ZONE Telecom, which was incurred by ZONE Telecom in its normal course of business during past years, in the amount of approximately US$12.3 million (equivalent to approximately HK$96.2 million) as at 30 June 2010, will be succeeded by ZONE US;

(b) ZONE US will assume all ZONE Telecom's obligations of and in the term loan advanced by the Company to ZONE Telecom; and

(c) immediately following the ZONE Conversion, ZONE US will contribute US$4.6 million (equivalent to approximately HK$35.8 million) to ZONE LLC as cash contribution, which will be financed by internal resources of the Group,

and at Completion, ZONE US will contribute the ZONE LLC Membership Interests to ANZ in return for a 50% stake in ANZ.

As part of the capital contribution, ANPI will conduct the ANPI Reorganisation whereby:

(a) NewStreets will be merged into ANPI, with ANPI being the surviving entity;

(b) ANPI Holding will have formed ANPI LLC;

(c) ANPI will be merged into ANPI LLC, with ANPI LLC being the surviving entity but any deferred tax assets of ANPI or NewStreets, which was incurred by ANPI or NewStreets in its normal course of business during past years, in the aggregate amount of approximately US$1.7 million (equivalent to approximately HK$13.4 million) as at 30 June 2010, will remain an asset of ANPI Holding after the ANPI Reorganisation; and

(d) immediately after the ANPI Merger, and without any action on the part of ANPI Holding, ANPI will pay ANPI Holding the sum of US$1,725,000 (equivalent to approximately HK$13.4 million) in cash and transfer to ANPI Holding the Qualified Patronage Capital Certificates issued by NRTC to NewStreets and ANPI, representing their membership in NRTC for using NRTC's services and paying income taxes accrued by business activities of NRTC accordingly, the value of which has been accounted for as a component of ANPI's and NewStreets' deferred tax assets as referred to in item (c) above,

and at Completion, ANPI Holding will contribute the ANPI LLC Membership Interests to ANZ in return for a 50% stake in ANZ.

The fair value of the ANPI LLC Membership Interests (taking into consideration the financial effect of the ANPI Reorganisation) presented by ANPI Holding amounts to US$31.5 million (equivalent to approximately HK$245.4 million). Taking into account the nature of a 50:50 split in ANZ, that such amount largely accords to the Company's historical costs of investment in ZONE Telecom and the deferred tax assets of ZONE Telecom that will be retained by the Group, and other factors such as the telephone switching networks and diversified customer base of ANPI and potential synergies of ANZ, the Directors consider this to be a fair value of the ZONE LLC Membership Interests (taking into account the financial effect of the ZONE US Reorganisation).

Conditions precedent

The Completion is conditional, among other things, upon the satisfaction, on or prior to the earlier of the Long Stop Date or the date of the Completion, of each of the following conditions which may be waived in writing by the Parties:

(a) consummation of the ZONE US Reorganisation;

(b) consummation of the ANPI Reorganisation;

(c) the Company having obtained all necessary Shareholders' and regulatory approvals to the transactions contemplated in the Contribution Agreement, including those arising as a result of the Company being listed on the Stock Exchange;

(d) the Parties having obtained such approval, pursuant to a Section 214 Certificate of the Communications Act of 1934, as amended, or otherwise, of the transactions contemplated under the Contribution Agreement from the Federal Communications Commission of the U.S. as may be required by applicable law;

(e) the Parties having obtained approvals of the transactions contemplated under the Contribution Agreement from such U.S. regulatory authorities as may be required by applicable law;

(f) obtaining the approval by the shareholders of ANPI in respect of the ANPI Reorganisation and other transactions contemplated under the Contribution Agreement, and obtaining the approval by the shareholders of ANPI Holding in respect of the ANPI Capital Contribution and other transactions contemplated under the Contribution Agreement; and

(g) ANZ having delivered to ANPI, ANPI Holding and ZONE US (i) a copy of ANZ's certificate of formation as filed with the State of Delaware, the U.S. and (ii) an executed joinder in which ANZ agrees to be bound by the Contribution Agreement as though it had signed the Contribution Agreement contemporaneously with the other Parties.

In addition, the obligations of ZONE US to consummate and effect the Contribution Agreement and the transactions contemplated thereunder are conditional upon the satisfaction on or prior to the Completion of the following conditions, any of which may be waived, in writing, by ZONE US:

(a) the representations and warranties of ANPI and ANPI Holding set forth in the Contribution Agreement will be true and correct in all material respects as of such specified date or period;

(b) ANPI and ANPI Holding will have performed and complied in all material respects with all covenants, obligations and conditions of the Contribution Agreement required to be performed and complied with by them as of the Completion;

(c) ZONE US will be provided with a certificate dated as of the date of the Completion certifying that conditions (a) and (b) will have been fulfilled; and

(d) except for the ANPI Reorganisation, there will not have occurred any change since the date of the Contribution Agreement that constitutes a material adverse effect on NewStreets, ANPI and ANPI Holding or, following the ANPI Merger, ANPI LLC, determined without regard to whether such change constitutes a breach of a representation or warranty.

The obligations of ANPI and ANPI Holding to consummate and effect the Contribution Agreement and the transactions contemplated thereunder are conditional upon the satisfaction, on or prior to the Completion, of each of the following conditions, any of which may be waived, in writing, by ANPI Holding:

(a) the representations and warranties of ZONE US set forth in the Contribution Agreement will be true and correct in all material respects as of such specified date or period;

(b) ZONE US will have performed and complied in all material respects with all covenants, obligations and conditions of the Contribution Agreement required to be performed and complied with by it as of the Completion;

(c) ANPI Holding shall have been provided with a certificate dated as of the date of the Completion certifying that conditions (a) and (b) will have been fulfilled; and

(d) except for the ZONE US Reorganisation, there will not have occurred any change since the date of the Contribution Agreement that constitutes a material adverse effect on ZONE US, ZONE Telecom or following the ZONE Conversion, ZONE LLC, determined without regard to whether such change constitutes a breach of a representation or warranty.

Completion

Completion will take place on the date that is not more than five days after the date on which all conditions set out in the Contribution Agreement (as described in the section headed “Conditions precedent” above) have been fulfilled (or such later date as the Parties may agree in writing prior to the Completion). None of the conditions has been fulfilled as at the Latest Practicable Date.

At the Completion:

(a) ZONE US will contribute to ANZ, as a capital contribution, the ZONE LLC Membership Interests, in exchange therefor ZONE US will receive 400 Class A Units;

(b) ANPI Holding will contribute to ANZ, as a capital contribution, the ANPI LLC Membership Interests, in exchange therefor ANPI Holding will receive 400 Class A Units; and

(c) the LLC Agreement will be executed by the parties thereto.

Termination

The Contribution Agreement will be terminated:

(a) at the option of either ANPI Holding or ZONE US if the Completion has not occurred by the Long Stop Date unless the Parties otherwise agree prior to such Long Stop Date, provided that neither ANPI Holding nor ZONE US may exercise such termination right, if such party's breach of the Contribution Agreement or the failure of such party or its affiliates to consummate the ZONE US Reorganisation or the ANPI Reorganisation, has prevented consummation of the transactions contemplated in the Contribution Agreement;

(b) ANPI Holding may terminate the Contribution Agreement if ZONE US fails to perform its obligations and agreements thereunder and such failure is not cured within the earlier of twenty business days of written notice thereof by ANPI Holding and the Long Stop Date; and

(c) ZONE US may terminate the Contribution Agreement if ANPI Holding or ANPI fails to perform its obligations and agreements thereunder and such failure is not cured within the earlier of twenty business days of written notice thereof by ZONE US and the Long Stop Date.

Warranties by ZONE US, the Company and ZONE Global

Under the Contribution Agreement, ZONE US, the Company and ZONE Global have made certain warranties and representations on, among other things, due corporate existence and proper authorisation of each of the Company, ZONE Global and ZONE US in execution and performance of the Contribution Agreement, and ZONE US having not conducted any active business operations.

THE LLC AGREEMENT

Upon the Completion, the LLC Agreement will be executed by the parties thereto as the limited liability company agreement of ANZ in respect of, among other things, the establishment, ownership and management of ANZ.

Parties

(a) ZONE US;

(b) ANPI Holding;

(c) Series 1 Class B Members; and

(d) on specific covenants in respect of restriction on transfer of the Units and non-competition only, the Company and ZONE Global.

ANZ

ANZ, a limited liability company to be established pursuant to the terms of the LLC Agreement, will be beneficially owned as to 50% by ZONE US and 50% by ANPI Holding upon establishment.

Scope of business

The businesses of ANZ are to provide telecommunications services to the retail business market and wholesale carrier market, including long distance telephone services, local exchange services, high-speed internet services, broadband distribution and content, wireless services, access and signalling services, private data networks and value-added telecommunications and / or administration services, and such other business and commercial activities as the ANZ Board approves from time to time, initially serving as a holding company for such businesses.

Capitalisation and units of ANZ

The authorised Units of ANZ consist of 800 Class A Units and up to 200 Class B Units. The interests of each of the Members will be represented by Units. Each Class A Member will make an initial capital contribution to the capital of ANZ in which ANPI Holding will contribute 100% of the ANPI LLC Membership Interests in exchange for 400 Class A Units and ZONE US will contribute 100% of the ZONE LLC Membership Interests in exchange for 400 Class A Units.

Class A Members are entitled to receive information concerning the business and affairs of ANZ as provided in the LLC Agreement or non-waivable provisions of the Delaware Limited Liability Company Act. Class A Members shall also have the right to vote to the extent provided in the LLC Agreement, including in the events of proposed divestiture or sale of all or substantially all of the assets of ANZ, proposed acquisition by ANZ of a business or assets valued in excess of US$10 million (equivalent to approximately HK$77.9 million) and the dissolution of ANZ.

ANZ may, subject to the approval of the ANZ Board and the Class A Members, issue and grant Class B Units to individuals employed by, consultants to, or otherwise rendering services for the benefit of ANZ and / or its subsidiaries as determined by the ANZ Board. Class B Units shall not entitle the Class B Member to voting or information rights. The terms and conditions of the Class B Units are to be determined by the ANZ Board (and approved by the Class A Members). The aggregate percentage of Units of all Members holding Class B Units (but only with respect to such Class B Units) shall not exceed 20% of the outstanding Units. In the event a Class B Member's employment or other relationship with ANZ is terminated, such Class B Member shall forfeit his / her unvested Class B Units and ANZ shall purchase such Class B Member's vested Class B Units pursuant to the terms of such grant agreement. 100 Series 1 Class B Units will be issued upon or around the Completion. Such Series 1 Class B Members are certain current management executives and / or directors of ZONE US, ZONE Telecom and ANPI who will become management executives of ANZ.

Profit distribution

The LLC Agreement expressly provides that ANZ will, in addition to Tax Distribution to be made to the Members, declare and pay and distribute to the Class A Members, pro rata in proportion to their Class A Units, such amount (together with that declared and paid as Tax Distribution) as will be not less than 50% of the annual net income of ANZ in each financial year, until such amount, net of any Tax Distribution, exceeds US$63.0 million (equivalent to approximately HK$490.8 million), whereupon Members holding Class A Units and Series 1 Class B Units will be entitled to share any subsequent distribution (other than Tax Distribution) pro rata in proportion to their Class A Units and Series 1 Class B Units. Similarly, if Series 2 Class B Units are issued in the future, those Class B Units will share in distribution only after a defined threshold on the aggregate amount of profit distributions (net of any Tax Distribution) having been made to Class A Members and Series 1 Class B Members, which amount will be determined by the ANZ Board at the time of issuance of Series 2 Class B Units, has been reached.

Board of managers

The ANZ Board will consist of six managers, among whom three will be nominated by ZONE US and three will be nominated by ANPI Holding. Decisions of the ANZ Board will be made by simple majority of the votes of managers attending a meeting, the quorum of which will be four managers.

Restriction on transfer of the Units

No Member may transfer its Units together with their rights and interests appertaining thereto without the consent of the ANZ Board in writing, save that any such transfer by a Member to its affiliate(s) will be permitted.

In addition, each of the Company, ZONE Global and ZONE US covenants that it will not permit the transfer of equity of ZONE Global or ZONE US or substantially all of the assets of ZONE US to third parties without the consent of ANPI Holding, and ANPI Holding covenants that it will not permit the transfer of substantially all the assets of ANPI Holding to third parties without the consent of ZONE US.

No Class B Units shall be transferable to any person, except by way of operation of law, without the prior written consent of all Class A Members.

Non-competition

(a) Each Member will not, and will procure that its affiliates will not, whilst a Member, be directly or indirectly engaged or interested in any business which is in competition with the business of ANZ in the U.S..

(b) Notwithstanding sub-paragraph (a) above, if any Member becomes aware of a business opportunity within ANZ's line of business or business purpose, it shall refer such opportunity to ANZ for analysis by the ANZ Board as to whether ANZ wishes to pursue such opportunity, and make full disclosure of all information relating to such business opportunity in such Member's knowledge or possession. If the ANZ Board declines to pursue such opportunity then notwithstanding sub-paragraph (a) above, the Member originally referring the opportunity to ANZ will be free to pursue the same and thereby compete with ANZ, but not otherwise.

Dissolution

ANZ will be dissolved upon the first to occur of the following events:

(a) the vote to dissolve ANZ by a Super-Majority of Class A Units; or

(b) the sale or other disposition of substantially all of the assets of ANZ and the receipt and distribution of all the proceeds therefrom.

Upon the dissolution of ANZ, the liquidation proceeds shall be applied first, to the payment of debts and liabilities of ANZ in the order of priority as provided by law and the expenses of liquidation; then, to the establishment of any reserve which the ANZ Board may deem reasonably necessary for any contingent, conditional or unasserted claims or obligations of ANZ; and then according to the order of priority for profit distribution as discussed above.

INFORMATION ON THE GROUP AND ZONE TELECOM

The Group

The principal activity of the Company is investment holding. The Group is principally engaged in the business of providing telecommunications services. The Group's telecommunications business currently has operations in the U.S., China, Hong Kong and Singapore.

ZONE Telecom

ZONE Telecom is a Federal Communications Commission licensed telecommunication carrier which operates nationally throughout the U.S.. ZONE Telecom provides consumer and business telecom solutions to the residential and enterprise markets respectively. In addition, ZONE Telecom is a wholesale provider of telecom services to rural ILECs covering rural and smaller metropolitan areas of the U.S., and to other resellers. ZONE Telecom's products include long distance – dedicated and switched voice services, local dedicated services, enhanced toll-free services, data services, teleconferencing, online customer support tools, Voice-over-Internet Protocol services, commercial Internet Protocol broadband, and mobile virtual network telephony services.

The above business of ZONE Telecom will be restructured under ZONE LLC and, after the ZONE US Reorganisation, shall become the principal operating asset of ZONE LLC.

The unaudited financial information of ZONE Telecom for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 is set out in Appendix II to this circular.

The following table sets out certain unaudited financial information of ZONE Telecom according to Hong Kong GAAP for the three years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2010 as extracted from Appendix II to this circular:

	For the year ended 31 December			For the six months ended 30 June
	2007	**2008**	**2009**	**2010**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Revenue	698.9	692.2	717.7	341.5
Gross profit	153.5	127.0	137.2	61.3
Net profit / (loss) before taxation	22.2	(29.4)	18.8	6.1
Net profit / (loss) after taxation	24.6	(39.8)	29.0	5.6

As at 30 June 2010, the unaudited net asset value of ZONE Telecom (prior to the ZONE US Reorganisation) according to Hong Kong GAAP was approximately HK$24.8 million. Pursuant to the ZONE US Reorganisation, deferred tax assets of ZONE Telecom in the amount of approximately US$12.3 million (equivalent to approximately HK$96.2 million) as at 30 June 2010 will be succeeded by ZONE US, the term loan advanced by the Company to ZONE Telecom in the amount of US$5.5 million (equivalent to approximately HK$42.8 million) as at 30 June 2010 will be assumed by ZONE US, and cash contribution of US$4.6 million (equivalent to approximately HK$35.8 million) will be made by ZONE US to ZONE LLC.

Following the Completion, the Group will continue to manage and expand its existing operations in China, Hong Kong and Singapore and hold the interests of ZONE LLC and ANPI LLC through ANZ. In Asia, the Group will continue to build a more diversified revenue base and further enhance its competitive position in the region for ZONE business. At the same time, the Group will advance its merger and acquisition activities to pursue opportunities that complement its current operations as well as other potential targets that provide geographical, product and business diversity. Revenue from the Group's operations in Asia amounted to approximately HK$80.1 million for the year ended 31 December 2009. 50% of ZONE Telecom's revenue for the year ended 31 December 2009 amounted to approximately HK$358.9 million. 50% of ANPI's revenue for the year ended 31 December 2009 amounted to approximately US$43.3 million (equivalent to approximately HK$337.4 million). As at the Latest Practicable Date, the Company has not entered into any agreement, arrangement or understanding about any acquisition and / or disposal of assets / companies (whether concluded or not).

INFORMATION ON THE ANPI GROUP

ANPI was organised in 1995 to provide voice and data telecommunications solutions to wholesale and retail providers nationwide in the U.S..

Prior to 2006, ANPI provided services on a virtual basis, by provisioning its services on various underlying interexchange carriers' networks, and administering service providers' services via its proprietary administrative software. In early 2006, ANPI began deploying its own telecommunications network facilities to obtain terminating cost advantages, increase control over quality of service, enable additional services to be provided, and to obtain other strategic benefits.

Since 2006, ANPI transformed itself from a virtual operator to a facilities-based interexchange carrier with the majority of its services being provided across its own network. ANPI now serves more than 400 rural ILEC-related entities throughout the U.S., and further diversified its toll service operations by providing services to a number of wireless service providers to the collective base of independent telephone companies, their wireless and Internet service provider affiliates, and consortia thereof.

Currently, ANPI is owned by 133 shareholders. Based on the information provided by ANPI, no ultimate beneficial shareholder holds more than 8% interests of ANPI.

ANPI has adopted a share award scheme which has 64,041 restricted shares of ANPI outstanding as at the Latest Practicable Date. NewStreets has adopted a share option scheme which has outstanding options entitling the holders thereof to subscribe for an aggregate of 126,500 shares of NewStreets as at the Latest Practicable Date. ANPI Holding advised that the restricted shares of ANPI will be liquidated prior to the Completion and the outstanding share options of NewStreets will not be exercised and therefore lapse prior to the ANPI Merger.

The above business of ANPI will be restructured and merged under ANPI LLC after the ANPI Reorganisation.

The audited consolidated financial statements of the ANPI Group for the three years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2010 are set out in Appendix III to this circular.

The following table sets out certain audited consolidated financial information of the ANPI Group prepared in accordance with Hong Kong GAAP for the three years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2010 as extracted from Appendix III to this circular:

	For the year ended 31 December			**For the six months ended 30 June**
	2007	**2008**	**2009**	**2010**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Revenue	551.2	657.6	674.7	319.0
Gross profit	68.5	97.4	111.8	73.3
Net profit before taxation	4.4	19.1	19.2	22.0
Net profit after taxation and non-controlling interests	4.5	11.5	12.1	13.8

As at 30 June 2010, the audited consolidated net asset value of ANPI (prior to the ANPI Reorganisation) was approximately HK$101.9 million. Pursuant to the ANPI Reorganisation, deferred tax assets of ANPI and NewStreets in the amount of approximately HK$13.4 million as at 30 June 2010 will be succeeded by ANPI Holding, and cash distribution of US$1,725,000 (equivalent to approximately HK$13.4 million) will be made by ANPI to ANPI Holding.

REASONS FOR AND BENEFITS OF THE TRANSACTION

Upon the Completion, ANZ will:

– become a U.S. national telecommunication service provider with a leading position within the rural ILEC market in the U.S.;

– have a national presence in the U.S. enterprise and wholesale telecommunications markets; the enterprise and wholesale segments are expected to contribute significantly to the diversification of the future revenue and earnings growth;

– create a national telephone switching network in the U.S., capable of managing and optimising traffic to deliver an appreciable improvement in operating efficiency and margin;

– have a national reach and local presence to provide an array of bundled telecommunication services, including local voice, long distance, data, high speed internet, and managed services and cellular re-selling services; and

– benefit from significant operating cost synergies in network utilisation, IT, administration, marketing and distribution.

The Board considers that both the Contribution Agreement and the LLC Agreement, including the ZONE US Reorganisation, the ANPI Reorganisation and the capital contribution by ZONE US and ANPI Holding respectively, are on normal commercial terms, both have been agreed upon following arm's length negotiations between the parties thereto and the terms of both are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

ACCOUNTING TREATMENTS IN RESPECT OF THE TRANSACTION

Immediately upon the Completion, ZONE LLC will cease to be a subsidiary of the Group.

Hong Kong Accounting Standard 31 "Interests in Joint Ventures" ("HKAS 31") issued by the Hong Kong Institute of Certified Public Accountants permits jointly controlled entities to be recognised using the proportionate consolidation method or the equity method. It is currently intended that the Group's interests in ANZ will be accounted for by proportionate consolidation. Accordingly, the Group will combine its share of ANZ's individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements.

Exposure Draft 9 "Joint Arrangements" ("ED 9") issued by the International Accounting Standards Board proposes to abolish the proportionate consolidation and require application of the equity method. HKAS 31 is expected to be amended as a consequence of ED 9 to allow only the equity method for jointly controlled entities. For transition, it is expected that the Group will not be required to adjust the differences between the proportionate consolidation method and the equity method retrospectively. Instead, it is expected that the Group will be required to aggregate the previously proportionate consolidated balances into a single investment line as the opening balance of the earliest period presented for subsequent accounting under the equity method.

After application of the equity accounting method, the Group's interests in ANZ shall be carried at cost and adjusted for the post-acquisition changes in the Group's share of ANZ's net assets less any identified impairment loss. Profit or loss includes the Group's share of the post-acquisition, post-tax results of ANZ for the period, including any impairment loss on the investment recognised for the period.

Had the Completion taken place on 31 December 2009, basing on the unaudited pro forma consolidated statement of comprehensive income of the Reorganised Group contained in Appendix IV to this circular, the Group would have recorded a gain of approximately HK$81.0 million from the disposal of 50% interests in ZONE Telecom, being the difference between the 50% share of the fair value of ANPI's business (as adjusted by the adjustments relating to the ANPI Reorganisation) as at 31 December 2009 and the 50% share of the net asset value of ZONE Telecom (as adjusted by the adjustments relating to the ZONE US Reorganisation) as at 31 December 2009. The actual gain on the disposal will depend on the then net asset value of ZONE Telecom on the date of Completion.

The Group had an audited net profit of approximately HK$19.0 million for the year ended 31 December 2009. Based on the unaudited pro forma consolidated statement of comprehensive income of the Reorganised Group contained in Appendix IV to this circular, the Reorganised Group would have net profit of approximately HK$87.4 million for the year ended 31 December 2009 assuming that the Completion had taken place on 1 January 2009.

The Group had audited total assets and total liabilities of approximately HK$316.8 million and approximately HK$116.5 million respectively as at 31 December 2009. Assuming the Completion had taken place on 31 December 2009, the unaudited pro forma total assets and total liabilities as set out in the unaudited pro forma consolidated statement of financial position of the Reorganised Group contained in Appendix IV to this circular, would have been increased to approximately HK$392.7 million and decreased to approximately HK$115.5 million as at 31 December 2009 respectively.

FINANCIAL AND TRADING PROSPECTS OF THE REORGANISED GROUP

The Reorganised Group, following the Completion, will continue to manage and expand its ZONE Asia operations and its insurance distribution services under the tradename "*speedinsure*", as well as hold the 50% interests of, and participate in the management of ANZ via its representatives in the ANZ Board.

ZONE Asia will continue to expand beyond its traditional business and geographical scope in order to broaden its revenue base and to be less reliant on revenue derived from its voice business. For example, ZONE in Hong Kong has widened its business scope and product offerings by forming commercial and strategic relationships with a number of well-known IT vendors including DELL and Juniper Networks; while in Singapore, ZONE is exploring with parties interested in collaboration to provide products and services tailored for small and mid-size business utilising the recently available next-generation national broadband network.

Following the Completion, ANZ will continue the respective business of ANPI and ZONE Telecom to minimise any interruption on the customers, while at the same time commence an integration plan, optimising the synergies arising from the combined businesses, network infrastructure and back office capabilities. For example, ANZ will enjoy a better choice and variety of traffic routing made available from combining the existing supplier relationships and network infrastructure of ZONE Telecom and ANPI. The Reorganised Group will directly benefit from the earnings of ANZ by way of profit distribution made by ANZ from time to time, which distribution policy is further described in the section headed "Profit distribution" in the "Letter from the Board" in this circular.

The Reorganised Group will continue to build a more diversified revenue base and further enhance its competitive position in the region for its existing businesses. At the same time, the Reorganised Group will advance its merger and acquisition activities to pursue opportunities that complement its current operations as well as other potential targets that provide geographical, product and business diversity.

IMPLICATIONS UNDER THE LISTING RULES

The formation of ANZ constitutes a very substantial acquisition of the Company, while the capital contribution by ZONE US to ANZ in return for a 50% interests in ANZ constitutes a very substantial disposal and a major transaction for the Company under Chapter 14 of the Listing Rules and are therefore subject to the approval of the Shareholders.

As the completion of the Contribution Agreement and the execution of the LLC Agreement are conditional on the fulfilment of certain conditions precedent, there is no assurance that the Transaction will proceed. Potential investors and Shareholders should exercise caution when dealing in the Shares.

EGM

A notice convening the EGM to be held at The China Club, 13/F., The Old Bank of China Building, Bank Street, Central, Hong Kong, on Thursday, 9 December 2010 at 11:00 a.m. is set out on pages 102 to 103 to this circular. Ordinary resolution will be proposed at the EGM and, if thought fit, passed by the Shareholders by way of poll to approve the Contribution Agreement and the transactions contemplated thereunder.

The Series 1 Class B Members are considered to have material interests in the Transaction and together with their respective associates, are required to abstain from voting at the EGM. As at the Latest Practicable Date, certain Series 1 Class B Members and their respective associates in aggregate held 1,285,007 Shares, representing approximately 0.25% of the issued share capital of the Company. Save as disclosed above, to the best knowledge of the Directors, no other Shareholder is required to abstain from voting in the EGM.

Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

APPROVAL FROM THE CONTROLLING SHAREHOLDERS

The Controlling Shareholders, who as at the Latest Practicable Date together controlled 269,630,203 Shares representing approximately 51.6% of the issued share capital of the Company, have indicated in writing to the Company that they will vote and will procure companies controlled by them holding the Shares to vote in favour of the resolution to be proposed at the EGM.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider the terms of the Contribution Agreement and the LLC Agreement are on normal commercial terms, fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Contribution Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,
By Order of the Board
Lau Wai Ming Raymond
Company Secretary

1. AUDITED ANNUAL FINANCIAL INFORMATION

The audited consolidated financial information of the Group (i) for the year ended 31 December 2009 is disclosed in the 2009 annual report of the Company published on 14 April 2010, from pages 23 to 63; (ii) for the year ended 31 December 2008 is disclosed in the 2008 annual report of the Company published on 16 April 2009, from pages 23 to 59; and (iii) for the year ended 31 December 2007 is disclosed in the 2007 annual report of the Company published on 23 April 2008, from pages 23 to 59, all of which have been published on the website of Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk) and the website of the Company (www.e-kong.com).

2. UNAUDITED INTERIM FINANCIAL INFORMATION

The unaudited interim financial information of the Group for the six months ended 30 June 2010 is disclosed in the 2010 interim report of the Company published on 7 September 2010, from pages 1 to 12. The aforesaid interim report of the Company has been published on the website of Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk) and the website of the Company (www.e-kong.com).

3. INDEBTEDNESS STATEMENT

Borrowings

At the close of business on 30 September 2010, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Reorganised Group (inclusive of its share of indebtedness of ANZ by virtue of proportionate consolidation) had the following indebtedness:

(a) Obligation under finance leases in respect of acquiring plant and machinery of approximately HK$3.8 million; and

(b) Amounts due to shareholders of ANPI of approximately HK$0.6 million which are unsecured, interest free and with no specific repayment term.

Guarantees

As at 30 September 2010, the Reorganised Group had pledged bank deposits amounting to approximately HK$2.3 million to banks for guarantees made to suppliers.

Disclaimers

Save as aforesaid and apart from intra-group liabilities, the Reorganised Group did not have any outstanding mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or guarantees or other material contingent liabilities as at 30 September 2010.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position of the Group since 31 December 2009, the date to which the latest published audited financial statements of the Group were made up.

5. WORKING CAPITAL

The Directors are of the opinion that, after due and carefully enquiry, after taking into account the Reorganised Group's internal resources, available banking facilities, the effect of the Transaction and in the absence of unforeseen circumstances, the Reorganised Group will have sufficient working capital for its present requirements for a period of twelve months from the date of this circular.

6. MANAGEMENT DISCUSSION AND ANALYSIS ON THE REMAINING GROUP

The Remaining Group's principal operating subsidiaries are in the business of providing telecommunication services, insurance brokerage and consultancy services. The Remaining Group's ZONE telecommunication business currently has operations in the PRC, Hong Kong and Singapore. The Remaining Group's turnover consisted primarily of revenue generated from these operations.

(i) For the year ended 31 December 2007

Financial results

For the year ended 31 December 2007, the Remaining Group recorded a turnover of approximately HK$96.3 million representing a decrease of approximately HK$7.5 million, or approximately 7.2%, as compared to 2006.

Operating costs for 2007 amounted to approximately HK$58.7 million compared to approximately HK$44.6 million for 2006.

The Remaining Group's gross profit decreased by approximately 3.3% from approximately HK$60.3 million for 2006 to approximately HK$58.3 million for 2007.

The operating profit for 2007 increased by approximately 21.1% to approximately HK$21.3 million when compared to approximately HK$17.6 million for 2006.

The consolidated net profit for 2007 was up approximately HK$2.6 million to approximately HK$19.6 million, compared to a net profit of approximately HK$17.0 million for 2006.

Earnings before interest expenses, taxation, depreciation, amortisation, and impairment losses on intangible assets and goodwill ("EBITDA") for the Remaining Group increased by approximately 15.4%, or approximately HK$3.2 million, from approximately HK$20.5 million for 2006 to approximately HK$23.7 million for 2007.

Liquidity, financing and capital structure

The Remaining Group's liquidity position was strengthened as a result of contributions from the profitable ZONE telecommunication business, as well as the private placement of Shares and the allotment of 5% shareholding interests in a subsidiary in February 2007. The net assets of the Remaining Group rose to approximately HK$194.5 million as at 31 December 2007 (2006: approximately HK$126.8 million).

With an enhanced capital structure and positive operating cash flow, cash and bank balances (excluding pledged bank deposits) reached approximately HK$121.3 million as at 31 December 2007 (2006: approximately HK$55.7 million). The Remaining Group pledged bank deposits amounting to approximately HK$2.1 million as at 31 December 2007 (2006: approximately HK$1.5 million) to banks for guarantees made to suppliers.

As at 31 December 2007, the Remaining Group had no bank borrowings or any liabilities under equipment lease (2006: Nil).

Foreign exchange exposure

Since most of the Remaining Group's assets and liabilities, revenue and payments are denominated in Hong Kong and United States dollars, the management considers that there are no significant exposures to foreign exchange fluctuations as long as the Hong Kong-United States dollar exchange rate remains pegged. As cash contributions from the Singapore operations continue to grow, the Remaining Group will closely monitor the Singapore-United States dollar exchange rate and, whenever appropriate, take any necessary action to reduce such exchange risks.

Contingent liabilities and commitments

As at 31 December 2007, there were no material contingent liabilities or commitments.

Employee remuneration policies

As at 31 December 2007, the Remaining Group had 102 (2006: 73) employees in China, Hong Kong and Singapore. The Remaining Group's total staff costs amounted to approximately HK$32.5 million (2006: approximately HK$26.6 million). Pursuant to the share option schemes adopted by the Company, share options may be granted to, among others, eligible employees of the Remaining Group to subscribe for Shares under the terms and conditions stipulated therein. Altogether, 132,500 share options remained outstanding as at 31 December 2007.

The Remaining 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 Remaining Group operates. The Remaining 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 Remaining Group also offers other fringe benefits, including provident fund and medical benefits, to its employees.

(ii) For the year ended 31 December 2008

Financial results

For the year ended 31 December 2008, the Remaining Group recorded a consolidated turnover of approximately HK$94.7 million, representing a decrease of approximately HK$1.6 million as compared to approximately HK$96.3 million for 2007.

Operating costs for 2008 amounted to approximately HK$57.2 million compared to approximately HK$58.7 million for 2007.

The Remaining Group's gross profit decreased by approximately 4.8% from approximately HK$58.3 million for 2007 to approximately HK$55.5 million for 2008.

The operating profit for 2008 amounted to approximately HK$0.4 million when compared to approximately HK$21.3 million for 2007.

The Remaining Group recorded a net loss of approximately HK$3.9 million for 2008, which included an impairment loss on intangible assets of approximately HK$3.6 million, compared to a net profit of approximately HK$19.6 million for 2007.

EBITDA for the Remaining Group decreased from approximately HK$23.7 million for 2007 to approximately HK$3.3 million for 2008.

Liquidity, financing and capital structure

During the year 2008, the Remaining Group continued to be in a healthy liquidity position. As at 31 December 2008, the net assets of the Remaining Group reduced to approximately HK$190.2 million (2007: approximately HK$194.5 million) which was mainly attributed to the impairment losses on intangible assets as referred to previously.

Cash and bank balances (excluding pledged bank deposits) amounted to approximately HK$120.3 million as at 31 December 2008 (2007: approximately HK$121.3 million). The Remaining Group pledged bank deposits of approximately HK$2.2 million as at 31 December 2008 (2007: approximately HK$2.1 million) to banks for guarantees made to suppliers.

As at 31 December 2008, the Remaining Group had no bank borrowings or liabilities under equipment lease (2007: Nil).

Foreign exchange exposure

Since most of the Remaining Group's assets and liabilities, revenue and payments are denominated in Hong Kong and United States dollars, the management considers that there are no significant exposures to foreign exchange fluctuations as long as the Hong Kong-United States dollar exchange rate remains pegged. As cash contributions from the Singapore operations continue to grow and expectation that currency exchange markets will become volatile during 2009, the Remaining Group will closely monitor the Singapore-United States dollar exchange rate and, whenever appropriate, take any necessary action to reduce such exchange risks.

Contingent liabilities and commitments

As at 31 December 2008, there were no material contingent liabilities or commitments.

Employee remuneration policies

As at 31 December 2008, the Remaining Group had 83 (2007: 102) employees in China, Hong Kong and Singapore. The Remaining Group's total staff costs amounted to approximately HK$30.5 million (2007: approximately HK$32.5 million). Pursuant to the share option schemes adopted by the Company, share options may be granted to, among others, eligible employees of the Remaining Group to subscribe for Shares under the terms and conditions stipulated therein. Altogether, 132,500 share options remained outstanding as at 31 December 2008.

The Remaining 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 Remaining Group operates. The Remaining 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 Remaining Group also offers other fringe benefits, including provident fund and medical benefits, to its employees.

(iii) For the year ended 31 December 2009

Financial results

For the year ended 31 December 2009, despite difficult market conditions, in particular during the first six months, the Remaining Group recorded a turnover of approximately HK$80.1 million representing a decrease of approximately HK$14.6 million as compared to approximately HK$94.7 million for 2008.

Following the Remaining Group's execution of its cost savings initiatives, total operating expenses for 2009 decreased to approximately HK$54.4 million, which excluded an impairment loss on goodwill of approximately HK$3.2 million, when compared to approximately HK$57.2 million in 2008. Among other efforts, the Remaining Group fine-tuned the cost efficiency of different sales activities which resulted in a decrease in selling and distribution expenses from approximately HK$5.7 million for 2008 (representing approximately 6.0% of that year's turnover) to approximately HK$4.4 million for 2009 (representing approximately 5.5% of turnover).

In 2009, the Remaining Group recorded a net loss of approximately HK$10.1 million compared to net loss of approximately HK$3.9 million (inclusive of impairment loss on intangible assets of approximately HK$3.6 million) for 2008.

EBITDA for the Remaining Group decreased from approximately HK$3.3 million for 2008 when compared to a loss of approximately HK$4.5 million for 2009.

Liquidity, financing and capital structure

During the year 2009, the Remaining Group continued to be in a healthy liquidity position. As at 31 December 2009, the net assets of the Remaining Group amounted to approximately HK$181.1 million when compared to approximately HK$190.2 million as at 31 December 2008.

Cash and bank balances (excluding pledged bank deposits) increased from approximately HK$120.3 million as at 31 December 2008 to approximately HK$126.3 million as at 31 December 2009. In addition, as at 31 December 2009, the Remaining Group maintained pledged bank deposits of approximately HK$2.2 million, compared to approximately HK$2.2 million as at 31 December 2008, to banks for guarantees made to suppliers.

As at 31 December 2009, the Remaining Group had no bank borrowings or any liabilities under equipment lease (2008: Nil).

Foreign exchange exposure

Since most of the Remaining Group's assets and liabilities, revenue and payments are denominated in Hong Kong and United States dollars, the management considers that there are no significant exposures to foreign exchange fluctuations as long as the Hong Kong-United States dollar exchange rate remains pegged. If cash contributions from the Singapore operations increase in future and currency exchange markets continue to be volatile, the Remaining Group will continue to closely monitor the Singapore-United States dollar exchange rate and, whenever appropriate, take any necessary action to reduce such exchange risks. In this regard, as at 31 December 2009, no related hedges had yet been undertaken by the Remaining Group.

Contingent liabilities and commitments

As at 31 December 2009, there were no material contingent liabilities or commitments.

Employee remuneration policies

As at 31 December 2009, the Remaining Group had 70 (2008: 83) employees in China, Hong Kong and Singapore. The Remaining Group's total staff costs for 2009 decreased by approximately 5.5% to approximately HK$28.8 million when compared to approximately HK$30.5 million for 2008.

The Remaining 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 Remaining Group operates. The Remaining 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 Remaining 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 Remaining Group to subscribe for Shares under the terms and conditions stipulated in the share option schemes adopted by the Company. As at 31 December 2009, there were no outstanding share options under the share option scheme adopted by the Company.

(iv) For the six months ended 30 June 2010

Financial results

During the period under review, the Remaining Group's turnover decreased by approximately 7.3% from approximately HK$40.6 million to approximately HK$37.7 million.

The Remaining Group continued to execute its cost savings initiatives during the period, and managed to reduce its total operating expenses to approximately HK$25.1 million for the period under review when compared to approximately HK$28.2 million for the corresponding period in 2009. Among other efforts, selling and distribution expenses dropped from approximately HK$2.6 million (representing approximately 6.4% of the period turnover) to approximately HK$1.8 million (representing approximately 4.7% of the period turnover).

The gross profit for the current period dropped by approximately 12.6% to approximately HK$21.4 million, compared to approximately HK$24.5 million for the corresponding period in 2009. The operating loss for the period amounted to approximately HK$3.5 million as compared to approximately HK$3.6 million for the same period in 2009.

Consolidated loss attributable to equity holders of the Company remained at approximately HK$3.5 million as compared to approximately HK$3.5 million for the first six months of 2009.

The Remaining Group's EBITDA for the period under review amounted to a loss of approximately HK$2.4 million as compared to a loss of approximately HK$2.3 million for the same period in 2009.

Liquidity, financing and capital structure

The Remaining Group maintained its healthy liquidity position as net current assets decreased slightly to approximately HK$130.7 million (31 December 2009: approximately HK$133.3 million). Net assets of the Remaining Group decreased to approximately HK$177.6 million as at 30 June 2010 (31 December 2009: approximately HK$181.1 million).

Cash and bank balances (excluding pledged bank deposits) as at 30 June 2010 amounted to approximately HK$123.1 million (31 December 2009: approximately HK$126.3 million). The Remaining Group pledged bank deposits of approximately HK$2.2 million as at 30 June 2010 (31 December 2009: approximately HK$2.2 million) to banks for guarantees made to suppliers.

There were no outstanding bank borrowings or any liabilities under equipment lease as at 30 June 2010 (31 December 2009: Nil).

Foreign exchange exposure

Since most of the Remaining Group's assets and liabilities, revenue and payments are denominated in Hong Kong and United States dollars, the management 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 Remaining 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 Remaining Group will, whenever appropriate, take any necessary action to reduce such exchange risks. In this regard, as at 30 June 2010, no related hedges had yet been undertaken by the Remaining Group.

Contingent liabilities and commitments

As at 30 June 2010, there were no material contingent liabilities or commitments.

Employee remuneration policies

As at 30 June 2010, the Remaining Group had 67 (31 December 2009: 70) employees in China, Hong Kong and Singapore. The Remaining Group's total staff costs for the six months ended 30 June 2010 amounted to approximately HK$13.4 million (30 June 2009: approximately HK$14.1 million).

The Remaining 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 Remaining Group operates. The Remaining 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 Remaining Group also offers other fringe benefits, including provident fund and medical benefits, to its employees.

REVIEWED FINANCIAL INFORMATION OF ZONE TELECOM

Set out below is the text of the review report on the financial information of ZONE Telecom for the three years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2010 issued by Mazars CPA Limited, the Company's auditor, for the purpose of inclusion in this circular.

MAZARS CPA LIMITED
瑪澤會計師事務所有限公司
42nd Floor, Central Plaza
18 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道18號中環廣場42樓
Tel 電話: (852) 2909 5555
Fax 傳真: (852) 2810 0032
Email 電郵: info@mazars.com.hk
Website 網址: www.mazars.com.hk

To the directors of

e-Kong Group Limited
(incorporated in Bermuda with limited liability)

We have reviewed the accompanying statements of financial position of Zone Telecom, Inc. ("ZONE Telecom") as at 31 December 2007, 2008 and 2009 and 30 June 2010, and the related statements of comprehensive income, statements of changes in equity and statements of cash flows for the year / period then ended and the comparative financial information of ZONE Telecom for the six months ended 30 June 2009. This financial information is the responsibility of ZONE Telecom's management. Our responsibility is to issue a report on these financial information based on our review.

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400 "Engagements to Review Financial Statements" issued by the Hong Kong Institute of Certified Public Accountants. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial information is free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information does not give a true and fair view in accordance with Hong Kong Financial Reporting Standards.

Mazars CPA Limited
Certified Public Accountants

Hong Kong, 17 November 2010

Eunice Y M Kwok
Practising Certificate number: P04604

STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Turnover	698,915	692,249	717,720	346,472	341,533
Cost of sales	(545,385)	(565,264)	(580,560)	(278,979)	(280,200)
Gross profit	153,530	126,985	137,160	67,493	61,333
Other revenue and income	154	281	57	33	10
	153,684	127,266	137,217	67,526	61,343
Selling and distribution expenses	(52,049)	(44,827)	(38,201)	(18,826)	(17,781)
Business promotion and marketing expenses	(1,620)	(1,196)	(1,062)	(596)	(800)
Operating and administrative expenses	(56,210)	(59,248)	(63,415)	(31,259)	(30,313)
Other operating expenses	(16,510)	(20,355)	(12,656)	(5,678)	(5,172)
Profit from operations	27,295	1,640	21,883	11,167	7,277
Finance costs	(5,138)	(3,855)	(3,041)	(1,673)	(1,203)
Impairment losses on intangible assets	–	(27,206)	–	–	–
Profit / (Loss) before taxation	22,157	(29,421)	18,842	9,494	6,074
Taxation credit / (charges)	2,483	(10,388)	10,203	(49)	(469)
Profit / (Loss) for the year / period	24,640	(39,809)	29,045	9,445	5,605
Other comprehensive income / (loss) for the year / period					
Exchange differences on translation	–	–	–	–	(17)
Total comprehensive income / (loss) for the year / period	24,640	(39,809)	29,045	9,445	5,588

STATEMENTS OF FINANCIAL POSITION

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Non-current assets				
Property, plant and equipment	11,215	14,565	9,236	13,101
Intangible assets	37,907	–	–	–
Deferred tax assets	13,244	3,400	14,664	14,645
	62,366	17,965	23,900	27,746
Current assets				
Trade and other receivables	73,030	83,143	69,972	82,413
Cash and bank balances	60,397	56,907	71,130	59,488
	133,427	140,050	141,102	141,901
Current liabilities				
Trade and other payables	92,482	104,916	102,285	101,467
Current portion of bank borrowings	10,430	4,250	–	–
Current portion of obligations under finance leases	206	129	142	149
Taxation payable	278	–	–	–
	103,396	109,295	102,427	101,616
Net current assets	30,031	30,755	38,675	40,285
Total assets less current liabilities	92,397	48,720	62,575	68,031
Non-current liabilities				
Bank borrowings	4,250	–	–	–
Obligations under finance leases	213	595	453	376
Loan from ultimate holding company	57,948	57,948	42,900	42,845
NET ASSETS / (LIABILITIES)	29,986	(9,823)	19,222	24,810
Capital and reserves				
Share capital *(Note)*	–	–	–	–
Reserves	29,986	(9,823)	19,222	24,810
TOTAL EQUITY / (DEFICIT)	29,986	(9,823)	19,222	24,810

Note: Share capital represents 1,000 shares in common stock of US$0.01 each.

STATEMENTS OF CHANGES IN EQUITY

	Share capital HK$'000 (unaudited) *(Note)*	Share premium HK$'000 (unaudited)	Exchange reserve HK$'000 (unaudited)	Accumulated profits / (losses) HK$'000 (unaudited)	Total equity / (deficit) HK$'000 (unaudited)
As at 1 January 2007	–	273,008	–	(267,662)	5,346
Total comprehensive income for the year	–	–	–	24,640	24,640
As at 31 December 2007	–	273,008	–	(243,022)	29,986
Total comprehensive loss for the year	–	–	–	(39,809)	(39,809)
As at 31 December 2008	–	273,008	–	(282,831)	(9,823)
Total comprehensive income for the year	–	–	–	29,045	29,045
As at 31 December 2009	–	273,008	–	(253,786)	19,222
Total comprehensive income / (loss) for the period	–	–	(17)	5,605	5,588
As at 30 June 2010	–	273,008	(17)	(248,181)	24,810
As at 1 January 2009	–	273,008	–	(282,831)	(9,823)
Total comprehensive income for the period	–	–	–	9,445	9,445
As at 30 June 2009	–	273,008	–	(273,386)	(378)

Note: Share capital represents 1,000 shares in common stock of US$0.01 each.

STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
OPERATING ACTIVITIES					
Profit / (Loss) before taxation	22,157	(29,421)	18,842	9,494	6,074
Interest income	(154)	(281)	(57)	(33)	(10)
Interest expenses	5,138	3,855	3,041	1,673	1,203
Depreciation and amortisation	14,688	18,284	8,195	4,155	4,001
Exchange differences	–	–	–	–	19
Impairment losses on intangible assets	–	27,206	–	–	–
Allowance for doubtful debts	1,782	2,051	4,438	1,513	1,154
Changes in working capital:					
Trade and other receivables	(5,106)	(12,164)	8,733	(3,317)	(13,687)
Trade and other payables	6,133	12,434	(2,631)	(5,647)	(687)
Cash generated from / (used in) operations	44,638	21,964	40,561	7,838	(1,933)
Income taxes paid	(960)	(822)	(1,061)	(49)	(471)
Interest received	154	281	57	33	10
Interest on bank loan paid	(1,931)	(634)	(46)	(46)	–
Interest on obligations under finance leases	(20)	(33)	(64)	(34)	(27)
Interest on loan from ultimate holding company	(3,187)	(3,188)	(2,931)	(1,593)	(1,176)
Net cash generated from / (used in) operating activities	38,694	17,568	36,516	6,149	(3,597)
INVESTING ACTIVITIES					
Purchases of property, plant and equipment	(5,700)	(10,438)	(2,866)	(1,600)	(7,896)
Proceeds from disposals of property, plant and equipment	–	270	–	–	11
Net cash used in investing activities	(5,700)	(10,168)	(2,866)	(1,600)	(7,885)
FINANCING ACTIVITIES					
Repayment of bank loan	(17,085)	(10,430)	(4,250)	(4,250)	–
Repayment of obligations under finance leases	(198)	(460)	(129)	(62)	(69)
Partial repayment of the loan from ultimate holding company	–	–	(15,048)	(3,348)	–
Net cash used in financing activities	(17,283)	(10,890)	(19,427)	(7,660)	(69)
Net increase / (decrease) in cash and cash equivalents	15,711	(3,490)	14,223	(3,111)	(11,551)
Cash and cash equivalents at beginning of year / period	44,686	60,397	56,907	56,907	71,130
Exchange loss on cash and cash equivalents	–	–	–	–	(91)
Cash and cash equivalents at end of year / period	60,397	56,907	71,130	53,796	59,488
Analysis of the balances of cash and cash equivalents					
Cash and bank balances	60,397	56,907	71,130	53,796	59,488

1. ACCOUNTANTS' REPORT ON THE ANPI GROUP

The following is the text of accountants' report on the ANPI Group received from the reporting accountants, Mazars CPA Limited, for the purpose of inclusion in this circular.

MAZARS CPA LIMITED
瑪澤會計師事務所有限公司
42nd Floor, Central Plaza
18 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道18號中環廣場42樓
Tel 電話: (852) 2909 5555
Fax 傳真: (852) 2810 0032
Email 電郵: info@mazars.com.hk
Website 網址: www.mazars.com.hk

The Board of Directors
e-Kong Group Limited
3705 Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Associated Network Partners, Inc. ("ANPI") and its subsidiary (hereinafter collectively referred to as the "ANPI Group") for inclusion in the circular of e-Kong Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") dated 17 November 2010 (the "Circular") in connection with the proposed establishment of a joint venture company, ANZ Communications LLC ("ANZ"). ANZ will be beneficially owned as to 50% by Zone USA, Inc., a wholly-owned subsidiary of the Company which holds 100% interests in Zone Telecom, Inc., and 50% by ANPI Holding, Inc., which holds 100% interests in ANPI. In accordance with the Contribution Agreement executed on 29 September 2010, Zone USA, Inc. will conduct the ZONE US Reorganisation and then contribute ZONE LLC Membership Interests to ANZ in return for a 50% stake in ANZ whereas ANPI Holding, Inc. will conduct the ANPI Reorganisation and then contribute ANPI LLC Membership Interests in return for a 50% stake in ANZ. The Financial Information comprises the consolidated statements of financial position of the ANPI Group as at 31 December 2007, 2008 and 2009 and 30 June 2010, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the ANPI Group for each of the three years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2010 (the "Relevant Periods"), and comparative financial information of the ANPI Group for the six months ended 30 June 2009 (the "Comparative Financial Information") and a summary of significant accounting policies and other explanatory notes.

ANPI is a corporation registered in the State of Illinois in the United States ("US") on 21 September 1995. As at the date of this report, ANPI has 95.72% direct interest in NewStreets, Inc. ("NewStreets"), a corporation registered in the state of Delaware in the US. Both ANPI and NewStreets are principally engaged in providing wholesale communications services nationwide in the US. They have adopted 31 December as their financial year end for statutory financial reporting purposes.

The financial statements of the ANPI Group during the Relevant Periods were audited by Kiesling Associates LLP, Certified Public Accountants registered in the US, which were prepared in accordance with the accounting principles generally accepted in the US.

The Financial Information as set out in this report has been prepared based on the audited consolidated financial statements of the ANPI Group for the Relevant Periods (hereinafter collectively referred to as the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), after making such adjustments as are appropriate for the purpose of preparing the Financial Information for inclusion in the Circular.

The directors of ANPI are responsible for preparing the Financial Information and the Comparative Financial Information which give a true and fair view in accordance with HKFRS. In preparing the Financial Information and the Comparative Financial Information of the ANPI Group which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable, and that the reasons for any significant departure / non-applicable accounting standards are stated. It is our responsibility to form an independent opinion and a review conclusion, on such information in respect of the Relevant Periods and for the six months ended 30 June 2009, respectively, and to report our opinion and review conclusion to you.

Procedures performed in respect of the Relevant Periods

For the purpose of this report, we have examined the Underlying Financial Statements of the ANPI Group for the Relevant Periods and carried out such additional procedures as we considered necessary in accordance with Auditing Guideline No. 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA, after making such adjustments as are appropriate for the purpose of preparing the Financial Information for inclusion in the Circular.

Procedures performed in respect of the Comparative Financial Information

For the purpose of this report, we have performed a review of the Comparative Financial Information which includes the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the ANPI Group for the six months ended 30 June 2009, together with the notes thereto, for which the directors of ANPI are responsible, in accordance with Hong Kong Standard on Review Engagements 2400 "Engagements to Review Financial Statements" issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope and provides a lower level of assurance than our audit or examination procedures described in the preceding paragraph and, accordingly, we do not express an audit opinion on the Comparative Financial Information.

Opinion in respect of the Financial Information of the Relevant Periods

In our opinion, the Financial Information of the ANPI Group, for the purpose of this report, gives a true and fair view of the profit and cash flows of the ANPI Group for the Relevant Periods and of the state of affairs of the ANPI Group as at 31 December 2007, 2008 and 2009 and 30 June 2010 in accordance with HKFRS.

Review conclusion in respect of the Comparative Financial Information

On the basis of our review, which does not constitute an audit, we are not aware of any material modifications that should be made to the Comparative Financial Information of the ANPI Group for the six months ended 30 June 2009.

Mazars CPA Limited
Certified Public Accountants

Hong Kong, 17 November 2010

Eunice Y M Kwok
Practising Certificate number: P04604

A. FINANCIAL INFORMATION

Consolidated Statements of Comprehensive Income

The following is a summary of the consolidated statements of comprehensive income of the ANPI Group for the Relevant Periods and for the six months ended 30 June 2009, which have been prepared on the basis set out in Section B.

		Year ended 31 December			Six months ended 30 June	
		2007	**2008**	**2009**	**2009**	**2010**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Turnover	*3*	551,240	657,573	674,741	329,461	319,047
Cost of sales		(482,723)	(560,160)	(562,974)	(280,454)	(245,722)
Gross profit		68,517	97,413	111,767	49,007	73,325
Other revenue and income	*4*	919	1,401	1,038	867	1,093
		69,436	98,814	112,805	49,874	74,418
Selling and distribution expenses		(9,330)	(11,448)	(12,911)	(6,043)	(6,862)
Business promotion and marketing expenses		(2,196)	(1,963)	(1,884)	(942)	(942)
Operating and administrative expenses		(52,012)	(64,989)	(76,007)	(34,166)	(44,082)
Other operating expenses		(639)	–	(909)	–	–
Profit from operations		5,259	20,414	21,094	8,723	22,532
Finance costs	*5*	(814)	(836)	(1,269)	(732)	(407)
Share of results of associates		–	(477)	(590)	(412)	(87)
Profit before taxation	*5*	4,445	19,101	19,235	7,579	22,038
Taxation credit / (charges)	*6*	283	(7,395)	(6,989)	(2,856)	(8,145)
Profit for the year / period and total comprehensive income for the year / period		4,728	11,706	12,246	4,723	13,893
Profit for the year / period and total comprehensive income for the year / period attributable to:						
Equity holders of ANPI		4,529	11,529	12,092	4,656	13,816
Non-controlling interests		199	177	154	67	77
Profit for the year / period and total comprehensive income for the year / period		4,728	11,706	12,246	4,723	13,893

Consolidated Statements of Financial Position

The following is a summary of the consolidated statements of financial position of the ANPI Group as at the end of each of the Relevant Periods which have been prepared on the basis set out in Section B.

		As at 31 December			As at 30 June
		2007	**2008**	**2009**	**2010**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment	*9*	26,546	42,418	38,538	37,766
Intangible assets	*10*	17,890	16,911	9,361	6,882
Interests in associates	*11*	2,066	2,298	1,628	1,502
Goodwill	*12*	12,094	12,094	12,094	12,094
Deferred tax assets	*18*	19,817	12,812	10,709	13,396
		78,413	86,533	72,330	71,640
Current assets					
Trade and other receivables	*13*	63,591	69,122	72,376	66,980
Taxation recoverable		438	5,733	619	574
Pledged bank deposits	*14*	178	–	–	–
Cash and bank balances		31,897	48,842	38,129	44,385
		96,104	123,697	111,124	111,939
Current liabilities					
Trade and other payables	*15*	72,646	88,786	75,726	70,355
Current portion of obligations under finance leases	*16*	5,405	6,911	5,569	4,795
Taxation payable		–	–	4,003	1,622
		78,051	95,697	85,298	76,772
Net current assets		18,053	28,000	25,826	35,167
Total assets less current liabilities		96,466	114,533	98,156	106,807
Non-current liabilities					
Obligations under finance leases	*16*	3,577	11,504	5,935	3,710
Due to shareholders	*17*	1,169	1,169	1,169	1,169
NET ASSETS		91,720	101,860	91,052	101,928

		As at 31 December			As at 30 June
		2007	**2008**	**2009**	**2010**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital and reserves					
Share capital	*19*	25	25	20	20
Reserves		91,393	101,356	90,725	101,524
Equity attributable to equity holders of ANPI		91,418	101,381	90,745	101,544
Non-controlling interests		302	479	307	384
TOTAL EQUITY		91,720	101,860	91,052	101,928

Consolidated Statements of Changes in Equity

The movements in the consolidated statements of changes in equity of the ANPI Group for the Relevant Periods and for the six months ended 30 June 2009, which have been prepared on the basis set out in Section B, are as follows.

		Attributable to equity holders of ANPI					
		Share capital	**Capital reserve**	**Accumulated profits**	**Total**	**Non-controlling interests**	**Total equity**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2007		25	64,060	22,746	86,831	103	86,934
Total comprehensive income for the year		–	–	4,529	4,529	199	4,728
Issue of share capital		–	58	–	58	–	58
Repurchase of share capital		–	(59)	59	–	–	–
As at 31 December 2007		25	64,059	27,334	91,418	302	91,720
Total comprehensive income for the year		–	–	11,529	11,529	177	11,706
Issue of share capital		–	2,075	–	2,075	–	2,075
Repurchase of share capital		–	(242)	241	(1)	–	(1)
Dividends	**7**	–	–	(3,640)	(3,640)	–	(3,640)
As at 31 December 2008		25	65,892	35,464	101,381	479	101,860
Total comprehensive income for the year		–	–	12,092	12,092	154	12,246
Repurchase of share capital		(5)	(8,495)	(10,588)	(19,088)	–	(19,088)
Dividends	**7**	–	–	(3,640)	(3,640)	(326)	(3,966)
As at 31 December 2009		20	57,397	33,328	90,745	307	91,052
Total comprehensive income for the period		–	–	13,816	13,816	77	13,893
Repurchase of share capital		–	(679)	679	–	–	–
Dividends	**7**	–	–	(3,017)	(3,017)	–	(3,017)
As at 30 June 2010		20	56,718	44,806	101,544	384	101,928
As at 1 January 2009		25	65,892	35,464	101,381	479	101,860
Total comprehensive income for the period		–	–	4,656	4,656	67	4,723
Repurchase of share capital		–	(651)	649	(2)	–	(2)
Dividends	**7**	–	–	(3,640)	(3,640)	(349)	(3,989)
As at 30 June 2009 (unaudited)		25	65,241	37,129	102,395	197	102,592

The capital reserve represents the excess of the net proceeds from the issue of shares of ANPI over its par value.

Consolidated Statements of Cash Flows

The consolidated statements of cash flows of the ANPI Group for the Relevant Periods and for the six months ended 30 June 2009, which have been prepared on the basis set out in Section B, are as follows.

		Year ended 31 December			Six months ended 30 June	
		2007	**2008**	**2009**	**2009**	**2010**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
OPERATING ACTIVITIES						
Cash generated from operations	*24*	15,900	49,949	26,774	48	31,639
Income taxes refunded / (paid)		1,677	(5,685)	4,231	3	(13,168)
Interest received		800	735	178	109	87
Interest paid		(535)	(102)	(2)	(39)	(2)
Interest on obligations under finance leases		(279)	(734)	(1,267)	(693)	(405)
Net cash generated from / (used in) operating activities		17,563	44,163	29,914	(572)	18,151
INVESTING ACTIVITIES						
Purchases of property, plant and equipment and intangible assets		(8,168)	(20,894)	(10,961)	(5,793)	(5,989)
Proceeds from disposals of property, plant and equipment		–	3,287	299	–	110
Proceeds from disposal of available-for-sale financial assets		20,254	–	–	–	–
Net cash generated from / (used in) investing activities		12,086	(17,607)	(10,662)	(5,793)	(5,879)
FINANCING ACTIVITIES						
Dividends paid		(3,644)	(3,640)	(3,966)	(3,989)	(3,017)
Repayment of obligations under finance leases		(6,517)	(6,148)	(6,911)	(3,431)	(2,999)
Issue of share capital		58	–	–	–	–
Repurchase of share capital		–	(1)	(19,088)	(2)	–
Net cash used in financing activities		(10,103)	(9,789)	(29,965)	(7,422)	(6,016)
Net increase / (decrease) in cash and cash equivalents		19,546	16,767	(10,713)	(13,787)	6,256
Cash and cash equivalents at beginning of year / period		12,529	32,075	48,842	48,842	38,129
Cash and cash equivalents at end of year / period		32,075	48,842	38,129	35,055	44,385
Analysis of the balances of cash and cash equivalents						
Pledged bank deposits		178	–	–	–	–
Cash and bank balances		31,897	48,842	38,129	35,055	44,385
		32,075	48,842	38,129	35,055	44,385

B. NOTES TO FINANCIAL INFORMATION

1. Corporate information

Associated Network Partners, Inc. ("ANPI"), an Illinois corporation in the United States ("US") is principally engaged in the provision of wholesale communications services nationwide in the US. Details of the subsidiary of ANPI are disclosed in note 28 to the Financial Information.

The Financial Information of ANPI and its subsidiary (the "ANPI Group") is presented in Hong Kong dollars ("HK$"), whereas the functional currency of the ANPI Group is United States dollars ("US$").

2. Principal accounting policies

Statement of compliance

The Financial Information has been prepared in accordance with 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 applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Application of HKFRS

Throughout the Relevant Periods, the ANPI Group has applied all of the new and revised HKFRS issued by the HKICPA that are relevant to its operations and effective for the Relevant Periods.

At the date of this report, the ANPI Group has not early adopted a number of new and revised HKFRS issued by the HKICPA that are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 9	Financial Instruments[5]
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
[2] Effective for annual periods beginning on or after 1 February 2010
[3] Effective for annual periods beginning on or after 1 July 2010
[4] Effective for annual periods beginning on or after 1 January 2011
[5] Effective for annual periods beginning on or after 1 January 2013

The ANPI Group is in the process of assessing the possible impact on the adoption of these new and revised HKFRS in future. So far it has concluded that the adoption is unlikely to have a material impact on the ANPI Group's results or financial position in future.

A summary of the principal accounting policies adopted by the ANPI Group is set out below.

Basis of measurement

The measurement basis used in the preparation of the Financial Information is historical cost.

Basis of consolidation

The consolidated financial statements comprise the financial statements of ANPI and its subsidiary. The financial statements of the subsidiary are prepared for the same reporting period as ANPI using consistent accounting policies.

All inter-company balances, transactions, income and expenses and profits and losses resulting from inter-company transactions are eliminated in full. The results of subsidiary are consolidated from the date on which the ANPI Group obtains control and continue to be consolidated until the date that such control ceased.

Non-controlling interests are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from owners of the parent. The non-controlling interests in the acquiree are measured initially either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in ownership interest

Changes in the ANPI Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

When the ANPI Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary is recognised on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary is accounted for as a financial asset, associate, jointly controlled entity or others as appropriate from the date when control is lost.

Subsidiary

A subsidiary is an entity (including special purpose entities) in which the ANPI Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

Goodwill

Goodwill arising on an acquisition of a subsidiary is measured at the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of any previously held equity interest in the acquiree over the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired subsidiary. Goodwill arising on an acquisition of an associate is measured as the excess of the cost of investment over the ANPI Group's share of the net fair value of the identifiable assets and liabilities of the acquired associate.

Goodwill on acquisition of subsidiary is recognised as a separate asset. Goodwill on acquisitions of associates is included in interests in associates. Goodwill is carried at cost less accumulated impairment losses, which is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment test and determination of gain or loss on disposal, goodwill is allocated to cash-generating units. An impairment loss on goodwill is not reversed.

Any excess of the acquisition date amounts of identifiable assets acquired and the liabilities assumed of the acquired subsidiary over the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, if any, after reassessment, is recognised immediately in profit or loss as a bargain purchase. In respect of an associate, any excess of the ANPI Group's share of its net fair value of identifiable assets and liabilities over the cost of investment is recognised immediately as income.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost, net of accumulated impairment losses, of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold improvements	Over the remaining lease terms
Equipment	20% – 33%
Office equipment, furniture and fittings	10% – 33%

Assets held under finance leases are depreciated over the shorter of their expected useful lives or the terms of the leases.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on the straight-line basis over the estimated useful lives which is 3 years in the case of the existing intangible assets. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Research and development costs

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the ANPI Group has sufficient resources to complete the development. The capitalised expenditure includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised as expenses in profit or loss as incurred. When the asset is available for use, the capitalised development costs are amortised and subject to impairment review on the same basis as intangible assets acquired separately.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is expensed in profit or loss when incurred.

Associates

An associate is an entity in which the ANPI Group has significant influence and which is neither a subsidiary nor a joint venture.

The ANPI Group's investment in associate is accounted for under the equity method of accounting. The consolidated statement of comprehensive income includes the ANPI Group's share of the post-acquisition results of the associate for the period. The consolidated statement of financial position includes the ANPI Group's share of the net assets of the associate and also goodwill. The ANPI Group discontinues recognising its share of further losses when the ANPI Group's share of losses of the associate equals or exceeds the carrying amount of its interest in the associate, which includes any long-term interests that, in substance, form part of the ANPI Group's net investment in the associate.

Financial instruments

Financial assets and financial liabilities are recognised when the ANPI Group becomes a party to the contractual provisions of the instruments and on a trade date basis. Financial assets and financial liabilities are measured as set out below.

Derivative financial instruments

The ANPI Group enters into derivative financial instruments to manage its exposure to interest rate by interest rate swaps. Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gains or losses are recognised in profit or loss immediately unless the derivatives are designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than twelve months and it is not expected to be realised or settled within twelve months. Other derivatives are presented as current assets or current liabilities.

Loans and receivables

Loans and receivables including trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less any impairment loss. Amortised cost is calculated by taking into account any discounts or premiums on acquisition, over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

Impairment of financial assets

At the end of each reporting period, the ANPI Group assesses whether there is objective evidence that financial assets are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities

The ANPI Group's financial liabilities include trade and other payables and obligations under finance leases. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Derecognition of financial assets and liabilities

A financial asset is derecognised when the ANPI Group's contractual rights to future cash flows from the financial asset expire or when the ANPI Group transfers substantially all the risks and rewards of ownership of the financial assets. A financial liability is derecognised when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

Impairment of non-financial assets

At the end of each reporting period, the ANPI Group reviews the carrying amounts of its property, plant and equipment to determine whether there are any indications that such assets have suffered impairment losses or that impairment losses previously recognised no longer exist or may be reduced. If the recoverable amount of an asset is estimated to be less than its carrying amount, the latter is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of impairment loss is recognised as income immediately.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the ANPI Group and when the revenue can be measured reliably.

Income in respect of telecommunication services provided to customers is recognised when the services are rendered.

Income from sales of equipment is recognised on transfer of risks and rewards of ownership, which generally coincides with the time when the equipments are delivered to customers and the titles are passed.

Interest income is accrued on a time proportion basis on the principal outstanding and at the effective interest rate applicable.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the ANPI Group at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to profit or loss over the terms of the relevant leases so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

Rentals payable under operating leases are recognised as an expense on the straight-line basis over the terms of the relevant leases.

Lease incentives are recognised in profit or loss as an integral part of the net consideration agreed for the use of the leased asset.

Share capital

Ordinary shares are classified as equity. Preference shares are classified as liabilities if they are redeemable at a specific date or at the shareholders' option; or if dividend payments are not discretionary. Preference shares that are not redeemable, or are redeemable only at ANPI's option; and any dividend payments are discretionary, are classified as equity.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Foreign currency translation

For the purposes of presenting the Financial Information, the assets and liabilities of the ANPI Group are translated into the presentation currency of the ANPI Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period.

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, any deferred tax arising from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss, is not recognised.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Employee benefits

Short-term employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

401(k) plan

The ANPI Group provides a 401(k) retirement savings plan for eligible employees. Each employee reaching the age of 21 and having completed at least 1,000 hours of service in a twelve-month period automatically becomes a participant in the plan. For participating employees, the ANPI Group contributes an amount equal to 3% of each employee’s compensation for the plan period to their participation account and makes matching contributions equal to 100% of the first 5% of each participant’s deferred compensation for the plan period.

Share based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at the grant date, taking into account the terms and conditions upon which the options were granted. Where employees have to meet vesting conditions before becoming unconditionally entitled to share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior periods is charged / credited to profit or loss for the period of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the equity. On the vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest with a corresponding adjustment to the equity account.

Related parties

A party is related to the ANPI Group if (a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by or is under common control with the ANPI Group; or has an interest in the ANPI Group that gives it significant influence over the ANPI Group; or has joint control over the ANPI Group; (b) the party is an associate of the ANPI Group; (c) the party is a joint venture in which the ANPI Group is an investor; (d) the party is a member of the key management personnel of the ANPI Group; (e) the party is a close member of the family of any individual referred to in (a) or (d); (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or (g) the party is a post-employment benefit plan for the benefit of employees of the ANPI Group or of any entity that is a related party of the ANPI Group.

Critical accounting estimates and judgements

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the ANPI Group is based on the evaluation of collectability and ageing analysis of the trade receivables and on management judgements. A considerable amount of judgement is required in assessing the ultimate realisation of receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

Recognition of deferred tax assets

Deferred tax assets are recognised principally for unused tax losses carried forward to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgment regarding the future performance of the particular legal entity in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at the end of each reporting period and, to the extent that there is sufficient evidence that taxable profits will be available within the utilisation periods to allow utilisation of the carry-forward tax losses, the asset balance will be increased and such increase will be charged to profit or loss.

Impairment of goodwill

The ANPI Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the ANPI Group to make an estimate of the expected cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Details of the estimates used to calculate the recoverable amount are given in note 12.

3. Turnover

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Telecommunication services income	541,975	646,612	668,566	326,062	317,718
Sales of equipment	8,031	7,927	5,116	2,808	862
Other	1,234	3,034	1,059	591	467
	551,240	657,573	674,741	329,461	319,047

4. Other revenue and income

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest income	800	735	178	109	87
Patronage dividend	119	416	758	758	944
Other	–	250	102	–	62
	919	1,401	1,038	867	1,093

5. Profit before taxation

Profit before taxation is stated after charging the following:

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
(a) Finance costs					
Finance charges on obligations under finance leases	279	734	1,267	693	405
Other interest	535	102	2	39	2
	814	836	1,269	732	407
(b) Other items					
Employee salaries and other benefits	37,349	44,597	47,251	22,411	27,349
Retirement benefit scheme contributions	1,102	815	1,286	587	641
Total staff costs	38,451	45,412	48,537	22,998	27,990
Directors' emoluments	–	–	682	300	619
Auditor's remuneration	306	516	239	132	177
Cost of services provided	482,723	560,160	562,974	280,454	245,722
Depreciation and amortisation	12,375	17,595	19,815	9,991	9,102
Allowance for doubtful debts	333	168	1,871	–	234
Operating lease charges on premises	2,205	2,248	2,262	1,125	1,137
Loss on disposal of an associate	–	62	7	–	–
Loss on disposal of property, plant and equipment	577	301	1,688	380	28
Loss on disposal of intangible assets	–	399	589	–	–

6. Taxation credit / (charges)

Provision for taxation represents income tax credit / (charges), calculated at the tax rates prevailing in the US of 38%, comprising 34% Federal Tax and 4% State Tax, during the Relevant Periods.

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Current tax	1,540	(390)	(4,886)	(2,313)	(10,832)
Deferred tax					
Depreciation allowances	(3,745)	(5,452)	(759)	(171)	1,229
Tax losses	2,840	(1,974)	27	(1,047)	(183)
Patronage dividend	226	569	(1,889)	673	1,075
Others	(578)	(148)	518	2	566
	(1,257)	(7,005)	(2,103)	(543)	2,687
	283	(7,395)	(6,989)	(2,856)	(8,145)

Further details of the deferred taxation status are set out in note 18.

Reconciliation of effective tax rate

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	%	%	%	% (unaudited)	%
Applicable tax rate	38	38	38	38	38
Non-deductible expenses	12	2	–	2	1
Recognition of previously unrecognised tax losses	(58)	–	–	–	–
Others	2	(1)	(2)	(2)	(2)
Effective tax rate for the year / period	(6)	39	36	38	37

7. Dividends

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Dividends declared to:					
Series A preferred stockholders	–	3,640	3,640	3,640	3,017
Non-controlling interests	–	–	326	349	–
	–	3,640	3,966	3,989	3,017

Dividends on Series A preferred stock are paid annually at a rate of 8% per annum of the preferred stock issuance price and shall be cumulative, so that if, at any time, full dividends on Series A preferred stock shall not have been declared and paid, or declared and a sum sufficient for payment thereof set apart, then the amount of the deficiency in such dividends shall be fully paid but without interest before any dividend shall be declared or paid upon any other class or series of stock of the ANPI Group.

8. Earnings per share

Earnings per share has not been presented as such information is not considered meaningful for the purpose of this report.

9. Property, plant and equipment

	Leasehold improvements	Equipment	Office equipment, furniture and fittings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2007	1,006	25,283	1,046	27,335
Additions	318	4,533	505	5,356
Disposals	–	(577)	–	(577)
Depreciation	(49)	(5,278)	(241)	(5,568)
As at 31 December 2007	1,275	23,961	1,310	26,546
As at 1 January 2008	1,275	23,961	1,310	26,546
Additions	145	27,430	84	27,659
Disposals	–	(8,064)	–	(8,064)
Write-back of accumulated depreciation on disposals	–	4,476	–	4,476
Depreciation	(58)	(7,842)	(299)	(8,199)
As at 31 December 2008	1,362	39,961	1,095	42,418
As at 1 January 2009	1,362	39,961	1,095	42,418
Additions	–	9,505	–	9,505
Disposals	–	(3,582)	–	(3,582)
Write-back of accumulated depreciation on disposals	–	1,595	–	1,595
Depreciation	(62)	(11,045)	(291)	(11,398)
As at 31 December 2009	1,300	36,434	804	38,538
As at 1 January 2010	1,300	36,434	804	38,538
Additions	–	5,429	–	5,429
Disposals	–	(1,348)	–	(1,348)
Write-back of accumulated depreciation on disposals	–	1,210	–	1,210
Depreciation	(62)	(5,710)	(291)	(6,063)
As at 30 June 2010	1,238	36,015	513	37,766

	Leasehold improvements	Equipment	Office equipment, furniture and fittings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Representing:				
Cost	1,420	34,531	2,246	38,197
Accumulated depreciation	(145)	(10,570)	(936)	(11,651)
As at 31 December 2007	1,275	23,961	1,310	26,546
Cost	1,565	53,897	2,330	57,792
Accumulated depreciation	(203)	(13,936)	(1,235)	(15,374)
As at 31 December 2008	1,362	39,961	1,095	42,418
Cost	1,565	59,820	2,330	63,715
Accumulated depreciation	(265)	(23,386)	(1,526)	(25,177)
As at 31 December 2009	1,300	36,434	804	38,538
Cost	1,565	63,901	2,330	67,796
Accumulated depreciation	(327)	(27,886)	(1,817)	(30,030)
As at 30 June 2010	1,238	36,015	513	37,766

The carrying amounts of the property, plant and equipment as at 31 December 2007, 2008 and 2009 and 30 June 2010 include amounts of HK$4,136,000, HK$20,235,000, HK$14,682,000 and HK$11,566,000 respectively in respect of assets held under finance leases.

10. Intangible assets

	Computer software *HK$'000*	**Development cost** *HK$'000*	**Total** *HK$'000*
As at 1 January 2007	10,064	4,749	14,813
Additions	–	9,884	9,884
Amortisation	(6,807)	–	(6,807)
Transfer	10,173	(10,173)	–
As at 31 December 2007	13,430	4,460	17,890
As at 1 January 2008	13,430	4,460	17,890
Additions	–	8,816	8,816
Amortisation	(9,396)	–	(9,396)
Disposals	(399)	–	(399)
Transfer	11,183	(11,183)	–
As at 31 December 2008	14,818	2,093	16,911
As at 1 January 2009	14,818	2,093	16,911
Additions	–	1,456	1,456
Amortisation	(8,417)	–	(8,417)
Disposals	(589)	–	(589)
Transfer	2,579	(2,579)	–
As at 31 December 2009	8,391	970	9,361
As at 1 January 2010	8,391	970	9,361
Additions	–	560	560
Amortisation	(3,039)	–	(3,039)
Transfer	1,530	(1,530)	–
As at 30 June 2010	6,882	–	6,882
Representing			
Costs	31,451	4,460	35,911
Accumulated amortisation	(18,021)	–	(18,021)
As at 31 December 2007	13,430	4,460	17,890
Costs	41,083	2,093	43,176
Accumulated amortisation	(26,265)	–	(26,265)
As at 31 December 2008	14,818	2,093	16,911
Costs	33,775	970	34,745
Accumulated amortisation	(25,384)	–	(25,384)
As at 31 December 2009	8,391	970	9,361
Costs	35,305	–	35,305
Accumulated amortisation	(28,423)	–	(28,423)
As at 30 June 2010	6,882	–	6,882

11. Interests in associates

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of net assets	2,066	1,527	930	843
Loan to an associate - non-current portion	–	771	698	659
	2,066	2,298	1,628	1,502

As at 31 December 2007, 2008 and 2009 and 30 June 2010, the ANPI Group had interests in the following associates:

Name of associate	Place of incorporation / operation	Particulars of issued share capital	Effective ownership interest held by ANPI directly				Principal activities
			As at 31 December			As at 30 June	
			2007	**2008**	**2009**	**2010**	
Common Point, LLC	US	US$530,089	25%	25%	25%	25%	Provision of various tandem switching access services to interexchange carriers to deliver interexchange calls to customers
Whirlwind, LLC	US	US$1,000	25%	–	–	–	Inactive

The loan to an associate as at the end of each of the Relevant Periods are unsecured, interest-bearing at 6% per annum and are repayable in various monthly instalments up to 1 April 2018.

Summary of financial information of the ANPI Group's associates accounted for using the equity method is set out below:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note)	*(Note)*		
Total assets	4,015	5,008	3,545	2,792
Total liabilities	(3,358)	(3,813)	(4,710)	(4,303)
Net assets / (liabilities)	657	1,195	(1,165)	(1,511)
ANPI Group's share of net assets of associates *(Note)*	2,066	1,527	930	843
Share of associates' revenue and loss for the year / period				
Revenue	–	689	875	627
Loss *(Note)*	–	(477)	(590)	(87)

Note: In 2006, the ANPI Group has entered into a reorganisation agreement of Common Point, LLC with other owners of Common Point, LLC and agreed that the ANPI Group was not entitled to the share of the results of Common Point, LLC between 1 October 2006 to 31 March 2008.

12. Goodwill

Goodwill represents the excess of the cost of an acquisition over ANPI's share of fair value of the identifiable assets and liabilities of a subsidiary.

Estimates used to measure recoverable amount of the goodwill

The recoverable amount of the goodwill has been determined by a value-in-use calculation. Cash flow projections are based on financial budget for the period ending 31 December 2019. Key assumptions used for the value-in-use calculations are as follows:

	%
Margin of operating income before depreciation and amortisation	20
Growth rate	Nil
Discount rate	28 – 45

The management determined the budgeted margin of operating income before depreciation and amortisation based on past performance and its expectation of market development.

The management is of the opinion that the financial performance of the subsidiary for the year 2009 onwards will be stable and consistent with that in 2009, therefore, 0% is used as the growth rate in the calculation.

The discount rates used are pre-tax and reflect specific risks relating to the subsidiary and are based on the weighted average cost of capital.

The management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the aggregate carrying amount of the goodwill to exceed its aggregate recoverable amount.

13. Trade and other receivables

		As at 31 December			As at 30 June
		2007	**2008**	**2009**	**2010**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables					
– third parties		30,106	37,011	45,038	44,351
– shareholders		27,594	27,929	23,545	19,756
		57,700	64,940	68,583	64,107
Allowance for doubtful debts		(255)	(182)	(1,709)	(1,884)
		57,445	64,758	66,874	62,223
Other receivables					
Deposits, prepayments and other debtors		2,829	3,490	3,855	3,363
Due from an associate	*13(a)*	3,317	827	1,573	1,318
Loan to an associate – current portion	*11*	–	47	74	76
		6,146	4,364	5,502	4,757
		63,591	69,122	72,376	66,980

The trade receivables from shareholders are unsecured, interest-free and with credit period from 10 to 30 days. At the end of each of the Relevant Periods, no provision had been made on trade receivables from shareholders.

The ANPI Group's credit terms on sales to third parties mainly range from 10 to 30 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			As at 30 June
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Less than 1 month	57,234	62,888	65,633	61,901
1 to 3 months	191	1,849	1,241	322
More than 3 months but less than 12 months	20	21	–	–
	57,445	64,758	66,874	62,223

The ANPI Group's credit policy is set out in note 21.

The movements in allowance for doubtful debts are as follows:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of the reporting period	823	255	182	1,709
Increase in allowance	333	168	1,871	234
Amounts written off as uncollectible	(901)	(241)	(344)	(59)
At end of the reporting period	255	182	1,709	1,884

The ageing analysis of trade debtors by past due date which are neither individually nor collectively considered to be impaired are as follows:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
1 to 3 months past due	180	2,292	1,182	258
More than 3 months but less than 12 months past due	18	–	–	–
Amounts past due	198	2,292	1,182	258
Neither past due nor impaired	57,247	62,466	65,692	61,965
	57,445	64,758	66,874	62,223

The ANPI Group has not provided for any impairment losses on the above trade debtors as there has not been a significant change in credit quality and the directors believe that the amounts are recoverable. The ANPI Group does not hold any collateral over the balances.

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there have been no histories of defaults.

13(a). Due from an associate

The amounts due from an associate as at the end of each of the Relevant Periods are unsecured, interest-free and have no fixed term of repayment.

14. Pledged bank deposits

The deposits were pledged to banks to secure general banking facilities granted to the ANPI Group.

15. Trade and other payables

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables				
– third parties	37,844	43,143	46,961	42,784
– shareholders	3,790	12,786	540	723
	41,634	55,929	47,501	43,507
Other payables				
Accrued charges and other creditors	3,926	3,621	5,734	8,385
Customers' prepayments – third parties	8,580	10,251	8,507	6,704
Customers' prepayments – shareholders	18,506	18,985	13,984	11,759
	31,012	32,857	28,225	26,848
	72,646	88,786	75,726	70,355

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

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Less than 1 month	34,901	45,771	43,668	43,417
1 to 3 months	6,732	7,224	2,090	56
More than 3 months but less than 12 months	1	2,934	1,743	34
	41,634	55,929	47,501	43,507

The trade payables to shareholders are unsecured, interest-free and with credit period from 15 to 30 days.

16. Obligations under finance leases

The obligations under finance leases are repayable as follows:

	Minimum lease payments				Present value of minimum lease payments			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Finance leases due:								
Within one year	5,907	8,125	6,271	5,289	5,405	6,911	5,569	4,795
After one year but within two years	2,649	6,271	4,763	3,846	2,460	5,569	4,451	3,710
After two years but within five years	1,151	6,271	1,509	–	1,117	5,935	1,484	–
	9,707	20,667	12,543	9,135	8,982	18,415	11,504	8,505
Future finance charges	(725)	(2,252)	(1,039)	(630)	–	–	–	–
Present value of lease obligations	8,982	18,415	11,504	8,505	8,982	18,415	11,504	8,505

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Reported as:				
Current liabilities	5,405	6,911	5,569	4,795
Non-current liabilities	3,577	11,504	5,935	3,710
	8,982	18,415	11,504	8,505

As at 31 December 2007, HK$3,129,000 of current portion of obligations under finance leases was payable to shareholders of ANPI.

17. Due to shareholders

The amounts due to shareholders as at the end of each of the Relevant Periods are unsecured, interest-free and with no specific repayment term. Such amounts due are in the nature of quasi-equity loans to ANPI. In the opinion of the directors, no part of the amounts will be repayable within twelve months from the end of each of the Relevant Periods. The carrying values of the amount due approximate their fair value.

18. Deferred tax assets

The movements in the ANPI Group's recognised deferred tax assets and liabilities were as follows:

	Depreciation allowances	Tax losses	Patronage dividend	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2007	1,636	1,349	17,117	972	21,074
Credit / (Charge) to profit or loss	(3,745)	2,840	226	(578)	(1,257)
As at 31 December 2007	(2,109)	4,189	17,343	394	19,817
Credit / (Charge) to profit or loss	(5,452)	(1,974)	569	(148)	(7,005)
As at 31 December 2008	(7,561)	2,215	17,912	246	12,812
Credit / (Charge) to profit or loss	(759)	27	(1,889)	518	(2,103)
As at 31 December 2009	(8,320)	2,242	16,023	764	10,709
Credit / (Charge) to profit or loss	1,229	(183)	1,075	566	2,687
As at 30 June 2010	(7,091)	2,059	17,098	1,330	13,396

19. Share capital

	No. of shares	US$'000	HK$'000
Class A ordinary shares of US$0.001 each			
Authorised:			
As at 1 January 2007, 31 December 2007, 2008 and 2009 and 30 June 2010	20,000,000	20	156
Issued and fully paid:			
As at 1 January 2007	1,225,379	1	10
Shares issued	1,748	–	–
Shares repurchased	(6,148)	–	–
As at 31 December 2007	1,220,979	1	10
Shares repurchased	(17,896)	–	–
As at 31 December 2008	1,203,083	1	10
Shares repurchased	(31,276)	–	–
As at 31 December 2009	1,171,807	1	10
Shares repurchased	(62,680)	–	–
As at 30 June 2010	1,109,127	1	10
Class B ordinary shares of US$0.001 each			
Authorised:			
As at 1 January 2007, 31 December 2007, 2008 and 2009 and 30 June 2010	1,000,000	1	8
Issued and fully paid:			
As at 1 January 2007 and 31 December 2007	–	–	–
Shares issued	64,041	–	–
As at 31 December 2008 and 2009 and 30 June 2010	64,041	–	–

	No. of shares	US$'000	HK$'000
Series A preference shares of US$0.001 each			
Authorised:			
As at 1 January 2007, 31 December 2007, 2008 and 2009 and 30 June 2010	2,000,000	2	16
Issued and fully paid:			
As at 1 January 2007 and 31 December 2007 and 2008	1,916,999	2	15
Shares repurchased	(626,209)	(1)	(5)
As at 31 December 2009 and 30 June 2010	1,290,790	1	10

During the years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2010, ANPI repurchased a total of 6,148 Class A ordinary shares, 17,896 Class A ordinary shares, 31,276 Class A ordinary shares and 626,209 Series A preference shares and 62,680 Class A ordinary shares, respectively, of US$0.001 each of ANPI at an aggregate consideration of HK$1,000, HK$1,000, HK$19,088,000 and HK$1,000, respectively, all of these shares were subsequently cancelled and accordingly the issued share capital of ANPI was reduced by the nominal value of these shares.

The Series A preference shares are convertible into ordinary shares. On liquidation of ANPI, the preference shareholders would be entitled to receive an amount equal to the greater of the issue price of the relative preference shares plus any declared but unpaid dividends, or the amount the preference shareholders would be entitled to receive if the Series A preference shares were converted into ordinary shares.

The holders of Series A preference shares and Class A ordinary shares are entitled to one vote per share at meetings of ANPI, while the holders of Class B ordinary shares do not have the right to vote.

20. Restricted stock plan

(a) ANPI

Pursuant to the restricted stock plan of ANPI, known as the "Associated Network Partners, Inc. Restricted Stock Plan" (the "ANPI Restricted Stock Plan") adopted on 30 October 2008, the directors of ANPI may at their discretion grant shares to key employees under the terms and conditions stipulated therein. 64,041 fully-vested Class B ordinary shares have been granted by ANPI under the ANPI Restricted Stock Plan for the year ended 31 December 2008 of which HK$2,075,000 was credited to the capital reserve account.

(b) Subsidiary

Pursuant to the share option scheme of NewStreets, known as the "NewStreets, Inc. Stock Option Plan" (the "NewStreets Stock Option Plan") adopted in 2001, the directors of NewStreets may at their discretion grant share options to key employees under the terms and conditions stipulated therein. No share options have been granted by NewStreets under the NewStreets Stock Option Plan during the Relevant Periods.

Summary of principal terms

A summary of the principal terms of the ANPI Restricted Stock Plan and NewStreets Stock Option Plan is as follows:

(i) Purpose

The schemes are designed to enable the directors to grant shares or share options to eligible participants as (i) incentives and / or rewards in recognition or acknowledgement of the contributions that eligible participants have made and will make to the ANPI Group and (ii) motivation to worthy employees for high levels of performance in order to enhance long-term shareholder value.

(ii) Maximum number of shares / options

The total number of shares / options in respect of which shares or options may be granted (together with share options exercised and then outstanding) under the ANPI Restricted Stock Plan and NewStreets Stock Option Plan are 1,000,000 Class B shares and 400,000 options, respectively. Shares awarded under the ANPI Restricted Stock Plan are non-transferrable and are subject to repurchase at fair market value by ANPI upon the employee's separation from ANPI.

(iii) Exercise period

A share option may be exercised in accordance with the terms of the NewStreets Stock Option Plan at any time during a period to be determined and notified by the directors to each grantee, subject to a maximum period of 10 years from the date of grant.

A share option shall be deemed to have been granted and accepted and to have taken effect when the duplicate letter comprising acceptance of the offer of the grant of a share option duly signed by the grantee.

(iv) Remaining life of the scheme

Details of the share options granted and remaining outstanding at the end of each of the Relevant Periods were as follows:

			Number of share options				
Date of grant	**Exercisable period**	**Exercise price**	**As at 1 January 2007**	**Lapsed during 2007**	**As at 31 December 2007 and 2008**	**Lapsed during 2009**	**As at 31 December 2009 and 30 June 2010**
		US$					
5-12-2001	5-12-2001 – 4-12-2011	0.40	157,500	(37,500)	120,000	–	120,000
5-12-2001	5-12-2001 – 4-12-2011	3.25	2,000	–	2,000	–	2,000
5-12-2001	5-12-2001 – 4-12-2011	5.00	14,500	(7,500)	7,000	(2,500)	4,500
Total			174,000	(45,000)	129,000	(2,500)	126,500

21. Financial risk management objectives and policies

The ANPI Group's principal financial instruments comprise finance leases, cash and short-term deposits. The main purpose of these financial instruments is to raise or maintain financial resources for the ANPI Group's operations. The ANPI Group has various other financial instruments such as trade receivables and trade payables which arise directly from its business activities.

Exposures to credit, interest rate and liquidity risks arise in the normal course of the ANPI Group's business. The management of the ANPI Group monitors and manages these exposures to ensure appropriate measures are implemented on a timely and effective manner. The key policies on monitoring and controlling these risks are set out below.

Credit risk

The ANPI Group's credit risks are primarily attributable to trade and other receivables. The management of the ANPI Group has a credit limit policy in place and exposures to credit risks are monitored on an ongoing basis. In order to minimise credit risk, the management of the ANPI Group has established credit limits, credit approvals and other monitoring procedures to ensure appropriate actions are taken to recover overdue debts.

Interest rate risk

The ANPI Group's exposure to market risk for changes in interest rates relates primarily to the ANPI Group's obligations under finance leases which bear interest at variable rates. To manage this risk in a cost efficient manner, the ANPI Group enters into interest rate swaps, in which the ANPI Group agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge the underlying obligations under finance leases. The ANPI Group has not recognised a value for these swaps as at the end of each of the Relevant Periods as their fair values as assessed by the directors are insignificant. As at 31 December 2007, 2008 and 2009 and 30 June 2010, after taking into account the effect of interest rate swaps, approximately Nil, 81%, 90% and 98%, respectively, of the ANPI Group's obligations under finance leases are at a fixed rate of interest.

Liquidity risk

Individual operating units within the ANPI Group are responsible for their own cash management. To minimise liquidity risks, the management of the ANPI Group regularly reviews the current and expected liquidity requirements of operating units to ensure they maintain sufficient reserves of cash to meet their liquidity requirements in the short and longer terms.

The maturity profile of the ANPI Group's financial liabilities at the end of each of the Relevant Periods based on contractual undiscounted payments are summarised below.

	On demand *HK$'000*	Less than 3 months *HK$'000*	3 to 12 months *HK$'000*	After 1 year but within 5 years *HK$'000*	Total *HK$'000*
As at 31 December 2007					
Trade and other payables	37,745	34,901	–	–	72,646
Obligations under finance leases	–	1,551	4,356	3,800	9,707
Due to shareholders	–	–	–	1,169	1,169
	37,745	36,452	4,356	4,969	83,522
As at 31 December 2008					
Trade and other payables	43,015	45,771	–	–	88,786
Obligations under finance leases	–	2,064	6,061	12,542	20,667
Due to shareholders	–	–	–	1,169	1,169
	43,015	47,835	6,061	13,711	110,622
As at 31 December 2009					
Trade and other payables	32,057	43,669	–	–	75,726
Obligations under finance leases	–	1,716	4,555	6,272	12,543
Due to shareholders	–	–	–	1,169	1,169
	32,057	45,385	4,555	7,441	89,438
As at 30 June 2010					
Trade and other payables	27,058	43,297	–	–	70,355
Obligations under finance leases	–	1,613	3,676	3,846	9,135
Due to shareholders	–	–	–	1,169	1,169
	27,058	44,910	3,676	5,015	80,659

Fair value

The carrying values of all financial instruments approximate their fair values as at the end of the Relevant Periods.

22. Capital management

The objectives of the ANPI Group's capital management are to safeguard its ability to continue as a going concern and to provide returns for shareholders. The ANPI Group manages its capital structure to maintain a balance between liquidity, investment and borrowings, and makes adjustments, including payment of dividends to shareholders or issues new shares in the light of changes in the economic environment. No changes were made in the ANPI Group's objectives, policies or processes in managing capital during the Relevant Periods.

The ANPI Group monitors capital on the basis of its debt-to-equity ratio, which is net debt divided by total equity at the end of each of the Relevant Periods, as follows:

	As at 31 December			**As at 30 June**
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	(72,646)	(88,786)	(75,726)	(70,355)
Interest-bearing borrowings	(8,982)	(18,415)	(11,504)	(8,505)
Taxation payable	–	–	(4,003)	(1,622)
Less: Cash and bank balances	31,897	48,842	38,129	44,385
Net debt	(49,731)	(58,359)	(53,104)	(36,097)
Total equity	91,720	101,860	91,052	101,928
Net debt-to-equity ratio	0.54	0.57	0.58	0.35

23. Commitments

Commitments under operating leases

At the end of each of the Relevant Periods, the total future minimum lease payments in respect of land and buildings under non-cancellable operating leases are payable as follows:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	2,237	2,260	2,279	2,297
In the second to fifth years inclusive	9,182	7,703	5,802	4,650
Over five years	781	–	–	–
	12,200	9,963	8,081	6,947

Operating lease payments represent rentals payable for certain of its office premises. As at 31 December 2007, 2008 and 2009 and 30 June 2010, the lease term is 6 years, 5 years, 4 years and 3 years, respectively.

24. Cash generated from operations

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Profit before taxation	4,445	19,101	19,235	7,579	22,038
Interest income	(800)	(735)	(178)	(109)	(87)
Interest expenses	535	102	2	39	2
Interest on obligations under finance leases	279	734	1,267	693	405
Depreciation and amortisation	12,375	17,595	19,815	9,991	9,102
Loss on disposal of associates	–	62	7	–	–
Loss on disposal of property, plant and equipment	577	301	1,688	380	28
Loss on disposal of intangible assets	–	399	589	–	–
Allowance for doubtful debts	333	168	1,871	–	234
Share of results of associates	–	477	590	412	87
Share-based payment	–	2,075	–	–	–
Changes in working capital:					
Trade and other receivables	3,241	(5,699)	(5,125)	(3,757)	5,162
Trade and other payables	(5,085)	16,140	(13,060)	(15,216)	(5,371)
Due from an associate	–	(771)	73	36	39
Cash generated from operations	15,900	49,949	26,774	48	31,639

25. Major non-cash transaction

During the years ended 31 December 2007 and 2008, the ANPI Group entered into finance lease arrangements in respect of the acquisition of property, plant and equipment with a total capital value at the inception of the lease of HK$7,072,000 and HK$15,581,000 respectively.

26. Related party transactions

In addition to the transactions / information disclosed elsewhere in the Financial Information, during the Relevant Periods, the ANPI Group had the following transactions with related parties:

(a) Transactions

During the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, the ANPI Group received service income of HK$320,652,000, HK$279,807,000, HK$280,174,000, HK$139,539,000 (unaudited) and HK$114,412,000, respectively, from shareholders of ANPI.

During the year ended 31 December 2008, the ANPI Group sold property, plant and equipment with carrying amount of HK$2,921,000 to an associate for a consideration of HK$2,921,000.

(b) Remuneration to key management personnel

The remuneration of members of key management, other than directors as disclosed in note 5, during the Relevant Periods and the six months ended 30 June 2009 was as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Salaries and other short-term benefits	5,316	8,397	7,295	3,931	4,185
Retirement benefit scheme contributions	134	157	182	87	98
Share-based payment expenses	–	2,075	–	–	–
	5,450	10,629	7,477	4,018	4,283

27. Contingent liabilities

As at 31 December 2007, 2008 and 2009 and 30 June 2010, the ANPI Group had outstanding letters of credit to independent third parties to secure payables to certain suppliers and to meet regulatory requirements in the US. The maximum aggregate amounts that can be drawn under these letters of credit were HK$156,000, HK$4,168,000, HK$2,181,000 and HK$740,000 respectively and none were utilised at the end of each of the Relevant Periods.

28. Particulars of subsidiary

During the Relevant Periods, ANPI held 95.72% direct interest in NewStreets, Inc., a company incorporated in Delaware, the US and was principally engaged in providing wholesale communications services nationwide in the US. The nominal value of issued and paid up ordinary shares of NewStreets, Inc. as at 31 December 2007, 2008 and 2009 and 30 June 2010 were US$2,736, US$2,736, US$3,164 and US$3,164 respectively. The nominal value of issued and paid up preference shares of NewStreets, Inc. as at 31 December 2007 and 2008 were US$428 and US$428 respectively and as at 31 December 2009 and 30 June 2010 were Nil. On 1 April 2009, preference shares of US$428 was converted into ordinary shares.

29. Segmental information

In a manner consistent with the way in which information is reported to the ANPI Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the ANPI Group has only one operating segment of wholesale communications services. The ANPI Group's revenue from external customers and non-current assets are located in the US. Therefore, no operating segment or geographical segment information is presented.

C. AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared by the ANPI Group in respect of any period subsequent to 30 June 2010.

2. MANAGEMENT DISCUSSION AND ANALYSIS ON THE ANPI GROUP

(i) For the year ended 31 December 2007

Financial results

For the year ended 31 December 2007, the ANPI Group achieved a turnover of approximately HK$551.2 million, representing an increase of approximately HK$44.0 million as compared to 2006.

Operating costs for 2007 amounted to approximately HK$64.2 million compared to approximately HK$67.2 million for 2006.

The ANPI Group's gross profit increased by approximately 11.5% from approximately HK$61.4 million for 2006 to approximately HK$68.5 million for 2007.

The operating profit for 2007 increased by approximately 149.4% to approximately HK$5.3 million when compared to approximately HK$2.1 million for 2006.

The consolidated profit attributable to equity holders of ANPI for 2007 was up approximately HK$0.5 million to approximately HK$4.5 million as compared to approximately HK$4.1 million for 2006.

EBITDA for the ANPI Group increased by approximately 141.6% from approximately HK$7.3 million for 2006 to approximately HK$17.6 million for 2007.

Liquidity, financing and capital structure

The net assets of the ANPI Group amounted to approximately HK$91.7 million as at 31 December 2007 (2006: approximately HK$86.9 million).

With the positive operating cash flow, cash and bank balances (excluding pledged bank deposits) reached approximately HK$31.9 million as at 31 December 2007 (2006: approximately HK$10.0 million). The pledged bank deposits amounting to approximately HK$0.2 million as at 31 December 2007 (2006: approximately HK$2.5 million) to bank for security grant general banking facilities to the ANPI Group.

As at 31 December 2007, the ANPI Group's liabilities under equipment lease financing amounted to approximately HK$9.0 million (2006: approximately HK$8.4 million).

The ANPI Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets was approximately 11.1% (2006: approximately 11.0%).

Foreign exchange exposure

Since the ANPI Group's assets and liabilities, revenue and payments are denominated in United States dollars, there were no significant exposures to foreign exchange fluctuations.

Contingent liabilities and commitments

As at 31 December 2007, there were no material contingent liabilities or commitments.

Employee remuneration policies

As at 31 December 2007, the ANPI Group had 60 (2006: 66) employees. The ANPI Group's total staff costs amounted to approximately HK$38.5 million (2006: approximately HK$37.5 million).

The ANPI 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 ANPI Group operates. The ANPI 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 ANPI Group also offers other fringe benefits, including retirement plan contributions, medical benefits, and stock options to its employees. In addition, restricted shares in ANPI and share options to subscribe for shares in NewStreets may be granted to, among others, eligible employees of the ANPI Group under the terms and conditions stipulated in the restricted share and share option schemes adopted by ANPI and NewStreets respectively. As at 31 December 2007, there were 129,000 options outstanding under the share option scheme adopted by NewStreets.

(ii) For the year ended 31 December 2008

Financial Results

For the year ended 31 December 2008, the ANPI Group recorded a consolidated turnover of approximately HK$657.6 million representing an increase of approximately HK$106.3 million as compared to approximately HK$551.2 million for 2007.

Operating costs for 2008 amounted to approximately HK$78.4 million compared to approximately HK$64.1 million for 2007.

The ANPI Group's gross profit increased by approximately 42.2% from approximately HK$68.5 million for 2007 to approximately HK$97.4 million for 2008.

The operating profit for 2008 amounted to approximately HK$20.4 million, representing an increase of approximately HK$15.2 million when compared to approximately HK$5.3 million for 2007.

The ANPI Group recorded consolidated profit attributable to equity holders of ANPI of approximately HK$11.5 million for 2008, compared to a net profit of approximately HK$4.5 million for 2007.

EBITDA for the ANPI Group increased by approximately HK$19.9 million from approximately HK$17.6 million for 2007 to approximately HK$37.5 million for 2008.

Liquidity, financing and capital structure

During the year 2008, the ANPI Group continued to be in a healthy liquidity position. As at 31 December 2008, the net assets of the ANPI Group grew to approximately HK$101.9 million (2007: approximately HK$91.7 million).

Cash and bank balances (excluding pledged bank deposits) amounted to approximately HK$48.8 million as at 31 December 2008 (2007: approximately HK$31.9 million). As at 31 December 2008, the ANPI Group had no pledged bank deposits (2007: approximately HK$0.2 million).

As at 31 December 2008, the ANPI Group's liabilities under equipment lease financing amounted to approximately HK$18.4 million (2007: approximately HK$9.0 million) as a result of purchasing new network equipment during the year 2008.

The ANPI Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets was approximately 19.2% as at 31 December 2008 compared to approximately 11.1% at 31 December 2007.

Foreign exchange exposure

Since the ANPI Group's assets and liabilities, revenue and payments are denominated in United States dollars, there were no significant exposures to foreign exchange fluctuations.

Contingent liabilities and commitments

As at 31 December 2008, there were no material contingent liabilities or commitments.

Employee remuneration policies

As at 31 December 2008, the ANPI Group had 67 (2007: 60) employees. The ANPI Group's total staff costs amounted to approximately HK$45.4 million (2007: approximately HK$38.5 million).

The ANPI 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 ANPI Group operates. The ANPI 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 ANPI Group also offers other fringe benefits, including retirement plan contributions, medical benefits, and stock options to its employees. In addition, restricted shares in ANPI and share options to subscribe for shares in NewStreets may be granted to, among others, eligible employees of the ANPI Group under the terms and conditions stipulated in the restricted share and share option schemes adopted by ANPI and NewStreets respectively. As at 31 December 2008, there were 64,041 restricted shares and 129,000 options outstanding under the restricted share and share option schemes adopted by ANPI and NewStreets respectively.

(iii) For the year ended 31 December 2009

Financial results

For the year ended 31 December 2009, despite difficult market conditions, in particular during the first six months, the ANPI Group recorded a turnover of approximately HK$674.7 million representing an increase of approximately 2.6% as compared to approximately HK$657.6 million for 2008.

Total operating expenses for 2009 increased to approximately HK$91.7 million when compared to approximately HK$78.4 million for 2008.

The ANPI Group's profit from operations for 2009 rose by approximately HK$0.7 million to approximately HK$21.1 million when compared to approximately HK$20.4 million for 2008. In 2009, the ANPI Group recorded a consolidated profit attributable to shareholders of ANPI of approximately HK$12.1 million compared to approximately HK$11.5 million for 2008.

EBITDA for the ANPI Group increased from approximately HK$37.5 million for 2008 to approximately HK$40.3 million for 2009.

Liquidity, financing and capital structure

As at 31 December 2009, the net assets of the ANPI Group decreased to approximately HK$91.1 million when compared to approximately HK$101.9 million as at 31 December 2008.

Cash and bank balances decreased from approximately HK$48.8 million at 31 December 2008 to approximately HK$38.1 million as at 31 December 2009.

The ANPI Group's liabilities under equipment lease financing decreased by approximately 37.5% to approximately HK$11.5 million as at 31 December 2009 when compared to approximately HK$18.4 million as at 31 December 2008.

The ANPI Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets, improved from approximately 19.2% as at 31 December 2008 to approximately 13.9% as at 31 December 2009.

Foreign exchange exposure

Since the ANPI Group's assets and liabilities, revenue and payments are denominated in United States dollars, there were no significant exposures to foreign exchange fluctuations.

Contingent liabilities and commitments

As at 31 December 2009, there were no material contingent liabilities or commitments.

Employee remuneration policies

As at 31 December 2009, the ANPI Group had 60 (2008: 67) employees. The ANPI Group's total staff costs for 2009 increased by approximately 6.9% to approximately HK$48.5 million when compared to approximately HK$45.4 million for 2008.

The ANPI 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 ANPI Group operates. The ANPI 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 ANPI Group also offers other fringe benefits, including retirement plan contributions, medical benefits, and stock options to its employees. In addition, restricted shares in ANPI and share options to subscribe for shares in NewStreets may be granted to, among others, eligible employees of the ANPI Group under the terms and conditions stipulated in the restricted share and share option schemes adopted by ANPI and NewStreets respectively. As at 31 December 2009, there were 64,041 restricted shares and 126,500 options outstanding under the restricted share and share option schemes adopted by ANPI and NewStreets respectively.

(iv) For the six months ended 30 June 2010

Financial results

During the period under review, the ANPI's Group turnover decreased by approximately 3.2% from approximately HK$329.5 million to approximately HK$319.0 million.

The ANPI Group's operating expenses increased to approximately HK$51.9 million for the period under review compared to approximately HK$41.2 million for the corresponding period in the previous year.

The gross profit for the six months ended 30 June 2010 increased by approximately 49.6% to approximately HK$73.3 million, compared to approximately HK$49.0 million for the corresponding period in the previous year. The operating profit for the period amounted to approximately HK$22.5 million as compared to approximately HK$8.7 million for the six months ended 30 June 2009.

Consolidated profit attributable to equity holders of ANPI was approximately HK$13.8 million as compared to approximately HK$4.7 million for the first six months of 2009.

The ANPI Group's EBITDA for the period under review amounted to approximately HK$31.5 million as compared to approximately HK$18.3 million for the same period last year.

Liquidity, financing and capital structure

The ANPI Group maintained its healthy liquidity position as net current assets increased slightly to approximately HK$35.2 million (31 December 2009: approximately HK$25.8 million). Net assets of the ANPI Group remained constant at approximately HK$101.9 million as at 30 June 2010 (31 December 2009: approximately HK$91.1 million).

Cash and bank balances as at 30 June 2010 amounted to approximately HK$44.4 million (31 December 2009: approximately HK$38.1 million).

As at 30 June 2010, the ANPI Group's liabilities under equipment lease financing amounted to approximately HK$8.5 million (31 December 2009: approximately HK$11.5 million).

The ANPI Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets was approximately 9.5% as at 30 June 2010 (31 December 2009: approximately 13.9%).

Foreign exchange exposure

Since the ANPI Group's assets and liabilities, revenue and payments are denominated in United States dollars, there were no significant exposures to foreign exchange fluctuations.

Contingent liabilities and commitments

As at 30 June 2010, there were no material contingent liabilities or commitments.

Employee remuneration policies

As at 30 June 2010, the ANPI Group had 64 (31 December 2009: 60) employees. The ANPI Group's total staff costs for the six months ended 30 June 2010 amounted to approximately HK$28.0 million (30 June 2009: approximately HK$23.0 million).

The ANPI 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 ANPI Group operates. The ANPI 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 ANPI Group also offers other fringe benefits, including retirement plan contributions, medical benefits, and stock options to its employees. In addition, restricted shares in ANPI and share options to subscribe for shares in NewStreets may be granted to, among others, eligible employees of the ANPI Group under the terms and conditions stipulated in the restricted share and share option schemes adopted by ANPI and NewStreets respectively. As at 30 June 2010, there were 64,041 restricted shares and 126,500 options outstanding under the restricted share and share option schemes adopted by ANPI and NewStreets respectively.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REORGANISED GROUP

A. INTRODUCTION

Pursuant to the Contribution Agreement as described in this circular, the Company and ANPI Holding will contribute the ZONE LLC Membership Interests and the ANPI LLC Membership Interests respectively to ANZ in return for a 50% stake in ANZ.

The unaudited pro forma consolidated statement of financial position of the Reorganised Group as at 31 December 2009 is prepared as if the Transaction had been completed on 31 December 2009 and is based on (i) the audited consolidated statement of financial position of the Group as at 31 December 2009, which has been extracted from the annual report of the Company for the year then ended; and (ii) the statements of financial position of ZONE Telecom and ANPI as at 31 December 2009 as extracted from the review / accountants' report thereon as set out in Appendix II and Appendix III to this circular respectively, after making pro forma adjustments that are directly attributable to the Transaction, factually supportable and clearly identified as to those have / have no continuing effect on the Group.

The unaudited pro forma consolidated statement of comprehensive income and consolidated statement of cash flows of the Reorganised Group for the year ended 31 December 2009 are prepared as if the Transaction had been completed on 1 January 2009 and are based on (i) the audited consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 December 2009, as extracted from the annual report of the Company for the year then ended; and (ii) the statements of comprehensive income and statements of cash flows of ZONE Telecom and ANPI as at 31 December 2009 as extracted from the review / accountants' report thereon as set out in Appendix II and Appendix III to this circular respectively, after making pro forma adjustments that are directly attributable to the Transaction, factually supportable and clearly identified as to those have / have no continuing effect on the Group.

The unaudited pro forma financial information is prepared to provide information on the Reorganised Group as a result of completion of the Transaction. As it is prepared for illustrative purposes only, it does not purport to represent what the financial position or the results or cash flows of the Reorganised Group will be on completion of the Transaction.

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REORGANISED GROUP

	The Group as at 31 December 2009	Pro forma adjustments of the Transaction			Pro forma Reorganised Group as at 31 December 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Non-current assets					
Property, plant and equipment	14,246	(9,236)	23,887	–	28,897
Intangible assets	–	–	62,958	–	62,958
Goodwill	–	–	37,010	–	37,010
Interests in associates	–	–	814	–	814
Interests in joint venture	–	164,338	(164,338)	–	–
Deferred tax assets	14,805	–	–	–	14,805
	29,051	155,102	(39,669)	–	144,484
Current assets					
Trade and other receivables	88,160	(69,972)	71,174	–	89,362
Taxation recoverable	–	–	310	–	310
Pledged bank deposits	2,211	–	–	–	2,211
Cash and bank balances	197,426	(106,964)	65,828	–	156,290
	287,797	(176,936)	137,312	–	248,173
Current liabilities					
Trade and other payables	112,730	(102,285)	89,006	4,217	103,668
Current portion of obligations under finance leases	142	(142)	2,856	–	2,856
Taxation payable	2,956	–	2,002	–	4,958
	115,828	(102,427)	93,864	4,217	111,482
Net current assets	171,969	(74,509)	43,448	(4,217)	136,691
Total assets less current liabilities	201,020	80,593	3,779	(4,217)	281,175

	The Group as at 31 December 2009	Pro forma adjustments of the Transaction			Pro forma Reorganised Group as at 31 December 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Non-current liabilities					
Obligations under finance leases	453	(453)	3,194	–	3,194
Due to shareholders of ANPI Holding	–	–	585	–	585
Deferred tax liabilities	245	–	–	–	245
NET ASSETS	200,322	81,046	–	(4,217)	277,151
Capital and reserves					
Share capital	5,229	–	–	–	5,229
Reserves	195,093	81,046	–	(4,217)	271,922
TOTAL EQUITY	200,322	81,046	–	(4,217)	277,151

C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE REORGANISED GROUP

	The Group for the year ended 31 December 2009	Pro forma adjustments of the Transaction				Pro forma Reorganised Group for the year ended 31 December 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 5)*	*(Note 6)*	*(Note 7)*	*(Note 4)*	
Turnover	797,852	(717,720)	696,231	–	–	776,363
Cost of sales	(613,922)	580,560	(571,767)	–	–	(605,129)
Gross profit	183,930	(137,160)	124,464	–	–	171,234
Other revenue and income	765	(57)	548	–	–	1,256
	184,695	(137,217)	125,012	–	–	172,490
Selling and distribution expenses	(42,592)	38,201	(25,556)	–	–	(29,947)
Business promotion and marketing expenses	(4,626)	1,062	(1,473)	–	–	(5,037)
Operating and administrative expenses	(105,270)	63,415	(69,711)	–	–	(111,566)
Other operating expenses	(20,491)	12,656	(6,783)	–	(4,217)	(18,835)
Profit from operations	11,716	(21,883)	21,489	–	(4,217)	7,105
Finance costs	(110)	3,041	(2,155)	–	–	776
Gain on disposal of a subsidiary	–	–	–	81,046	–	81,046
Share of results of associates	–	–	(295)	–	–	(295)
Profits before taxation	11,606	(18,842)	19,039	81,046	(4,217)	88,632
Taxation credit / (charge)	7,361	(10,203)	1,607	–	–	(1,235)
Profit for the year	18,967	(29,045)	20,646	81,046	(4,217)	87,397
Other comprehensive income for the year						
Exchange differences on translation of foreign subsidiaries	1,597	–	–	–	–	1,597
Total comprehensive income for the year	20,564	(29,045)	20,646	81,046	(4,217)	88,994

D. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE REORGANISED GROUP

	The Group for the year ended 31 December 2009	Pro forma adjustments of the Transaction				Pro forma Reorganised Group for the year ended 31 December 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 7)*	*(Note 8)*	*(Note 9)*	*(Note 4)*	
OPERATING ACTIVITIES						
Profit before taxation	11,606	81,046	(18,842)	19,039	(4,217)	88,632
Interest income	(295)	–	57	(118)	–	(356)
Interest expenses	46	–	(46)	24	–	24
Interest on obligations under finance leases	64	–	(64)	666	–	666
Depreciation and amortisation	10,657	–	(8,195)	14,005	–	16,467
Impairment loss on goodwill	3,237	–	–	–	–	3,237
Exchange differences	863	–	–	–	–	863
(Gain) / Loss on disposal of property, plant and equipment	(11)	–	–	844	–	833
Loss on disposal of intangible assets	–	–	–	295	–	295
Loss on disposal of associates	–	–	–	4	–	4
Share of results of associates	–	–	–	295	–	295
Gain on disposal of a subsidiary	–	(81,046)	–	–	–	(81,046)
Allowance for doubtful debts	4,569	–	(4,438)	3,155	–	3,286
Changes in working capital:						
Trade and other receivables	9,629	–	(8,733)	1,804	–	2,700
Trade and other payables	(4,757)	–	2,631	(7,848)	4,217	(5,757)
Due from an associate	–	–	–	37	–	37
Cash generated from operations	35,608	–	(37,630)	32,202	–	30,180
Income taxes paid	(5,052)	–	1,061	1,585	–	(2,406)
Interest received	295	–	(57)	118	–	356
Interest paid	(46)	–	46	(24)	–	(24)
Interest on obligations under finance leases	(64)	–	64	(666)	–	(666)
Net cash generated from operating activities	30,741	–	(36,516)	33,215	–	27,440

	The Group for the year ended 31 December 2009	Pro forma adjustments of the Transaction				Pro forma Reorganised Group for the year ended 31 December 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 7)*	*(Note 8)*	*(Note 9)*	*(Note 4)*	
INVESTING ACTIVITIES						
Purchases of property, plant and equipment	(3,140)	–	2,866	(6,914)	–	(7,188)
Proceeds from disposals of property, plant and equipment	19	–	–	150	–	169
Acquisition of additional interest in a subsidiary	(3,900)	–	–	–	–	(3,900)
Net cash used in investing activities	(7,021)	–	2,866	(6,764)	–	(10,919)
FINANCING ACTIVITIES						
Repayment of bank loan	(4,250)	–	4,250	(2,125)	–	(2,125)
Repayment of obligations under finance leases	(129)	–	129	(3,520)	–	(3,520)
Dividend paid	–	–	–	(8,702)	–	(8,702)
Capital contribution	–	–	(35,834)	17,917	–	(17,917)
Repurchase of share capital	–	–	–	(9,544)	–	(9,544)
Partial repayment of other borrowings	–	–	15,048	(7,524)	–	7,524
Net cash used in financing activities	(4,379)	–	(16,407)	(13,498)	–	(34,284)
Net increase / (decrease) in cash and cash equivalents	19,341	–	(50,057)	12,953	–	(17,763)
Cash and cash equivalents as at 1 January	179,328	–	(56,907)	52,875	–	175,296
Exchange gain on cash and cash equivalents	968	–	–	–	–	968
Cash and cash equivalents as at 31 December	199,637	–	(106,964)	65,828	–	158,501
Analysis of the balances of cash and cash equivalents						
Pledged bank deposits	2,211	–	–	–	–	2,211
Cash and bank balances	197,426	–	(106,964)	65,828	–	156,290
	199,637	–	(106,964)	65,828	–	158,501

Notes to the Unaudited Pro Forma Financial Information

1. The financial information of the Group is extracted from the annual report of the Company for the year ended 31 December 2009.

2. The adjustment represents the exclusion of the assets and liabilities of ZONE Telecom which will be contributed to ANZ by the Group as investment cost. The assets and liabilities of ZONE Telecom are extracted from the review report as set out in Appendix II to this circular, after the adjustments in respect of the ZONE US Reorganisation as follows:

   (i) ZONE Telecom will be converted into ZONE LLC as a wholly-owned subsidiary of ZONE US;

   (ii) ZONE US will assume all ZONE Telecom's obligations of and in the term loan advanced by the Company to ZONE Telecom. The deferred tax assets of ZONE Telecom recorded in the consolidated financial statements of the Group in the amount of approximately US$1.9 million (equivalent to approximately HK$14.7 million) as at 31 December 2009, will be succeeded by ZONE US; and

   (iii) ZONE US will contribute US$4.6 million (equivalent to approximately HK$35.8 million) to ZONE LLC as cash contribution.

3. The adjustment relates to the recognition of the Reorganised Group's interests in the assets and liabilities of ANZ using proportionate consolidation method.

   For the purpose of the unaudited pro forma statement of financial position of the Reorganised Group, the Directors determined the fair values of the assets and liabilities as at 31 December 2009 which will be contributed to ANZ with reference to the fair value of the businesses of ZONE LLC and ANPI LLC (taking into account the financial effect of the ZONE US Reorganisation and ANPI Reorganisation).

   The goodwill arising from the Transaction is calculated as the difference between the consideration offered by the Group and the fair value of net assets acquired in the Transaction. The consideration offered by the Group for the Transaction of HK$122.7 million represents 50% of fair value of the business of ZONE LLC as at 31 December 2009 given up in the Transaction. The fair value of net assets acquired of HK$91.7 million represents 50% of fair value of net assets of ANPI LLC as at 31 December 2009, after recognition of 50% of the fair value of intangible assets on customer base, proprietary software and trade name totaling HK$58.3 million as estimated by the Directors with reference to an appraisal report prepared by JSI Capital Advisors, LLC, an independent professional valuer.

4. The adjustment reflects the estimated expenses (including legal and professional fees, printing charges, etc) of approximately HK$4.2 million that are directly attributable to the Transaction and will be settled by cash. This adjustment will not have continuing profit or loss effect to the Reorganised Group.

5. The adjustment reflects the de-consolidation of ZONE LLC from the Group for the year ended 31 December 2009 as if the Transaction had been completed on 1 January 2009.

6. The adjustment represents the Reorganised Group's 50% share of the pro forma results of ANZ using proportionate consolidation method which are projected based on the combined results of ZONE Telecom and ANPI for the year ended 31 December 2009.

7. The adjustment reflects the gain on disposal of ZONE LLC from de-consolidation of ZONE LLC from the Group, which represents 50% of fair value of the business of ANPI LLC as at 31 December 2009 of HK$122.7 million less 50% of the fair value of net assets of ZONE LLC given up as at 31 December 2009 of HK$41.7 million. This adjustment will not have continuing profit or loss effect to the Group.

8. The adjustment represents the exclusion of the cash flows of ZONE LLC upon de-consolidation of ZONE LLC, after the adjustment in respect of capital contribution by ZONE US of HK$35.8 million.

9. The adjustment represents the Reorganised Group's 50% share of the pro forma cash flows of ANZ using proportionate consolidation method which are projected based on the combined cash flows of ZONE Telecom and ANPI for the year ended 31 December 2009, after the adjustment in respect of cash distribution to ANPI Holding of HK$13.4 million.

2. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE REORGANISED GROUP

MAZARS

MAZARS CPA LIMITED
瑪澤會計師事務所有限公司
42nd Floor, Central Plaza
18 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道18號中環廣場42樓
Tel 電話: (852) 2909 5555
Fax 傳真: (852) 2810 0032
Email 電郵: info@mazars.com.hk
Website 網址: www.mazars.com.hk

The Board of Directors
e-Kong Group Limited
3705 Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of e-Kong Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), set out in Appendix IV to the circular dated 17 November 2010 (the "Circular") in connection with (i) the proposed disposal of 100% equity interests in Zone Telecom, Inc. ("ZONE Telecom") (the "Disposal") and (ii) the proposed capital contribution to a newly established equity joint venture, ANZ Communications LLC ("ANZ") which will be beneficially owned as to 50% by the Company as at the completion date (together with the Group, hereinafter collectively referred to as the "Reorganised Group") (the "Acquisition"). The unaudited pro forma financial information on the Reorganised Group has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Disposal and the Acquisition might have affected the relevant financial information of the Group. The basis of preparation of the unaudited pro forma financial information is set out in Appendix IV to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29 (7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29 (1) of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it has been carried out in accordance with those standards.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Reorganised Group as at 31 December 2009 or any future date; or

- the results and cash flows of the Reorganised Group for the year ended 31 December 2009 or any future periods.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29 (1) of the Listing Rules.

Mazars CPA Limited
Certified Public Accountants

Hong Kong, 17 November 2010

Eunice Y M Kwok
Practising Certificate number: P04604

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of the directors and the chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the directors and the chief executive of the Company in the Shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept under section 352 of the SFO, or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as otherwise notified to the Company or the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules are set out below.

Name of Director	Capacity	Number of Shares held	Approximate percentage of shareholding
Richard John Siemens	Held by controlled corporations	122,700,200 *(Note 1)*	23.5%
William Bruce Hicks	Held by a controlled corporation	67,962,428 *(Note 2)*	13.0%
	Personal	3,949,914	0.8%
Lim Shyang Guey	Personal	3,170,000	0.6%
Shane Frederick Weir	Personal	10,000	0.0%

Notes:

1. 22,700,000 Shares are beneficially owned by Siemens Enterprises Limited and 100,000,200 Shares are beneficially owned by Goldstone Trading Limited, both companies controlled by Mr. Richard John Siemens.

2. 67,962,428 Shares are beneficially owned by Great Wall Holdings Limited, a company controlled by Mr. William Bruce Hicks.

All interests disclosed above represent long positions in the Shares and there were no underlying shares of the Company held by the Directors or the chief executive of the Company as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the directors or the chief executive of the Company (including their spouses and children under the age of 18) had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to section 352 of the SFO or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, the interests and short positions of the persons, other than the directors or the chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company, are set out below.

Name of Shareholder	**Number of Shares held**	**Approximate percentage of shareholding**
Goldstone Trading Limited	100,000,200 *(Note 1)*	19.1%
Future (Holdings) Limited *(Note 2)*	74,676,461	14.3%
Ganado Investments Corporation Ltd. *(Note 2)*	74,676,461	14.3%
Jennifer Wes Saran *(Note 2)*	75,017,661	14.3%
Great Wall Holdings Limited	67,962,428 *(Note 3)*	13.0%

Notes:

1. These interests represent the same interests as the corporate interests of Mr. Richard John Siemens (being held through Goldstone Trading Limited) as disclosed in the notes under the heading of "Interests of the directors and the chief executive of the Company" above.

2. These Shares are held by Future (Holdings) Limited which is controlled by Ganado Investments Corporation Ltd., which in turn is controlled by Mrs. Jennifer Wes Saran.

3. These interests represent the same interests as the corporate interests of Mr. William Bruce Hicks (being held through Great Wall Holdings Limited) as disclosed in the notes under the heading of "Interests of the directors and the chief executive of the Company" above.

All the interests disclosed above represent long positions in the Shares.

Save as disclosed above, as at the Latest Practicable Date, the Company was not notified of any persons, other than the directors and the chief executive of the Company, having any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company.

3. COMPETING BUSINESS

None of the Directors and their respective associates has any interests in a business, which competes or is likely to compete with the business of the Group.

4. MATERIAL CONTRACT

Save for the Contribution Agreement, there is no contract, not being contract entered into in the ordinary course of business of the Reorganised Group, entered into by the Reorganised Group within the two years immediately preceding the Latest Practicable Date and is or may be material.

5. LITIGATION

As at the Latest Practicable Date, so far as the Directors were aware, no member of the Reorganised Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance was known to the Directors to be pending or threatened by or against any member of the Reorganised Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

7. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

No contract or arrangement entered into by any member of the Reorganised Group subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Reorganised Group.

As at the Latest Practicable Date, none of the Directors had, or has had any direct or indirect interest in any assets which have been acquired, disposed of by or leased to, or which are proposed to be acquired, disposed of by or leased to, any member of the Reorganised Group since 31 December 2009, the date to which the latest published audited consolidated financial statements of the Company were made up.

8. EXPERTS AND CONSENTS

(a) The following is the qualification of the experts who have given opinion, which are contained or referred to in this circular:

Name	Qualification
Mazars CPA Limited	Certified Public Accountants
JSI Capital Advisors, LLC	Independent Professional Valuer

(b) As at the Latest Practicable Date, neither Mazars CPA Limited nor JSI Capital Advisors, LLC had any direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(c) Mazars CPA Limited and JSI Capital Advisors, LLC have given and have not withdrawn their written consents to the issue of this circular with the inclusion of and / or references to their reports and their names in the form and context in which they appear.

(d) Neither Mazars CPA Limited nor JSI Capital Advisors, LLC has any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2009, the date to which the latest published audited financial statements of the Company were made up.

9. GENERAL

(a) The company secretary of the Company is Mr. Lau Wai Ming Raymond, who is qualified as a solicitor in Hong Kong.

(b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company in Hong Kong is at 3705 Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong.

(c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(d) The English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at 3705 Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal office hours on any weekday, except Saturdays, Sundays and public holidays, from the date of this circular up to and including 9 December 2010:

(a) the memorandum of association and bye-laws of the Company;

(b) the material contract referred to in the section headed "Material contract" in this Appendix;

(c) the annual reports of the Company for each of the three years ended 31 December 2009;

(d) the interim report of the Company for the six months ended 30 June 2010;

(e) the financial information of ZONE Telecom as set out in Appendix II to this circular;

(f) the review report issued by the Company's auditor on the financial information of ZONE Telecom, the text of which is set out in Appendix II to this circular;

(g) the accountants' report on ANPI, the text of which is set out in Appendix III to this circular;

(h) the accountants' report on the unaudited pro forma financial information of the Reorganised Group, the text of which is set out in Appendix IV to this circular;

(i) the appraisal report on the fair value of intangible assets of ANPI as at 31 August 2010 prepared by JSI Capital Advisors, LLC, an independent professional valuer; and

(j) the written consents referred to in the section headed "Experts and consents" in this Appendix.

e-Kong Group Limited

(Incorporated in Bermuda with limited liability)

www.e-kong.com

(Stock Code: 524)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting ("**EGM**") of e-Kong Group Limited (the "Company") will be held at The China Club, 13/F., The Old Bank of China Building, Bank Street, Central, Hong Kong on Thursday, 9 December 2010 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution of the Company:

ORDINARY RESOLUTION

"**THAT** the conditional contribution agreement executed by Zone USA, Inc., Associated Network Partners, Inc., ANPI Holding, Inc., ANZ Communications LLC (by way of joinder), the Company and ZONE Global Limited on 29 September 2010 in relation to the Transaction (as defined in the circular of the Company dated 17 November 2010, a copy of which is marked "A" and initialled by the Chairman of the meeting for the purpose of identification ("Circular")) (a copy of which has been produced to the meeting and marked "B" and initialled by the Chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified and the directors of the Company be and are hereby authorised to do all things and acts and sign all documents (including but not limited to the LLC Agreement (as defined in the Circular)) which they consider necessary, desirable or expedient in connection therewith for and on behalf of the Company."

On behalf of the Board
Lau Wai Ming Raymond
Company Secretary

Hong Kong, 17 November 2010

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Place of Business:
3705 Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Notes:

(i) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint and vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited at the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the EGM or adjourned meeting.

(ii) Completion and return of the form of proxy will not preclude any member from attending and voting in person at the EGM or any adjournment thereof should you so wish.