

HOGAN & HARTSON

L.L.P.

2127

COLUMBIA SQUARE
555 THIRTEENTH STREET, NW
WASHINGTON, DC 20004-1109
TEL (202) 637-5600
FAX (202) 637-5910
WWW.HHLAW.COM

September 29, 2000

BY FEDERAL EXPRESS

Florida Public Service Commission
Division of Records and Reporting
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

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Initials of person who forwarded check:

[Handwritten initials]

001515-II

**RE: Application of Zone Telecom, Inc., to Provide
Facilities-Based and Resold Intrastate
Interexchange Telecommunications Services**

Please find enclosed for filing an original and seven copies of:
(1) Zone Telecom, Inc.'s ("Zone's") Application Form for Authority to Provide
Interexchange Telecommunications Service Between Points Within the State
of Florida ("Application Form"); (2) a check in the amount of \$250 to cover the
associated application fee; and (3) Zone's Application for Authority and
associated documentation in support of the Application Form.

Please date-stamp and return the additional copy of this filing in
the enclosed, self-addressed, postage-prepaid envelope. Please contact the
undersigned if you have any questions regarding this filing.

Respectfully submitted,



Mace J. Rosenstein
Jennifer A. Purvis

Attorneys for Zone Telecom, Inc.

cc: Lawton Bloom

Enclosures

DOCUMENT NUMBER - DATE

BRUSSELS LONDON PARIS* BUDAPEST* PRAGUE* WARSAW MOSCOW TOKYO
NEW YORK BALTIMORE McLEAN MIAMI DENVER BOULDER COLORADO SPRINGS LOS ANGELES

12456 OCT-28

*Affiliated Office

FPSC-RECORDS/REPORTING

**** FLORIDA PUBLIC SERVICE COMMISSION ****

DIVISION OF TELECOMMUNICATIONS
BUREAU OF CERTIFICATION AND SERVICE EVALUATION

Application Form for Authority to Provide
Interexchange Telecommunications Service
Between Points Within the State of Florida

Instructions

- ◆ This form is used as an application for an original certificate and for approval of assignment or transfer of an existing certificate. In the case of an assignment or transfer, the information provided shall be for the assignee or transferee (See Appendix A).
- ◆ Print or Type all responses to each item requested in the application and appendices. If an item is not applicable, please explain why.
- ◆ Use a separate sheet for each answer which will not fit the allotted space.
- ◆ Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of **\$250.00** to:

**Florida Public Service Commission
Division of Records and Reporting
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850
(850) 413-6770**

Note: No filing fee is required for an assignment or transfer of an existing certificate to another certificated company.

- ◆ If you have questions about completing the form, contact:

**Florida Public Service Commission
Division of Telecommunications
Bureau of Certification and Service Evaluation
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850
(850) 413-6600**

1. This is an application for $\sqrt{\quad}$ (check one):

Original certificate (new company).

Approval of assignment/transfer of existing certificate:
Example, a non-certificated company purchases an existing company and desires to retain the certificate of authority rather than apply for a new certificate.

Approval of transfer of control:
Example, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. Name of company:

Zone Telecom, Inc. ("Zone")

3. Name under which applicant will do business (fictitious name, etc.):

Zone Telecom, Inc.

4. Official mailing address (including street name & number, post office box, city, state, zip code):

Zone Telecom, Inc.

279 Harvard Street, Suite 21

Cambridge, MA 02139

5. Florida address (including street name & number, post office box, city, state, zip code):

N/A

6. Select type of business your company will be conducting \checkmark (check all that apply):

- Facilities-based carrier** - company owns and operates or plans to own and operate telecommunications switches and transmission facilities in Florida.
- Operator Service Provider** - company provides or plans to provide alternative operator services for IXCs; or toll operator services to call aggregator locations; or clearinghouse services to bill such calls.
- Reseller** - company has or plans to have one or more switches but primarily leases the transmission facilities of other carriers. Bills its own customer base for services used.
- Switchless Rebiller** - company has no switch or transmission facilities but may have a billing computer. Aggregates traffic to obtain bulk discounts from underlying carrier. Rebills end users at a rate above its discount but generally below the rate end users would pay for unaggregated traffic.
- Multi-Location Discount Aggregator** - company contracts with unaffiliated entities to obtain bulk/volume discounts under multi-location discount plans from certain underlying carriers, then offers resold service by enrolling unaffiliated customers.
- Prepaid Debit Card Provider** - any person or entity that purchases 800 access from an underlying carrier or unaffiliated entity for use with prepaid debit card service and/or encodes the cards with personal identification numbers.

7. Structure of organization;

- | | |
|---|--|
| <input type="checkbox"/> Individual | <input type="checkbox"/> Corporation |
| <input checked="" type="checkbox"/> Foreign Corporation | <input type="checkbox"/> Foreign Partnership |
| <input type="checkbox"/> General Partnership | <input type="checkbox"/> Limited Partnership |
| <input type="checkbox"/> Other _____ | |

8. **If individual**, provide:

City/State/Zip: _____

Telephone No.: _____ Fax No.: _____

Internet E-Mail Address: _____

Internet Website Address: _____

14. **If a foreign limited partnership**, provide proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS), if applicable.

(a) The Florida registration number: N/A

15. Provide **F.E.I. Number** (if applicable): 04-3520968

16. Provide the following (if applicable):

(a) Will the name of your company appear on the bill for your services?
 Yes No

(b) If not, who will bill for your services?

Name: _____

Title: _____

Address: _____

City/State/Zip: _____

Telephone No.: _____ Fax No.: _____

(c) How is this information provided?

17. Who will receive the bills for your service?

Residential Customers

PATs providers

Hotels & motels

Business Customers

PATs station end-users

Hotel & motel guests

() Universities () Universities dormitory residents
() Other: (specify) _____

18. Who will serve as liaison to the Commission with regard to the following?

(a) The application:

Name: Mace J. Rosenstein and Jennifer A. purvis

Title: _____

Address: Hogan & Hartson LLP

City/State/Zip: 555 Thirteenth St., NW, Washington, DC 20004

Telephone No.: (202) 637-5600 **Fax No.:** (202) 637-5910

Internet E-Mail Address: mjrosenstein@hhlaw.com and jpurvis@hhlaw.com

Internet Website Address: www.hoganandhartson.com

(b) Official point of contact for the ongoing operations of the company:

Name: Lawton Bloom

Title: Vice President and Secretary

Address: Zone Telecom, Inc.

City/State/Zip: 279 Harvard Street, Suite 21, Cambridge, MA 02139

Telephone No.: (617) 876-3002 **Fax No.:** (617) 687-7791

Internet E-Mail Address: lbloom@mindspring.com

Internet Website Address: _____

(c) Complaints/Inquiries from customers:

Name: Customer Service Representatives

Title: _____

Address: Zone Telecom, Inc.

City/State/Zip: 459 Oakshade Road, Shamong, NJ 08088

1-800-233-4736

Telephone No.: 1-800-626-4736

Fax No.: _____

Internet E-Mail Address: _____

Internet Website Address: _____

19. List the states in which the applicant:

(a) **has operated as an interexchange telecommunications company.**

See Section I of attached Application for Authority. Although Zone has not yet begun to provide service in the United States,

Zone's ultimate parent company, e-Kong Group Limited ("e-Kong"), through its predecessors and affiliates, currently provides service to customers in Hong Kong and Singapore.

(b) **has applications pending to be certificated as an interexchange telecommunications company.**

Zone currently has pending or is going to file applications for certification as an interexchange telecommunications company in all 50 states and the District of Columbia.

(c) **is certificated to operate as an interexchange telecommunications company.**

Zone has been granted certificates to operate as an intrastate interexchange telecommunications company in the states of: Colorado, Idaho, Iowa, Maine, Massachusetts, New Jersey, North Carolina, Pennsylvania, Rhode Island, Texas, Virginia, Wyoming, Washington, and Oregon,

(d) **has been denied authority to operate as an interexchange telecommunications company and the circumstances involved.**

None. Zone has never been denied authority to operate as an interexchange carrier in any state.

(e) **has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.**

None. Zone has never had any regulatory penalties imposed on it
for any violations of telecommunications statutes.

- (f) has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.

None. Zone has never been involved in any civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity.

20. Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

- (a) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. If so, please explain.

No. None of Zone's officers, directors, or ten largest stockholders have ever been adjudged bankrupt, mentally incompetent, or found guilty of any felony or crime, and there are no pending proceedings that would result in any such actions.

- (b) an officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

No. No officer, director, or any of the ten largest stockholders have ever been an officer, director, partner, or stockholder in any other Florida certificated company.

21. The applicant will provide the following interexchange carrier services \checkmark (check all that apply):

a. x **MTS with distance sensitive per minute rates**

- Method of access is FGA
- Method of access is FGB
- Method of access is FGD
- Method of access is 800

b. _____ **MTS with route specific rates per minute**

- Method of access is FGA
- Method of access is FGB
- Method of access is FGD
- Method of access is 800

c. _____ **MTS with statewide flat rates per minute (i.e. not distance sensitive)**

- Method of access is FGA
- Method of access is FGB
- Method of access is FGD
- Method of access is 800

d. _____ **MTS for pay telephone service providers**

e. _____ **Block-of-time calling plan (Reach Out Florida, Ring America, etc.).**

f. _____ **800 service (toll free)**

g. _____ **WATS type service (bulk or volume discount)**

- Method of access is via dedicated facilities
- Method of access is via switched facilities

h. _____ **Private line services (Channel Services)**
(For ex. 1.544 mbs., DS-3, etc.)

i. _____ **Travel service**

- Method of access is 950
- Method of access is 800

j. _____ **900 service**

k. _____ **Operator services**

- Available to presubscribed customers
- Available to non presubscribed customers (for example, to patrons of hotels, students in universities, patients in hospitals).
- Available to inmates

i. **Services included are:**

- Station assistance
- Person-to-person assistance
- Directory assistance
- Operator verify and interrupt
- Conference calling

22. Submit the proposed tariff under which the company plans to begin operation. Use the format required by Commission Rule 25-24.485 (example enclosed).

Please see Exhibit 5 in the attached Application for Authority for a copy of Zone's proposed tariff.

23. Submit the following:

A. Financial capability.

The application **should contain** the applicant's audited financial statements for the most recent 3 years. If the applicant does not have audited financial statements, it shall so be stated.

The unaudited financial statements should be signed by the applicant's chief executive officer and chief financial officer **affirming that the financial statements are true and correct** and should include:

1. the balance sheet;
2. income statement; and
3. statement of retained earnings.

NOTE: *This documentation may include, but is not limited to, financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with financial institutions.*

* As a newly-formed corporation, Zone does not currently have financial statements for the most recent three years. In lieu of such statements, Zone respectfully submits copies of the audited financial statements and related materials of its ultimate parent company e-Kong Group for the year ended December 31, 1999. Please see Section III.C. of the attached Application for Authority and Exhibit 4 to that Application.

Further, the following (which includes supporting documentation) should be provided:

1. **A written explanation** that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.

Please see Section III.C. of the attached Application for Authority.

2. **A written explanation** that the applicant has sufficient financial capability to maintain the requested service.

Please see Section III.C. of the attached Application for Authority.

3. **A written explanation** that the applicant has sufficient financial capability to meet its lease or ownership obligations.

Please see Section III.C of the attached Application for Authority.

B. Managerial capability; give resumes of employees/officers of the company that would indicate sufficient managerial experiences of each.

Please see Section III.A of the attached Application for Authority.


C. Technical capability; give resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance.

Please see Section III.B of the attached Application for Authority.

**** APPLICANT ACKNOWLEDGMENT STATEMENT ****

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of its gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of \$50 is required.
2. **GROSS RECEIPTS TAX:** I understand that all telephone companies must pay a gross receipts tax of two and one-half percent on all intra and interstate business.
3. **SALES TAX:** I understand that a seven percent sales tax must be paid on intra and interstate revenues.
4. **APPLICATION FEE:** I understand that a non-refundable application fee of \$250.00 must be submitted with the application.

UTILITY OFFICIAL:

| | |
|--|--------------------|
|  | September 29, 2000 |
| Signature | Date |
| Lawton Bloom, Vice President and Secretary | (617) 876-3002 |
| Title | Telephone No. |
| Address: Zone Telecom, Inc., 279 Harvard Street | (617) 687-7791 |
| Suite 21, Cambridge, MA 02139 | Fax No. |

ATTACHMENTS:

- A - CERTIFICATE SALE, TRANSFER, OR ASSIGNMENT STATEMENT
- B - CUSTOMER DEPOSITS AND ADVANCE PAYMENTS
- C - CURRENT FLORIDA INTRASTATE NETWORK
- D - AFFIDAVIT

CERTIFICATE TRANSFER, OR ASSIGNMENT STATEMENT

I, (Name) N/A

(Title) _____ of

(Name of Company)

and current holder of Florida Public Service Commission Certificate Number


_____, have reviewed this application and join in the petitioner's request for a:

() transfer

() assignment

of the above-mentioned certificate.

UTILITY OFFICIAL:

| | |
|---|------------------------|
|  | September 29, 2000 |
| _____ Signature | _____ Date |
| Lawton Bloom, Vice President and Secretary | (617) 876-3002 |
| _____ Title | _____ Telephone No. |
| Address: <u>Zone Telecom, Inc., 279 Harvard Street</u> | (617) 687-7791 |
| <u>Suite 21, Cambridge, MA 02139</u> | _____ Fax No. |
| _____ | _____ |
| _____ | _____ |

CUSTOMER DEPOSITS AND ADVANCE PAYMENTS

A statement of how the Commission can be assured of the security of the customer's deposits and advance payments may be provided in one of the following ways (applicant, please check one):

- () The applicant will **not** collect deposits nor will it collect payments for service more than one month in advance.

- () The applicant intends to collect deposits and/or advance payments for more than one month's service and will file and maintain a surety bond with the Commission in an amount equal to the current balance of deposits and advance payments in excess of one month.
(The bond must accompany the application.)

UTILITY OFFICIAL:

| | |
|--|----------------------|
| | September 29, 2000 |
| Signature | Date |
| Lawton Bloom, Vice President and Secretary | (617) 876-3002 |
| Title | Telephone No. |
| Address: Zone Telecom, Inc., 279 Harvard Street | (617) 687-7791 |
| Suite 21, Cambridge, MA 02139 | Fax No. |
| | |
| | |
| | |
| | |

CURRENT FLORIDA INTRASTATE SERVICES


Applicant **has** () or **has not** () previously provided intrastate telecommunications in Florida.

If the answer is has, fully describe the following:

a) What services have been provided and when did these services begin?

b) If the services are not currently offered, when were they discontinued?

UTILITY OFFICIAL:

| | |
|---|--------------------|
|  | September 29, 2000 |
| Signature | Date |
| Lawton Bloom, Vice President and Secretary | (617) 876-3002 |
| Title | Telephone No. |
| Address: Zone Telecom, Inc., 279 Harvard Street | (617) 687-7791 |
| Suite 21, Cambridge, MA 02139 | Fax No. |

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange company service in the State of Florida. I have read the foregoing and declare that, to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

Further, I am aware that, pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083."

UTILITY OFFICIAL:



Signature

September 29, 2000

Date

Lawton Bloom, Vice President and Secretary

Title

(617) 876-3002

Telephone No.

Address: Zone Telecom, Inc., 279 Harvard Street
Suite 21, Cambridge, MA 02139

(617) 687-7791

Fax No.

**Before the
FLORIDA PUBLIC SERVICE COMMISSION**

Application of)
)
Zone Telecom, Inc.)
)
For a Certificate of Public Convenience) Docket No. _____
and Necessity to Provide Facilities-)
Based and Resold Intrastate)
Interexchange Telecommunications)
Services)

APPLICATION FOR AUTHORITY

Pursuant to Sections 25-24.470 and 25-24.471 of the Florida Administrative Code (25 FL ADC §§ 25-24.470, 25-24.471) and Sections 364.33 and 364.335 of the Florida Statutes (FL ST § 364.33, 364.335), Zone Telecom, Inc. ("Zone" or the "Applicant"), hereby requests a Certificate of Public Convenience and Necessity to provide non-dominant, facilities-based and resold intrastate interexchange service to consumers in Florida.

Zone is concurrently filing with this Application a letter notifying the Commission of a proposed transfer of selected assets from The Furst Group, Inc. ("TFG"), an authorized provider of intrastate interexchange telecommunications services in Florida, to Zone ("Asset Transfer"). ^{1/} That notification letter: (1) describes the proposed Asset Transfer; (2) requests, to the extent necessary, a variance or waiver of any applicable Commission

^{1/} A copy of the Asset Purchase Agreement between Zone and TFG is being submitted with the concurrently-filed Asset Transfer notification.

rules or statutes governing letters of authorization for changes in presubscribed carriers; and (3) demonstrates that the proposed transfer of assets from TFG to Zone will serve the public interest. To facilitate the timely completion of that transfer of assets, Zone respectfully requests that the instant Application be processed and granted on an expedited basis.

I. THE APPLICANT

Zone is a Delaware corporation whose principal office and place of business is located at 279 Harvard Street, Suite 21, Cambridge, Massachusetts 02139. ^{2/} Zone is an indirect wholly-owned subsidiary of e-Kong Group Limited ("e-Kong Group"), a widely-held Bermuda corporation whose stock is listed on the Hong Kong Stock Exchange. ^{3/} The only individual or entity holding more than ten percent of the issued and outstanding voting stock of e-Kong Group is Goldtron Limited, a Singapore corporation, which has an 11.12 percent non-controlling voting stock interest. e-Kong Group's principal office and place of business is located at Suite 2101-3, K. Wah Centre, 191 Java Road, North Point, Hong Kong.

e-Kong Group is a prominent Hong Kong-based Internet and telecommunications company. In Hong Kong and Singapore, e-Kong Group, through wholly-owned affiliates, engages in the resale of international

^{2/} Zone's Certificate of Incorporation and Bylaws and Certificate of Authority to Do Business in Florida are attached hereto as Exhibits 1 and 2, respectively.

telecommunications services through a unique scalable and portable service portal that provides its customers with access to a wide range of carriers at a single source, thereby enabling users to select the most competitive prices for their calls. e-Kong Group has approximately 320 employees world-wide.

II. DESIGNATED CONTACTS

The designated primary contacts for this application are:

Mace J. Rosenstein
Jennifer A. Purvis
Hogan & Hartson L.L.P.
555 Thirteenth Street NW
Washington, DC 20004-1109
Tel: 202-637-5600
Fax: 202-637-5910
E-Mail: mjrosenstein@hhlaw.com
jpurvis@hhlaw.com

Copies of all correspondence, notices and orders pertaining to this application also should be sent to:

Lawton Bloom
Vice President and Secretary
Zone Telecom, Inc.
279 Harvard Street, Suite 21
Cambridge, MA 02139
Tel: 617-876-3002
Fax: 617-687-7791
E-Mail: lbloom@mindspring.com

3/ A chart depicting the ownership structure of Zone and a list of Zone's officers and directors are attached hereto as Exhibits 3 and 4, respectively.

III. ZONE POSSESSES THE REQUISITE MANAGERIAL, TECHNICAL AND FINANCIAL QUALIFICATIONS TO RECEIVE THE REQUESTED AUTHORITY

As demonstrated below, Zone possesses the requisite managerial, technical and financial qualifications to provide the services for which Commission authority is being requested.

A. Managerial Qualifications

Zone is an indirect wholly-owned subsidiary of e-Kong Group, a Hong Kong-based Internet and telecommunications company. Zone's executive managers, who are drawn from the management ranks of e-Kong Group, collectively have more than fifty years of experience in the design and operation of communications systems and services. As shown below, Zone's senior executives are experienced in sales, service, implementation, marketing and management of telecommunications service providers, and therefore possess the requisite managerial qualifications to provide telecommunications service in Florida:

| Name and Title | Background |
|---|---|
| Derrick Bulawa, President and Chief Executive Officer | Mr. Bulawa is CEO of e-Kong Group, and has 15 years of Internet and communications experience in the United States and Asia. Prior to joining e-Kong Group, Mr. Bulawa held senior executive and operational positions with, among others, STAR TV, UNIFI Communications, and GTE Spacenet. |

| | |
|--|--|
| Lawton Bloom, Vice President and Secretary | Mr. Bloom is Vice President, Strategy – North America, of e-Kong Group, and has extensive experience in managing enhanced voice and data services. Previously, he held management positions at UNIFI Communications and has acted as a court-appointed receiver for a U.S. long distance reseller. |
| Steven D. Pohl Assistant Secretary | Mr. Pohl is Assistant Secretary of Zone Telecom, Inc. He also serves as Zone's counsel in matters relating to business transactions. |
| Robbin Wells, Chief Technology Officer | Mr. Wells is Vice President, Technology, of e-Kong Group, and has more than 22 years of technology experience, including the development of IP networks across North America, Europe and Asia. |
| Jeffrey Fraser Vice President of Product Development | Mr. Fraser is Vice President, Regional e-Business, of e-Kong Group, and has extensive experience in developing and operating enhanced voice and data services. Previously he has held management positions at oCen Communications, GTE Internetworking and UNIFI Communications. |
| Jeffrey Cheng, Chief Financial Officer and Treasurer | Mr. Cheng is Chief Financial Officer of e-Kong Group, where he is responsible for overall financial management of the company. |

In addition, Zone expects to offer employment to several of TFG's current operational employees, thereby maintaining continuity of service to TFG's existing customers, while assuring that Zone will have access to the expertise and resources of incumbent TFG personnel following consummation of the TFG asset transaction.

B. Technical Qualifications

Zone's ultimate corporate parent, e-Kong Group, through wholly-owned subsidiaries, engages in the resale of international telecommunications services in Hong Kong and Singapore through a unique scalable and portable

service portal that provides its customers with access to a wide range of carriers at a single source, thereby enabling users to select the most competitive prices for their calls.

More generally, e-Kong Group focuses on the development of scalable and globally portable e-commerce and service portals offering a single point-of-presence for products and services. e-Kong Group specializes in the creation of business-to-business and mass market e-commerce platforms through which on-line customers can have immediate access to many offerings across a particular sector and can pick and mix products and services to suit their needs.

As described above, Zone's executive managers are drawn from the ranks of e-Kong Group's management. In addition, Zone intends to retain certain TFG employees engaged in the day-to-operations of the businesses that Zone will acquire in Florida as a result of the TFG asset transaction. Accordingly, Zone has ample experience providing telecommunications services, and will possess the technical expertise and qualifications necessary to do so in Florida.

C. Financial Qualifications

Zone, through the strong cash position and creditworthiness of e-Kong Group, its ultimate parent corporation, has access to sufficient capital in order to provide competitive telecommunications services in Florida. 4/

IV. AUTHORITY REQUESTED AND PROPOSED SERVICES

By this Application, Zone seeks authority to provide facilities-based and resold intrastate interexchange services to residential and business customers throughout the State of Florida.

Specifically, Zone seeks authority to provide a variety of competitive telecommunications services, including the following:

- Retail and wholesale switched interLATA (and, in certain cases, intraLATA) long distance services.
- Retail and wholesale calling card services.
- Prepaid calling card services.

A copy of Zone's tariff to provide service in Florida is attached hereto as Exhibit 6. For service, billing and repair inquiries, customers will be able to contact Zone representatives 24 hours a day, seven days a week, at 1-800-233-4736 and 1-800-626-4736, or by writing to Zone Telecom, Inc., Customer Service Division, 459 Oakshade Road, Shamong, NJ 08088.

Zone hereby agrees to abide by all applicable statutes, orders, rules and regulations adopted by the Commission governing the provision of

4/ Copies of e-Kong Group's audited financial statements and related materials for the year ended December 31, 1999, are attached hereto as Exhibit 5.

telecommunications services by Zone. Because Zone will be a non-dominant, competitive provider of telecommunications services in Florida, it respectfully requests, to the extent applicable, that it be subject to the same streamlined regulatory treatment afforded other competitive carriers in Florida.

**V. GRANT OF THE REQUESTED AUTHORITY
IS IN THE PUBLIC INTEREST**

Grant of the authority requested herein will facilitate competition in the provision of a variety of telecommunications services in Florida. Grant of the requested authority and the services that Zone will provide pursuant to that authority will also serve the public interest by contributing to the full utilization of existing interexchange telecommunications plant and by providing cost effective rates for interexchange telecommunications services. As explained above, Zone's corporate parent, e-Kong Group, is a leader in the development and deployment of innovative competitive telecommunications services that aim, above all, to provide customers with flexibility and choice. Zone will be guided by the same principles as it enters the telecommunications marketplace in Florida.

By virtue of its affiliation with e-Kong Group, Zone is well qualified to provide reliable competitive telecommunications services to residential and business customers in Florida. Zone's management will bring to bear the expertise of its parent company in the provision of efficient, innovative and reliable telecommunications services throughout Florida.

CONCLUSION

For the reasons described above, Zone respectfully requests that the Commission grant it the approval requested herein on an expedited basis.

Respectfully submitted,

ZONE TELECOM, INC.



Lawton Bloom
Vice President and Secretary
Zone Telecom, Inc.
279 Harvard Street, Suite 21
Cambridge, MA 02139
Tel: 617-876-3002
Fax: 617-687-7791
E-Mail: lbloom@mindspring.com

Mace J. Rosenstein
Jennifer A. Purvis
Hogan & Hartson L.L.P.
555 Thirteenth Street, N.W.
Washington, D.C. 20004
Tel: 202-637-5600
Fax: 202-637-5910
E-Mail: mjrosenstein@hhlaw.com
jpurvis@hhlaw.com

Its attorneys

Dated: September 29, 2000

EXHIBIT 1

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF "ZONE TELECOM, INC.", FILED IN THIS OFFICE ON THE THIRTEENTH DAY OF JUNE, A.D. 2000, AT 2 O'CLOCK P.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.



A handwritten signature in cursive script, reading "Edward J. Freel".

Edward J. Freel, Secretary of State

3242585 8100

001299580

AUTHENTICATION: 0495091

DATE: 06-14-00

CERTIFICATE OF INCORPORATION

OF

ZONE TELECOM, INC.

The undersigned, a natural person, for the purposes of organizing a corporation for conducting the business and promoting the purposes hereinafter stated, under the provisions and subject to the requirements of the laws of the State of Delaware (particularly Chapter 1, Title 8 of the Delaware Code and the acts amendatory thereof and supplemental thereto, and generally known as the "General Corporation Law of the State of Delaware"), hereby certifies that:

FIRST: The name of the corporation (hereinafter called the "Corporation") is Zone Telecom, Inc.

SECOND: The address, including street, number, city, and county, of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, City of Wilmington, County of New Castle, State of Delaware 19801; and the name of the registered agent of the Corporation in the State of Delaware at such address is The Corporation Trust Company.

THIRD: The nature of the business and the purposes to be conducted and promoted by the Corporation, shall be to engage in any lawful business, to promote any lawful purpose, and to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares of stock which the Corporation shall have authority to issue is Three Thousand (3,000) shares of Common Stock, \$0.01 par value per share.

FIFTH: The name and the mailing address of the incorporator are as follows:

NAMEADDRESS

Steven D. Pohl

c/o Brown, Rudnick, Freed & Gesmer
One Financial Center
Boston, MA 02111

SIXTH: The Corporation shall have perpetual existence.

SEVENTH: Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this

Corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

EIGHTH: For the management of the business and for the conduct of the affairs of the Corporation, and in further definition, limitation and regulation of the powers of the Corporation and of its directors and of its stockholders or any class thereof, as the case may be, it is further provided that:

1. The business of the Corporation shall be conducted by the officers of the Corporation under the supervision of the Board of Directors.
2. The number of directors which shall constitute the whole Board of Directors shall be fixed by, or in the manner provided in, the By-Laws. No election of Directors need be by written ballot.
3. The Board of Directors of the Corporation may adopt, amend or repeal the By-Laws of the Corporation at any time after the original adoption of the By-Laws according to Section 109 of the General Corporation Law of the State of Delaware; provided, however, that any amendment to provide for the classification of directors of the Corporation for staggered terms pursuant to the provisions of subsection (d) of Section 141 of the General Corporation Law of the State of Delaware shall be set forth in an amendment to this Certificate of Incorporation, in an initial By-Law, or in a By-Law adopted by the stockholders of the Corporation entitled to vote.

NINTH: The Corporation may, to the fullest extent permitted by Section 145 of the General Corporation Law of the State of Delaware, as the same may be amended and supplemented, indemnify any and all persons whom it shall have power to indemnify under said section from and against any and all of the expenses, liabilities or other matters referred to in or covered by said section, and the indemnification provided for herein shall not be deemed exclusive of any other rights to which a person indemnified may be entitled under any By-Law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

TENTH: From time to time any of the provisions of this Certificate of Incorporation may be amended, altered or repealed, and other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted in the manner and at the time prescribed by said laws, and all rights at any time conferred upon the stockholders of the Corporation by this Certificate of Incorporation are granted subject to the provisions of this Article TENTH.

ELEVENTH: No director shall be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty by such director as a director. Notwithstanding the foregoing sentence, a director shall be liable to the extent provided by applicable law (i) for breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the Delaware General Corporation Law or (iv) for any transaction from which the director derived an improper personal benefit. No amendment to or repeal of this paragraph (b) of this Article ELEVENTH shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such Director occurring prior to such amendment.

Signed on the 13th day of June, 2000.



Steven D. Pohl, Incorporator

BY-LAWS

of

ZONE TELECOM, INC.

A Delaware Corporation

Adopted: June 13, 2000



Lawton Bloom, Secretary

BY-LAWS

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BY-LAWS

OF

ZONE TELECOM, INC.

(A Delaware Corporation)

ARTICLE I.

Stockholders

Section 1.1. Annual Meeting. The annual meeting of the stockholders of the corporation shall be held on such date as shall be fixed by the Board of Directors, at such time and place within or without the State of Delaware as may be designated in the notice of meeting. If the day fixed for the annual meeting shall fall on a legal holiday, the meeting shall be held on the next succeeding day not a legal holiday. If the annual meeting is omitted on the day herein provided, a special meeting may be held in place thereof, and any business transacted at such special meeting in lieu of annual meeting shall have the same effect as if transacted or held at the annual meeting.

Section 1.2. Special Meetings. Special meetings of the stockholders may be called at any time by the president or by the board of directors. Special meetings of the stockholders shall be held at such time, date and place within or outside of the State of Delaware as may be designated in the notice of such meeting.

Section 1.3. Notice of Meeting. A written notice stating the place, date, and hour of each meeting of the stockholders, and, in the case of a special meeting, the purposes for which the meeting is called, shall be given to each stockholder entitled to vote at such meeting, and to each stockholder who, under the Certificate of Incorporation or these By-laws, is entitled to such notice, by delivering such notice to such person or leaving it at their residence or usual place of business, or by mailing it, postage prepaid, and addressed to such stockholder at his address as it appears upon the books of the corporation, at least ten (10) days and not more than sixty (60) before the meeting. Such notice shall be given by the secretary, an assistant secretary, or any other officer or person designated either by the secretary or by the person or persons calling the meeting.

The requirement of notice to any stockholder may be waived (i) by a written waiver of notice, executed before or after the meeting by the stockholder or his attorney thereunto duly authorized, and filed with the records of the meeting, (ii) if communication with such stockholder is unlawful, (iii) by attendance at the meeting without protesting prior thereto or at its commencement the lack of notice, or (iv) as otherwise excepted by law. A waiver of notice of any regular or special meeting of the stockholders need not specify the purposes of the meeting.

If a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place are announced at the meeting at which the adjournment is taken, except that if the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 1.4. Quorum. The holders of a majority in interest of all stock issued, outstanding and entitled to vote at a meeting shall constitute a quorum. Any meeting may be adjourned from time to time by a majority of the votes properly cast upon the question, whether or not a quorum is present.

Section 1.5. Voting and Proxies. Stockholders shall have one vote for each share of stock entitled to vote owned by them of record according to the books of the corporation, unless otherwise provided by law or by the Certificate of Incorporation. Stockholders may vote either in person or by written proxy, but no proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. Proxies shall be filed with the secretary of the meeting, or of any adjournment thereof. Except as otherwise limited therein, proxies shall entitle the persons authorized thereby to vote at any adjournment of such meeting. A proxy purporting to be executed by or on behalf of a stockholder shall be deemed valid unless challenged at or prior to its exercise and the burden of proving invalidity shall rest on the challenger. A proxy with respect to stock held in the name of two or more persons shall be valid if executed by one of them unless at or prior to exercise of the proxy the corporation receives a specific written notice to the contrary from any one of them.

Section 1.6. Action at Meeting. When a quorum is present at any meeting, a plurality of the votes properly cast for election to any office shall elect to such office, and a majority of the votes properly cast upon any question other than election to an office shall decide such question, except where a larger vote is required by law, the Certificate of Incorporation or these by-laws. No ballot shall be required for any election unless requested by a stockholder present or represented at the meeting and entitled to vote in the election.

Section 1.7. Action Without Meeting. Any action required or permitted to be taken at any meeting of the stockholders may be taken without a meeting without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of the minimum number of votes necessary to authorize or take such action at a meeting at which shares entitled to vote thereon were present and voted and copies are delivered to the corporation in the manner prescribed by law.

Section 1.8. Voting of Shares of Certain Holders. Shares of stock of the corporation standing in the name of another corporation, domestic or foreign, may be voted by such officer, agent, or proxy as the by-laws of such corporation may prescribe, or, in the absence of such provision, as the board of directors of such corporation may determine.

Shares of stock of the corporation standing in the name of a deceased person, a minor ward or an incompetent person, may be voted by his administrator, executor, court-appointed guardian or conservator without a transfer of such shares into the name of such administrator, executor, court appointed guardian or conservator. Shares of capital stock of the corporation standing in the name of a trustee or fiduciary may be voted by such trustee or fiduciary.

Shares of stock of the corporation standing in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into his name if authority so to do be contained in an appropriate order of the court by which such receiver was appointed.

A stockholder whose shares are pledged shall be entitled to vote such shares unless in the transfer by the pledgor on the books of the corporation he expressly empowered the pledgee to vote thereon, in which case only the pledgee or its proxy shall be entitled to vote the shares so transferred.

Shares of its own stock belonging to this corporation shall not be voted, directly or indirectly, at any meeting and shall not be counted in determining the total number of outstanding shares at any given time, but shares of its own stock held by the corporation in a fiduciary capacity may be voted and shall be counted in determining the total number of outstanding shares.

Section 1.9. Stockholder Lists. The secretary (or the corporation's transfer agent or other person authorized by these By-laws or by law) shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical

order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

ARTICLE II.

Board of Directors

Section 2.1. Powers. Except as reserved to the stockholders by law, by the Certificate of Incorporation or by these By-laws, the business of the corporation shall be managed under the direction of the board of directors, who shall have and may exercise all of the powers of the corporation. In particular, and without limiting the foregoing, the board of directors shall have the power to issue or reserve for issuance from time to time the whole or any part of the capital stock of the corporation which may be authorized from time to time to such person, for such consideration and upon such terms and conditions as they shall determine, including the granting of options, warrants or conversion or other rights to stock.

Section 2.2. Number of Directors; Qualifications. The board of directors shall consist of such number of directors, not less than one (1) nor more than twelve (12), as shall be fixed initially by the incorporator(s) and thereafter by the board of directors. No director need be a stockholder.

Section 2.3. Nomination of Directors.

(a) Nominations for the election of directors may be made by the board of directors or by any stockholder entitled to vote for the election of directors. Nominations by stockholders shall be made by notice in writing, delivered or mailed by first class United States mail, postage prepaid, to the secretary of the corporation not less than 14 days nor more than 60 days prior to any meeting of the stockholders called for the election of directors; provided, however, that if less than 21 written days' notice of the meeting is given to stockholders, such notice of nomination by a stockholder shall be delivered or mailed, in the manner prescribed above, to the secretary of the corporation not later than the close of the fifth day following the day on which notice of the meeting was mailed to stockholders.

(b) Each notice under subsection (a) shall set forth (i) the name, age, business address and, if known, residence address of each nominee proposed in such notice, (ii) the principal occupation or employment of each such nominee, and (iii) the number of shares of stock of the corporation which are beneficially owned by each such nominee.

(c) The chairman of the meeting of stockholders shall determine whether or not a nomination was made in accordance with the procedures of this Section 2.3, and if he shall determine that it was not, he shall so declare to the meeting and the defective nomination shall be disregarded.

Section 2.4. Election of Directors. The initial board of directors shall be designated in the certificate of incorporation, or if not so designated, elected by the incorporator(s) at the first meeting thereof. Thereafter, directors shall be elected by the stockholders at their annual meeting or at any special meeting the notice of which specifies the election of directors as an item of business for such meeting.

Section 2.5. Vacancies; Reduction of the Board. Any vacancy in the board of directors, however occurring, including a vacancy resulting from the enlargement of the board of directors, may be filled by the stockholders or by the directors then in office or by a sole remaining director. In lieu of filling any such vacancy the stockholders or board of directors may reduce the number of directors, but not to a

number less than one (1). When one or more directors shall resign from the board of directors, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective.

Section 2.6. Enlargement of the Board. The board of directors may be enlarged by the stockholders at any meeting or by vote of a majority of the directors then in office.

Section 2.7. Tenure and Resignation. Except as otherwise provided by law, by the Certificate of Incorporation or by these By-laws, directors shall hold office until the next annual meeting of stockholders and thereafter until their successors are chosen and qualified. Any director may resign by delivering or mailing postage prepaid a written resignation to the corporation at its principal office or to the president, secretary or assistant secretary, if any. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event.

Section 2.8. Removal. A director, whether elected by the stockholders or directors, may be removed from office with or without cause at any annual or special meeting of stockholders by vote of a majority of the stockholders entitled to vote in the election of such directors, or for cause by a vote of a majority of the directors then in office; provided, however, that a director may be removed for cause only after reasonable notice and opportunity to be heard before the body proposing to remove him.

Section 2.9. Meetings. Regular meetings of the board of directors may be held without call or notice at such times and such places within or without the State of Delaware as the board may, from time to time, determine, provided that notice of the first regular meeting following any such determination shall be given to directors absent from such determination. A regular meeting of the board of directors shall be held without notice immediately after, and at the same place as, the annual meeting of the stockholders or the special meeting of the stockholders held in place of such annual meeting, unless a quorum of the directors is not then present. Special meetings of the board of directors may be held at any time and at any place designated in the call of the meeting when called by the president, treasurer, or one or more directors. Members of the board of directors or any committee elected thereby may participate in a meeting of such board or committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time, and participation by such means shall constitute presence in person at the meeting.

Section 2.10. Notice of Meeting. It shall be sufficient notice to a director to send notice by mail at least seventy-two (72) hours before the meeting addressed to such person at his usual or last known business or residence address or to give notice to such person in person or by telephone at least twenty-four (24) hours before the meeting. Notice shall be given by the secretary, or in his absence or unavailability, may be given by an assistant secretary, if any, or by the officer or directors calling the meeting. The requirement of notice to any director may be waived by a written waiver of notice, executed by such person before or after the meeting or meetings, and filed with the records of the meeting, or by attendance at the meeting without protesting prior thereto or at its commencement the lack of notice. A notice or waiver of notice of a directors' meeting need not specify the purposes of the meeting.

Section 2.11. Agenda. Any lawful business may be transacted at a meeting of the board of directors, notwithstanding the fact that the nature of the business may not have been specified in the notice or waiver of notice of the meeting.

Section 2.12. Quorum. At any meeting of the board of directors, a majority of the directors then in office shall constitute a quorum for the transaction of business. Any meeting may be adjourned by a majority of the votes cast upon the question, whether or not a quorum is present, and the meeting may be held as adjourned without further notice.

Section 2.13. Action at Meeting. Any motion adopted by vote of the majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors, except where a different vote is required by law, by the Certificate of Incorporation or by these By-laws. The assent in writing of any director to any vote or action of the directors taken at any meeting, whether or not a quorum was present and whether or not the director had or waived notice of the meeting, shall have the same effect as if the director so assenting was present at such meeting and voted in favor of such vote or action.

Section 2.14. Action Without Meeting. Any action by the directors may be taken without a meeting if all of the directors consent to the action in writing and the consents are filed with the records of the directors' meetings. Such consent shall be treated for all purposes as a vote of the directors at a meeting.

Section 2.15. Committees. The board of directors may, by the affirmative vote of a majority of the directors then in office, appoint an executive committee or other committees consisting of one or more directors and may by vote delegate to any such committee some or all of their powers except those which by law, the Certificate of Incorporation or these By-laws they may not delegate. In the absence or disqualification of a member of a committee, the members of the committee present and not disqualified, whether or not they constitute a quorum, may by unanimous vote appoint another member of the board of directors to act at the meeting in place of the absence or disqualified member. Unless the board of directors shall otherwise provide, any such committee may make rules for the conduct of its business, but unless otherwise provided by the board of directors or such rules, its meetings shall be called, notice given or waived, its business conducted or its action taken as nearly as may be in the same manner as is provided in these By-laws with respect to meetings or for the conduct of business or the taking of actions by the board of directors. The board of directors shall have power at any time to fill vacancies in, change the membership of, or discharge any such committee at any time. The board of directors shall have power to rescind any action of any committee, but no such rescission shall have retroactive effect.

ARTICLE III.

Officers

Section 3.1. Enumeration. The officers shall consist of a president, a treasurer, a secretary and such other officers and agents (including one or more vice-presidents, assistant treasurers and assistant secretaries), as the board of directors may, in their discretion, determine.

Section 3.2. Election. The president, treasurer and secretary shall be elected annually by the directors at their first meeting following the annual meeting of the stockholders or any special meeting held in lieu of the annual meeting. Other officers may be chosen by the directors at such meeting or at any other meeting.

Section 3.3. Qualification. An officer may, but need not, be a director or stockholder. Any two or more offices may be held by the same person. Any officer may be required by the directors to give bond for the faithful performance of his duties to the corporation in such amount and with such sureties as the directors may determine. The premiums for such bonds may be paid by the corporation.

Section 3.4. Tenure. Except as otherwise provided by the Certificate of Incorporation or these By-laws, the term of office of each officer shall be for one year or until his successor is elected and qualified or until his earlier resignation or removal.

Section 3.5. Removal. Any officer may be removed from office, with or without cause, by the affirmative vote of a majority of the directors then in office; provided, however, that an officer may be removed for cause only after reasonable notice and opportunity to be heard by the board of directors prior to action thereon.

Section 3.6. Resignation. Any officer may resign by delivering or mailing postage prepaid a written resignation to the corporation at its principal office or to the president, secretary, or assistant secretary, if any, and such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some event.

Section 3.7. Vacancies. A vacancy in any office arising from any cause may be filled for the unexpired portion of the term by the board of directors.

Section 3.8. President. The president shall be the chief executive officer of the corporation. Except as otherwise voted by the board of directors, the president shall preside at all meetings of the stockholders and of the board of directors at which present. The president shall have such duties and powers as are commonly incident to the office and such duties and powers as the board of directors shall from time to time designate.

Section 3.9. Vice-President(s). The vice-president(s), if any, shall have such powers and perform such duties as the board of directors may from time to time determine.

Section 3.10. Treasurer and Assistant Treasurers. The treasurer, subject to the direction and under the supervision and control of the board of directors, shall have general charge of the financial affairs of the corporation. The treasurer shall have custody of all funds, securities and valuable papers of the corporation, except as the board of directors may otherwise provide. The treasurer shall keep or cause to be kept full and accurate records of account which shall be the property of the corporation, and which shall be always open to the inspection of each elected officer and director of the corporation. The treasurer shall deposit or cause to be deposited all funds of the corporation in such depository or depositories as may be authorized by the board of directors. The treasurer shall have the power to endorse for deposit or collection all notes, checks, drafts, and other negotiable instruments payable to the corporation. The treasurer shall perform such other duties as are incidental to the office, and such other duties as may be assigned by the board of directors.

Assistant treasurers, if any, shall have such powers and perform such duties as the board of directors may from time to time determine.

Section 3.11. Secretary and Assistant Secretaries. The secretary shall record, or cause to be recorded, all proceedings of the meetings of the stockholders and directors (including committees thereof) in the book of records of this corporation. The record books shall be open at reasonable times to the inspection of any stockholder, director, or officer. The secretary shall notify the stockholders and directors, when required by law or by these By-laws, of their respective meetings, and shall perform such other duties as the directors and stockholders may from time to time prescribe. The secretary shall have the custody and charge of the corporate seal, and shall affix the seal of the corporation to all instruments requiring such seal, and shall certify under the corporate seal the proceedings of the directors and of the stockholders, when required. In the absence of the secretary at any such meeting, a temporary secretary shall be chosen who shall record the proceedings of the meeting in the aforesaid books.

Assistant secretaries, if any, shall have such powers and perform such duties as the board of directors may from time to time designate.

Section 3.12. Other Powers and Duties. Subject to these By-laws and to such limitations as the board of directors may from time to time prescribe, the officers of the corporation shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as from time to time may be conferred by the board of directors.

ARTICLE IV.

Capital Stock

Section 4.1. Stock Certificates. Each stockholder shall be entitled to a certificate representing the number of shares of the capital stock of the corporation owned by such person in such form as shall, in conformity to law, be prescribed from time to time by the board of directors. Each certificate shall be signed by the president or vice-president and treasurer or assistant treasurer or such other officers designated by the board of directors from time to time as permitted by law, shall bear the seal of the corporation, and shall express on its face its number, date of issue, class, the number of shares for which, and the name of the person to whom, it is issued. The corporate seal and any or all of the signatures of corporation officers may be facsimile if the stock certificate is manually counter-signed by an authorized person on behalf of a transfer agent or registrar other than the corporation or its employee.

If an officer, transfer agent or registrar who has signed, or whose facsimile signature has been placed on, a certificate shall have ceased to be such before the certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar at the time of its issue.

Section 4.2. Transfer of Shares. Title to a certificate of stock and to the shares represented thereby shall be transferred only on the books of the corporation by delivery to the corporation or its transfer agent of the certificate properly endorsed, or by delivery of the certificate accompanied by a written assignment of the same, or a properly executed written power of attorney to sell, assign or transfer the same or the shares represented thereby. Upon surrender of a certificate for the shares being transferred, a new certificate or certificates shall be issued according to the interests of the parties.

Section 4.3. Record Holders. Except as otherwise may be required by law, by the Certificate of Incorporation or by these By-laws, the corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to vote with respect thereto, regardless of any transfer, pledge or other disposition of such stock, until the shares have been transferred on the books of the corporation in accordance with the requirements of these By-laws.

It shall be the duty of each stockholder to notify the corporation of his post office address.

Section 4.4. Record Date. In order that the corporation may determine the stockholders entitled to receive notice of or to vote at any meeting of stockholders or any adjournments thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than sixty days prior to any other action. In such case only stockholders of record on such record date shall be so entitled notwithstanding any transfer of stock on the books of the corporation after the record date.

If no record date is fixed: (i) the record date for determining stockholders entitled to receive notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; (ii) the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the board of directors is necessary, shall be the day on which the first written consent is expressed; and (iii) the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

Section 4.5. Transfer Agent and Registrar for Shares of Corporation. The board of directors may appoint a transfer agent and a registrar of the certificates of stock of the corporation. Any transfer agent so appointed shall maintain, among other records, a stockholders' ledger, setting forth the names and addresses of the holders of all issued shares of stock of the corporation, the number of shares held by each, the certificate numbers representing such shares, and the date of issue of the certificates representing such shares. Any registrar so appointed shall maintain, among other records, a share register, setting forth the total number of shares of each class of shares which the corporation is authorized to issue and the total number of shares actually issued. The stockholders' ledger and the share register are hereby identified as the stock transfer books of the corporation; but as between the stockholders' ledger and the share register, the names and addresses of stockholders, as they appear on the stockholders' ledger maintained by the transfer agent shall be the official list of stockholders of record of the corporation. The name and address of each stockholder of record, as they appear upon the stockholders' ledger, shall be conclusive evidence of who are the stockholders entitled to receive notice of the meetings of stockholders, to vote at such meetings, to examine a complete list of the stockholders entitled to vote at meetings, and to own, enjoy and exercise any other property or rights deriving from such shares against the corporation. Stockholders, but not the corporation, its directors, officers, agents or attorneys, shall be responsible for notifying the transfer agent, in writing, of any changes in their names or addresses from time to time, and failure to do so will relieve the corporation, its other stockholders, directors, officers, agents and attorneys, and its transfer agent and registrar, of liability for failure to direct notices or other documents, or pay over or transfer dividends or other property or rights, to a name or address other than the name and address appearing in the stockholders' ledger maintained by the transfer agent.

Section 4.6. Loss of Certificates. In case of the loss, destruction or mutilation of a certificate of stock, a replacement certificate may be issued in place thereof upon such terms as the board of directors may prescribe, including, in the discretion of the board of directors, a requirement of bond and indemnity to the corporation.

Section 4.7. Restrictions on Transfer. Every certificate for shares of stock which are subject to any restriction on transfer, whether pursuant to the Certificate of Incorporation, the By-laws or any agreement to which the corporation is a party, shall have the fact of the restriction noted conspicuously on the certificate and shall also set forth on the face or back either the full text of the restriction or a statement that the corporation will furnish a copy to the holder of such certificate upon written request and without charge.

Section 4.8. Multiple Classes of Stock. The amount and classes of the capital stock and the par value, if any, of the shares, shall be as fixed in the Certificate of Incorporation. At all times when there are two or more classes of stock, the several classes of stock shall conform to the description and the terms and have the respective preferences, voting powers, restrictions and qualifications set forth in the Certificate of Incorporation and these By-laws. Every certificate issued when the corporation is authorized to issue more than one class or series of stock shall set forth on its face or back either (i) the full text of the preferences, voting powers, qualifications and special and relative rights of the shares of each class and series authorized to be issued, or (ii) a statement of the existence of such preferences, powers, qualifications and rights, and a statement that the corporation will furnish a copy thereof to the holder of such certificate upon written request and without charge.

ARTICLE V.

Dividends

Section 5.1. Declaration of Dividends. Except as otherwise required by law or by the Certificate of Incorporation, the board of directors may, in its discretion, declare what, if any, dividends shall be paid from the surplus or from the net profits of the corporation for the current or preceding fiscal year, or as otherwise permitted by law. Dividends may be paid in cash, in property, in shares of the corporation's

stock, or in any combination thereof. Dividends shall be payable upon such dates as the board of directors may designate.

Section 5.2. Reserves. Before the payment of any dividend and before making any distribution of profits, the board of directors, from time to time and in its absolute discretion, shall have power to set aside out of the surplus or net profits of the corporation such sum or sums as the board of directors deems proper and sufficient as a reserve fund to meet contingencies or for such other purpose as the board of directors shall deem to be in the best interests of the corporation, and the board of directors may modify or abolish any such reserve.

ARTICLE VI.

Powers of Officers to Contract

With the Corporation

Any and all of the directors and officers of the corporation, notwithstanding their official relations to it, may enter into and perform any contract or agreement of any nature between the corporation and themselves, or any and all of the individuals from time to time constituting the board of directors of the corporation, or any firm or corporation in which any such director may be interested, directly or indirectly, whether such individual, firm or corporation thus contracting with the corporation shall thereby derive personal or corporate profits or benefits or otherwise; provided, that (i) the material facts of such interest are disclosed or are known to the board of directors or committee thereof which authorizes such contract or agreement; (ii) if the material facts as to such person's relationship or interest are disclosed or are known to the stockholders entitled to vote thereon, and the contract is specifically approved in good faith by a vote of the stockholders; or (iii) the contract or agreement is fair as to the corporation as of the time it is authorized, approved or ratified by the board of directors, a committee thereof, or the stockholders. Any director of the corporation who is interested in any transaction as aforesaid may nevertheless be counted in determining the existence of a quorum at any meeting of the board of directors which shall authorize or ratify any such transaction. This Article shall not be construed to invalidate any contract or other transaction which would otherwise be valid under the common or statutory law applicable thereto.

ARTICLE VII

Indemnification

Section 7.1. Definitions. For purposes of this Article VII the following terms shall have the meanings indicated:

"Corporate Status" describes the status of a person who is or was a director, Officer, employee, agent, trustee or fiduciary of the corporation or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such person is or was serving at the express written request of the corporation.

"Court" means the Court of Chancery of the State of Delaware, the court in which the Proceeding in respect of which indemnification is sought by a Covered Person shall have been brought or is pending, or another court having subject matter jurisdiction and personal jurisdiction over the parties.

"Covered Person" means a person who is a present or former director or Officer of the corporation and shall include such person's legal representatives, heirs, executors and administrators.

"Disinterested" describes any individual, whether or not that individual is a director, Officer, employee or agent of the corporation, who is not and was not and is not threatened to be made a party to

the Proceeding in respect of which indemnification, advancement of Expenses or other action is sought by a Covered Person.

"Expenses" shall include, without limitation, all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating or being or preparing to be a witness in a Proceeding.

"Good Faith" shall mean a Covered Person having acted in good faith and in a manner such Covered Person reasonably believed to be in or not opposed to the best interests of the corporation or, in the case of an employee benefit plan, the best interests of the participants or beneficiaries of said plan, as the case may be, and, with respect to any Proceeding which is criminal in nature, having had no reasonable cause to believe such Covered Person's conduct was unlawful.

"Improper Personal Benefit" shall include, but not be limited to, the personal gain in fact by reason of a person's Corporate Status of a financial profit, monies or other advantage not also accruing to the benefit of the corporation or to the stockholders generally and which is unrelated to his usual compensation including, but not limited to, (i) in exchange for the exercise of influence over the corporation's affairs, (ii) as a result of the diversion of corporate opportunity, or (iii) pursuant to the use or communication of confidential or inside information for the purpose of generating a profit from trading in the corporation's securities. Notwithstanding the foregoing, "Improper Personal Benefit" shall not include any benefit, directly or indirectly, related to actions taken in order to evaluate, discourage, resist, prevent or negotiate any transaction with or proposal from any person or entity seeking control of, or a controlling interest in, the corporation.

"Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and may include law firms or members thereof that are regularly retained by the corporation but not by any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the standards of professional conduct then prevailing and applicable to such counsel, would have a conflict of interest in representing either the corporation or Covered Person in an action to determine the Covered Person's rights under this Article.

"Officer" means the president, vice presidents, treasurer, assistant treasurer(s), secretary, assistant secretary and such other executive officers as are appointed by the board of directors of the corporation and explicitly entitled to indemnification hereunder.

"Proceeding" includes any actual, threatened or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation (including any internal corporate investigation), administrative hearing or any other proceeding, whether civil, criminal, administrative or investigative, other than one initiated by the Covered Person, but including one initiated by a Covered Person for the purpose of enforcing such Covered Person's rights under this Article to the extent provided in Section 7.14 of this Article. "Proceeding" shall not include any counterclaim brought by any Covered Person other than one arising out of the same transaction or occurrence that is the subject matter of the underlying claim.

Section 7.2. Right to Indemnification in General.

(a) Covered Persons. The corporation may indemnify, and may advance Expenses, to each Covered Person who is, was or is threatened to be made a party or otherwise involved in any Proceeding, as provided in this Article and to the fullest extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may hereafter from time to time permit.

The indemnification provisions in this Article shall be deemed to be a contract between the corporation and each Covered Person who serves in any Corporate Status at any time while these provisions as well as the relevant provisions of the Delaware General Corporation Law are in effect, and any repeal or modification thereof shall not affect any right or obligation then existing with respect to any state of facts then or previously existing or any Proceeding previously or thereafter brought or threatened based in whole or in part upon any such state of facts. Such a contract right may not be modified retroactively without the consent of such Covered Person.

(b) Employees and Agents. The corporation may, to the extent authorized from time to time by the board of directors, grant indemnification and the advancement of Expenses to any employee or agent of the corporation to the fullest extent of the provisions of this Article with respect to the indemnification and advancement of Expenses of Covered Persons.

Section 7.3. Proceedings Other Than Proceedings by or in the Right of the Corporation. Each Covered Person may be entitled to the rights of indemnification provided in this Section 7.3 if, by reason of such Covered Person's Corporate Status, such Covered Person is, was or is threatened to be made, a party to or is otherwise involved in any Proceeding, other than a Proceeding by or in the right of the corporation. Each Covered Person may be indemnified against Expenses, judgments, penalties, fines and amounts paid in settlements, actually and reasonably incurred by such Covered Person or on such Covered Person's behalf in connection with such Proceeding or any claim, issue or matter therein, if such Covered Person acted in Good Faith and such Covered Person has not been adjudged during the course of such proceeding to have derived an *Improper Personal Benefit* from the transaction or occurrence forming the basis of such Proceeding.

Section 7.4. Proceedings by or in the Right of the Corporation. Each Covered Person may be entitled to the rights of indemnification provided in this Section 7.4 if, by reason of such Covered Person's Corporate Status, such Covered Person is, or is threatened to be made, a party to or is otherwise involved in any Proceeding brought by or in the right of the corporation to procure a judgment in its favor. Such Covered Person may be indemnified against Expenses, judgments, penalties, and amounts paid in settlement, actually and reasonably incurred by such Covered Person or on such Covered Person's behalf in connection with such Proceeding if such Covered Person acted in Good Faith and such Covered Person has not been adjudged during the course of such proceeding to have derived an *Improper Personal Benefit* from the transaction or occurrence forming the basis of such Proceeding. Notwithstanding the foregoing, no such indemnification shall be made in respect of any claim, issue or matter in such Proceeding as to which such Covered Person shall have been adjudged to be liable to the corporation if applicable law prohibits such indemnification; provided, however, that, if applicable law so permits, indemnification shall nevertheless be made by the corporation in such event if and only to the extent that the Court which is considering the matter shall so determine.

Section 7.5. Indemnification of a Party Who is Wholly or Partly Successful. Notwithstanding any provision of this Article to the contrary, to the extent that a Covered Person is, by reason of such Covered Person's Corporate Status, a party to or is otherwise involved in and is successful, on the merits or otherwise, in any Proceeding, such Covered Person shall be indemnified to the maximum extent permitted by law, against all Expenses, judgments, penalties, fines, and amounts paid in settlement, actually and reasonably incurred by such Covered Person or on such Covered Person's behalf in connection therewith. If such Covered Person is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the corporation shall indemnify such Covered Person to the maximum extent permitted by law, against all Expenses, judgments, penalties, fines, and amounts paid in settlement, actually and reasonably incurred by such Covered Person or on such Covered Person's behalf in connection with each successfully resolved claim, issue or matter. For purposes of this Section 7.5 and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

Section 7.6. Indemnification for Expenses of a Witness. Notwithstanding any provision of this Article to the contrary, to the extent that a Covered Person is, by reason of such Covered Person's Corporate Status, a witness in any Proceeding, such Covered Person shall be indemnified against all Expenses actually and reasonably incurred by such Covered Person or on such Covered Person's behalf in connection therewith.

Section 7.7. Advancement of Expenses. Notwithstanding any provision of this Article to the contrary, the corporation may advance all reasonable Expenses which, by reason of a Covered Person's Corporate Status, were incurred by or on behalf of such Covered Person in connection with any Proceeding, within thirty (30) days after the receipt by the corporation of a statement or statements from such Covered Person requesting such advance or advances, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by the Covered Person and shall include or be preceded or accompanied by an undertaking by or on behalf of the Covered Person to repay any Expenses if such Covered Person shall be adjudged to be not entitled to be indemnified against such Expenses. Any advance and undertaking to repay pursuant to this Section 7.7 may be unsecured interest-free, as the corporation sees fit. Advancement of Expenses pursuant to this Section 7.7 shall not require approval of the board of directors or the stockholders of the corporation, or of any other person or body. The secretary of the corporation shall promptly advise the Board in writing of the request for advancement of Expenses, of the amount and other details of the request and of the undertaking to make repayment provided pursuant to this Section 7.7.

Section 7.8. Notification and Defense of Claim. Promptly after receipt by a Covered Person of notice of the commencement of any Proceeding, such Covered Person shall, if a claim is to be made against the corporation under this Article, notify the corporation of the commencement of the Proceeding. The failure to notify the corporation will not relieve the corporation from any liability which it may have to such Covered Person otherwise than under this Article. With respect to any such Proceedings to which such Covered Person notifies the corporation:

(a) The corporation will be entitled to participate in the defense at its own expense.

(b) Except as otherwise provided below in this subparagraph (b), the corporation (jointly with any other indemnifying party similarly notified) will be entitled to assume the defense with counsel reasonably satisfactory to the Covered Person. After notice from the corporation to the Covered Person of its election to assume the defense of a suit, the corporation will not be liable to the Covered Person under this Article for any legal or other expenses subsequently incurred by the Covered Person in connection with the defense of the Proceeding other than reasonable costs of investigation or as otherwise provided below in this subparagraph (b). The Covered Person shall have the right to employ his own counsel in such Proceeding but the fees and expenses of such counsel incurred after notice from the corporation of its assumption of the defense shall be at the expense of the Covered Person except as provided in this paragraph. The fees and expenses of counsel shall be at the expense of the corporation if (i) the employment of counsel by the Covered Person has been authorized by the corporation, (ii) the Covered Person shall have concluded reasonably that there may be a conflict of interest between the corporation and the Covered Person in the conduct of the defense of such action and such conclusion is confirmed in writing by the corporation's outside counsel regularly employed by it in connection with corporate matters, or (iii) the corporation shall not in fact have employed counsel to assume the defense of such Proceeding. The corporation shall be entitled to participate in, but shall not be entitled to assume the defense of any Proceeding brought by or in the right of the corporation or as to which the Covered Person shall have made the conclusion provided for in (ii) above and such conclusion shall have been so confirmed by the corporation's said outside counsel.

(c) Notwithstanding any provision of this Article to the contrary, the corporation shall not be obligated to indemnify the Covered Person under this Article for any amounts paid in settlement of any Proceeding effected without its written consent. The corporation shall not settle any Proceeding or claim in any manner which would impose any penalty, limitation or disqualification of the Covered Person for

any purpose without such Covered Person's written consent. Neither the corporation nor the Covered Person will unreasonably withhold their consent to any proposed settlement.

(d) *If it is determined that the Covered Person is entitled to indemnification other than as afforded under subparagraph (b) above, payment to the Covered Person of the additional amounts for which he is to be indemnified shall be made within ten (10) days after such determination.*

Section 7.9. Procedures.

(a) **Method of Determination.** A determination (as provided for by this Article or if required by applicable law in the specific case) with respect to a Covered Person's entitlement to indemnification shall be made either (a) by the board of directors by a majority vote of a quorum consisting of Disinterested directors, or (b) in the event that a quorum of the board of directors consisting of Disinterested directors is not obtainable or, even if obtainable, such quorum of Disinterested directors so directs, by Independent Counsel in a written determination to the board of directors, a copy of which shall be delivered to the Covered Person seeking indemnification, or (c) by the vote of the holders of a majority of the corporation's capital stock outstanding at the time entitled to vote thereon.

(b) **Initiating Request.** A Covered Person who seeks indemnification under this Article shall submit a Request for Indemnification, including such documentation and information as is reasonably available to such Covered Person and is reasonably necessary to determine whether and to what extent such Covered Person is entitled to indemnification.

(c) **Presumptions.** In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall not presume that the Covered Person is or is not entitled to indemnification under this Article.

(d) **Burden of Proof.** Each Covered Person shall bear the burden of going forward and demonstrating sufficient facts to support his claim for entitlement to indemnification under this Article. That burden shall be deemed satisfied by the submission of an initial Request for Indemnification pursuant to Section 7.9(b) above.

(e) **Effect of Other Proceedings.** The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of guilty or of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Article) of itself adversely affect the right of a Covered Person to indemnification or create a presumption that a Covered Person did not act in Good Faith.

(f) **Actions of Others.** The knowledge, actions, or failure to act, of any director, officer, employee, agent, trustee or fiduciary of the enterprise whose daily activities the Covered Person was actually responsible for may be imputed to a Covered Person for purposes of determining the right to indemnification under this Article.

Section 7.10. Action by the Corporation. Any action, payment, advance determination other than a determination made pursuant to Section 7.9(a) above, authorization, requirement, grant of indemnification or other action taken by the corporation pursuant to this Article shall be effected exclusively through any Disinterested person so authorized by the board of directors of the corporation, including the president or any vice president of the corporation.

Section 7.11. Non-Exclusivity. The rights of indemnification and to receive advancement of Expenses as provided by this Article shall not be deemed exclusive of any other rights to which a Covered Person may at any time be entitled under applicable law, the Certificate of Incorporation, these By-Laws, any agreement, a vote of stockholders or a resolution of the board of directors, or otherwise. No amendment, alteration, rescission or replacement of this Article or any provision hereof shall be

effective as to an Covered Person with respect to any action taken or omitted by such Covered Person in such Covered Person's Corporate Status or with respect to any state of facts then or previously existing or any Proceeding previously or thereafter brought or threatened based in whole or to the extent based in part upon any such state of facts existing prior to such amendment, alteration, rescission or replacement.

Section 7.12. Insurance. The corporation may maintain, at its expense, an insurance policy or policies to protect itself and any Covered Person, officer, employee or agent of the corporation or another enterprise against liability arising out of this Article or otherwise, whether or not the corporation would have the power to indemnify any such person against such liability under the Delaware General Corporation Law.

Section 7.13. No Duplicative Payment. The corporation shall not be liable under this Article to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that a Covered Person has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

Section 7.14. Expenses of Adjudication. In the event that any Covered Person seeks a judicial adjudication, or an award in arbitration, to enforce such Covered Person's rights under, or to recover damages for breach of, this Article, the Covered Person shall be entitled to recover from the corporation, and shall be indemnified by the corporation against, any and all expenses (of the types described in the definition of Expenses in Section 7.1 of this Article) actually and reasonably incurred by such Covered Person in seeking such adjudication or arbitration, but only if such Covered Person prevails therein. If it shall be determined in such adjudication or arbitration that the Covered Person is entitled to receive part but not all of the indemnification of expenses sought, the expenses incurred by such Covered Person in connection with such adjudication or arbitration shall be appropriately prorated.

Section 7.15. Severability. If any provision or provisions of this Article shall be held to be invalid, illegal or unenforceable for any reason whatsoever:

(a) the validity, legality and enforceability of the remaining provisions of this Article (including without limitation, each portion of any Section of this Article containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and

(b) to the fullest extent possible, the provisions of this Article (including, without limitation, each portion of any Section of this Article containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

ARTICLE VIII.

Miscellaneous Provisions

Section 8.1. Certificate of Incorporation. All references in these By-laws to the Certificate of Incorporation shall be deemed to refer to the Certificate of Incorporation of the corporation, as amended and in effect from time to time.

Section 8.2. Fiscal Year. Except as from time to time otherwise provided by the board of directors, the fiscal year of the corporation shall end on the 31st of December of each year.

Section 8.3. Corporate Seal. The board of directors shall have the power to adopt and alter the seal of the corporation.

Section 8.4. Execution of Instruments. All deeds, leases, transfers, contracts, bonds, notes, and other obligations authorized to be executed by an officer of the corporation on its behalf shall be signed by the president or the treasurer except as the board of directors may generally or in particular cases otherwise determine.

Section 8.5. Voting of Securities. Unless the board of directors otherwise provides, the president or the treasurer may waive notice of and act on behalf of this corporation, or appoint another person or persons to act as proxy or attorney in fact for this corporation with or without discretionary power and/or power of substitution, at any meeting of stockholders or shareholders of any other corporation or organization, any of whose securities are held by this corporation.

Section 8.6. Evidence of Authority. A certificate by the secretary or any assistant secretary as to any action taken by the stockholders, directors or any officer or representative of the corporation shall, as to all persons who rely thereon in good faith, be conclusive evidence of such action. The exercise of any power which by law, by the Certificate of Incorporation, or by these By-laws, or under any vote of the stockholders or the board of directors, may be exercised by an officer of the corporation only in the event of absence of another officer or any other contingency shall bind the corporation in favor of anyone relying thereon in good faith, whether or not such absence or contingency existed.

Section 8.7. Corporate Records. The original, or attested copies, of the Certificate of Incorporation, By-laws, records of all meetings of the incorporators and stockholders, and the stock transfer books (which shall contain the names of all stockholders and the record address and the amount of stock held by each) shall be kept in Delaware at the principal office of the corporation, or at an office of the corporation, or at an office of its transfer agent or of the secretary or of the assistant secretary, if any. Said copies and records need not all be kept in the same office. They shall be available at all reasonable times to inspection of any stockholder for any purpose but not to secure a list of stockholders for the purpose of selling said list or copies thereof or for using the same for a purpose other than in the interest of the applicant, as a stockholder, relative to the affairs of the corporation.

Section 8.8. Charitable Contributions. The board of directors from time to time may authorize contributions to be made by the corporation in such amounts as it may determine to be reasonable to corporations, trusts, funds or foundations organized and operated exclusively for charitable, scientific or educational purposes, no part of the net earning of which inures to the private benefit of any stockholder or individual.

ARTICLE IX.

Amendments

Section 9.1. Amendment by Stockholders. Prior to the issuance of stock, these By-laws may be amended, altered or repealed by the incorporator(s) by majority vote. After stock has been issued, these By-laws may be amended altered or repealed by the stockholders at any annual or special meeting by vote or a majority of all shares outstanding and entitled to vote, except that where the effect of the amendment would be to reduce any voting requirement otherwise required by law, the Certificate of Incorporation or these By-laws, such amendment shall require the vote that would have been required by such other provision. Notice and a copy of any proposal to amend these By-laws must be included in the notice of meeting of stockholders at which action is taken upon such amendment.

Section 9.2. Amendment by Board of Directors. These By-laws may be amended or altered by the board of directors at a meeting duly called for the purpose by majority vote of the directors then in office, except that directors shall not amend the By-laws in a manner which:

- (a) changes the stockholder voting requirements for any action;

(b) alters or abolishes any preferential right or right of redemption applicable to a class or series of stock with shares already outstanding;

(c) alters the provisions of Article IX hereof; or

(d) permits the board of directors to take any action which under law, the Certificate of Incorporation, or these By-laws is required to be taken by the stockholders.

Any amendment of these By-laws by the board of directors may be altered or repealed by the stockholders at any annual or special meeting of stockholders.

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EXHIBIT 2



FLORIDA DEPARTMENT OF STATE
Katherine Harris
Secretary of State

July 24, 2000

C T CORPORATION SYSTEM
TALLAHASSEE, FL

Qualification documents for ZONE TELECOM, INC. were filed on July 24, 2000 and assigned document number F0000004136. Please refer to this number whenever corresponding with this office.

Your corporation is now qualified and authorized to transact business in Florida as of the file date.

A corporation annual report/uniform business report will be due this office between January 1 and May 1 of the year following the calendar year of the file date. A Federal Employer Identification (FEI) number will be required before this report can be filed. If you do not already have an FEI number, please apply NOW with the Internal Revenue by calling 1-800-829-3676 and requesting form SS-4.

Please be aware if the corporate address changes, it is the responsibility of the corporation to notify this office.

Should you have any questions regarding this matter, please telephone (850) 487-6051, the Foreign Qualification/Tax Lien Section.

Buck Kohr
Corporate Specialist
Division of Corporations

Letter Number: 400A00040282

APPLICATION BY FOREIGN CORPORATION FOR AUTHORIZATION TO TRANSACT BUSINESS IN FLORIDA

IN COMPLIANCE WITH SECTION 607.1503, FLORIDA STATUTES, THE FOLLOWING IS SUBMITTED TO REGISTER A FOREIGN CORPORATION TO TRANSACT BUSINESS IN THE STATE OF FLORIDA.

00 JUL 24 PM 1:59
SECRETARY OF STATE
DIVISION OF CORPORATIONS

- 1. Zone Telecom, Inc.
(Name of corporation; must include the word "INCORPORATED", "COMPANY", "CORPORATION" or words or abbreviations of like import in language as will clearly indicate that it is a corporation instead of a natural person or partnership if not so contained in the name at present.)
- 2. Delaware 3. 04-3520968
(State or country under the law of which it is incorporated) (FEI number, if applicable)
- 4. 06/13/2000 5. Perpetual
(Date of incorporation) (Duration: Year corp. will cease to exist or "perpetual")
- 6. Upon qualification
(Date first transacted business in Florida.) (SEE SECTIONS 607.1501, 607.1502 and 817.155, F.S.)
- 7. 279 Harvard St., #21, Cambridge, MA 02139

(Current mailing address)

8. See Attachment
(Purpose(s) of corporation authorized in home state or country to be carried out in state of Florida)

9. Name and street address of Florida registered agent: (P.O. Box or Mail Drop Box NOT acceptable)

Name: C T Corporation System

Office Address: 1200 South Pine Island Road

Plantation, Florida, 33324
(Zip code)

10. Registered agent's acceptance:

Having been named as registered agent and to accept service of process for the above stated corporation at the place designated in this application, I hereby accept the appointment as registered agent and agree to act in this capacity. I further agree to comply with the provisions of all statutes relative to the proper and complete performance of my duties, and I am familiar with and accept the obligations of my position as registered agent. C T Corporation System

BY: Connie Bryan
(Registered agent's signature)
Connie Bryan, Special Asst. Secy.

11. Attached is a certificate of existence duly authenticated, not more than 90 days prior to delivery of this application to the Department of State, by the Secretary of State or other official having custody of corporate records in the jurisdiction under the law of which it is incorporated.

12. Names and addresses of officers and/or directors: (Street address **ONLY** - P.O. Box **NOT** acceptable)

A. DIRECTORS (Street address only - P.O. Box NOT acceptable)

Chairman: See attached rider

Address: _____

Vice Chairman: _____

Address: _____

Director: _____

Address: _____

Director: _____

Address: _____

RECEIVED
SECRETARY OF THE STATE
DIVISION OF CORPORATIONS
00 JUL 24 PM 1:59

B. OFFICERS (Street address only - P.O. Box NOT acceptable)

President: See attached rider

Address: _____

Vice President: _____

Address: _____

Secretary: _____

Address: _____

Treasurer: _____

Address: _____

NOTE: If necessary, you may attach an addendum to the application listing additional officers and/or directors.

13.  _____

(Signature of Chairman, Vice Chairman, or any officer listed in number 12 of the application)

14. Lawton Bloom, Vice President

(Typed or printed name and capacity of person signing application)

Addendum to

Florida Application for Certificate of Authority

Item 8: (Purpose clause)

To engage in the telecommunications business. Notwithstanding the foregoing the purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized to do business under the laws of the State of Florida.

FILED STATE
SECRETARY OF CORPORATIONS
DIVISION OF CORPORATIONS
00 JUL 24 PM 1:59

Zone Telecom, Inc.
Officers and Director

Officers:

| | | |
|----------------|---------------------------|--|
| Derrick Bulawa | President | c/o e-Kong Group Limited Suite 2101-3, K. Wah Centre 191 Java Road North Point, Hong Kong |
| Jeffrey Cheng | Treasurer | c/o e-Kong Group Limited Suite 2101-3, K. Wah Centre 191 Java Road North Point, Hong Kong |
| Lawton Bloom | Vice President, Secretary | 279 Harvard Ave., #21 Cambridge, MA 02139 |
| Steven D. Pohl | Assistant Secretary | c/o Brown Rudnick Freed & Gesmer One Financial Center Boston, MA 02111 |

Director:

| | | |
|----------------|----------|--|
| Derrick Bulawa | Director | c/o e-Kong Group Limited Suite 2101-3, K. Wah Centre 191 Java Road North Point, Hong Kong |
|----------------|----------|--|

00 JUL 24 PM 1:59
SECRETARY CORPORATION
11-11-91

EXHIBIT 3

e-Kong Group Limited Corporate Structure

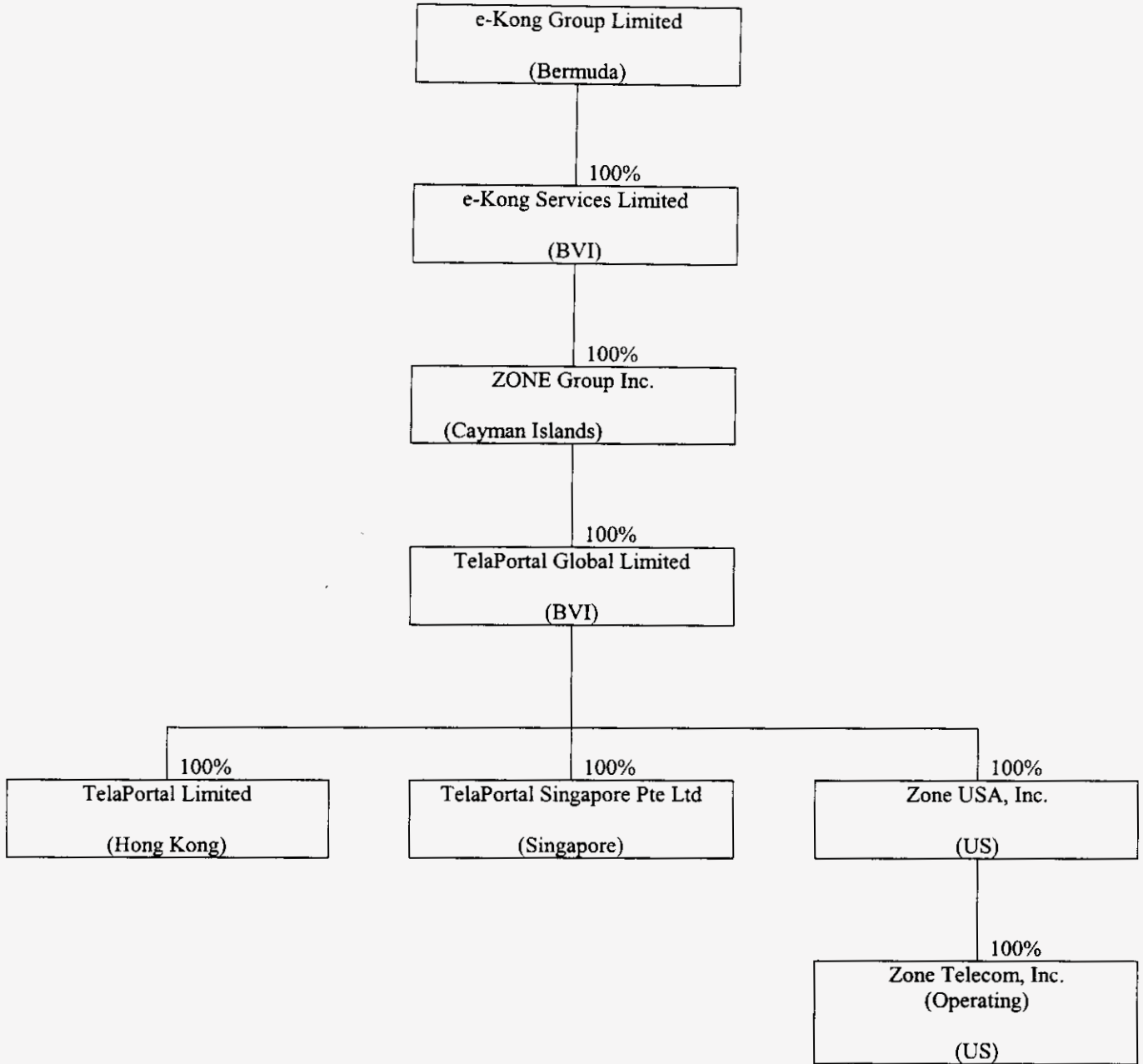


EXHIBIT 4

Zone Telecom, Inc.

Officers and Directors

| NAME | TITLE | DIRECTOR |
|---|------------------------------|-----------------|
| Derrick Bulawa Zone Telecom, Inc. Suite 2101-3 K. Wah Centre 191 Java Road North Point, Hong Kong | President and CEO | Yes* |
| Lawton Bloom Zone Telecom, Inc. 279 Harvard Street, No. 21 Cambridge, MA 02139 | Vice President and Secretary | No |
| Steven D. Pohl c/o Brown Rudnick Freed & Gesmer One Financial Center Boston, MA 02111 | Assistant Secretary | No |
| Jeffrey Cheng Zone Telecom, Inc. Suite 2101-3 K. Wah Centre 191 Java Road North Point, Hong Kong | Treasurer | No |

* Mr. Bulawa is the sole director.

EXHIBIT 5

e-Kong Group Limited

Annual Report

1999

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Corporate Information

BOARD OF DIRECTORS

Executive

Mr. Richard John Siemens (*Chairman*)
Mr. Ong Soon Kiat
Mr. Derrick Francis Bulawa
Mr. Lim Shyang Guey

Non-executive

Mr. Mokhzani Bin Mahathir
Mr. Peng Chian Chua

Independent non-executive

Mr. Ngan Chor Man
Mr. Fung Che Kwong, Peter

AUDIT COMMITTEE

Mr. Ngan Chor Man
Mr. Fung Che Kwong, Peter

COMPANY SECRETARY

Ms. Wang Poey Foon, Angela

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

Suite 2101-3
K. Wah Centre
191 Java Road
North Point
Hong Kong

SOLICITORS

Messrs. Angela Wang & Co.
Messrs. Conyers, Dill & Pearman

AUDITORS

Moores Rowland

HONG KONG BRANCH REGISTRARS

Secretaries Limited

PRINCIPAL BANKERS

Bank of China
The Hongkong and Shanghai Banking
Corporation Limited

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of e-Kong Group Limited (the "Company") will be held at Coral Room 2, 3rd Floor, Furama Hotel, 1 Connaught Road, Central, Hong Kong, on Thursday, 1 June 2000 at 2:30 p.m. for the following purposes:

1. to receive and consider the audited financial statements and the reports of directors and auditors for the year ended 31 December 1999;
2. to re-elect retiring directors and to fix their remuneration;
3. to re-appoint Messrs. Moores Rowland as auditors of the Company and to authorise the board of directors to fix their remuneration;
4. as special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

"THAT

- (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase its own shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company which the Company is authorised to repurchase pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution and the said approval shall be limited accordingly; and
- (c) for the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

Notice of Annual General Meeting (Cont'd)

(iii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held.”

5. as special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“THAT

- (a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the share capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined) or (ii) an issue of shares under any share option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, (iii) the exercise of redemption or conversion rights attaching to the non-cumulative convertible redeemable preference shares of HK\$1.00 each in the capital of the Company or (iv) an issue of shares as scrip dividend pursuant to the Bye-laws of the Company from time to time, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution and the said approval shall be limited accordingly; and
- (d) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;

Notice of Annual General Meeting (Cont'd)

- (ii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and
- (iii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held.

"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to the holders of shares of the Company on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company)."

- 6. as special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

"**THAT** conditional upon the Resolution No. (4) and (5) set out in the notice convening this meeting being passed, the aggregate nominal amount of the number of shares which are repurchased by the Company after the date of passing of this Resolution (up to a maximum of 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution) shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to Resolution No. (5) set out in the notice convening this Meeting."

- 7. to transact any other business.

By Order of the Board

Wang Poey Foon, Angela
Company Secretary

Hong Kong, 19 April 2000

Notice of Annual General Meeting (Cont'd)

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy to attend and vote in his stead. A member may appoint a proxy in respect of part only of his holding of shares. A proxy need not be a member of the Company.
2. In case of joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting, whether in person or by proxy, that one of such persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy completed in accordance with the instructions set out herein, together with a power of attorney, if any, under which it is signed, or a notarially certified copy thereof, must be deposited at the Hong Kong Branch Registrars of the Company, Secretaries Limited, of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting. The completion and depositing of the form of proxy will not preclude the member from attending the meeting and voting in person, if he/she so wishes. In the event that a member attends the meeting, his form of proxy will be deemed to have been revoked.
4. An explanatory statement containing further details regarding Resolutions 4 to 6 above will be sent to shareholders.
5. The register of members of the Company will be closed from 26 May 2000 to 1 June 2000, both days inclusive, during which period no transfer of shares will be effected.

In order to determine entitlement to attend and vote at the annual general meeting, all transfer of shares accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Registrars, Secretaries Limited of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration by not later than 4:00 p.m. on 25 May 2000.

Chairman's Statement

It is my pleasure to deliver my first report to you. I assumed the position of Chairman of the Board in January 2000, and have since spent substantial amount of my time with other board members in formulating the Group's direction and strategy for future expansion. Our challenge was to transform the Group into a more diversified enterprise with an emphasis on Internet-related businesses.

The Group has been through a period of transition in 1999. During the year, its existing business continued to suffer from sluggish market conditions and adverse economic environment in Asia. The Group implemented a series of proactive measures with an aim to reallocate its resources and to enable the management to focus more on higher growth Internet-related business. Accordingly, the Group has disposed of its interest in most of its non-performing investments. The disposal and provision resulted in a loss of HK\$65 million, which accounted for most of the loss recorded in 1999.

Turnover of the Group had been affected by a decline in sales of one of our subsidiaries, Colorland Animation Productions Limited, an animation production house in Shenzhen. The production house's profitability had been put under the pressure of accelerated competition and increasingly challenging market environment.

In the past few months, substantial management resources have been placed in creating or acquiring industry convergent service portals, establishing partnerships with companies targeting the Asian Internet market, and making strategic investments in technologies, contents or service providers that can complement the Group's business.

Our mission in the Internet market is to develop a series of clearly branded, scalable and globally portable e-commerce and service portals offering a single point-of-presence for products and services. We aim to remove market barriers of traditional business by creating a business-to-business (B2B) and mass market e-commerce platform on the Internet. Through us, on-line customers can have immediate access to many offerings across a particular sector and they can pick and mix products and services to suit their needs.

We have completed a number of investments between December 1999 and March 2000. These investments were of strategic significance for the Group's continued growth and enhancement of shareholders' value.

The Group has successfully launched a unique service portal, ZONE1511 in March 2000, which is scalable and portable. ZONE1511 offers its users a wide range of local and international IDD carriers at a single source, and enabling the users to select the most competitive prices for their IDD calls.

Chairman's Statement (Cont'd)

The Group's service portals do not rely purely on creative concepts, they are supported by practical business models, feasible real-world operations, existing market demands and real revenue stream. We expect these service portals will bring in substantial revenue for the year 2000.

In 2000, we will launch a number of new service portals targeting different industries, including the insurance and travel service.

In less than six months, the Group's new management has successfully developed a solid business framework, and has established the Group as a prominent Hong Kong-based Internet company with an Asian focus.

In the world of Internet, it is the people that counts for the success of one's business. The management has built up, within a relatively short period of time, a pool of multi-national talents with proven experience and in-depth knowledge in the Internet and information technology industries. The team of experts has become the major driving force behind the Group's rapid expansion and achievements.

We will capitalize on our strengthened cash position (no debt-gearing) and talented management team to enlarge our market share and scale of operations, both through organic expansion and equity acquisition.

Our focus on developing a range of service portals with mass appeal, our partnership with other Internet and technology companies, and our strategic investment in technology, contents and service providers, form an inter-related and balanced business portfolio enabling the Group to benefit from stable recurrent income from a large definable revenue stream, and to leverage on its strategic investment for substantial capital gain. I am, therefore, optimistic about the future prospects of the Group.

Richard John Siemens
Chairman

Hong Kong, 19 April 2000

Report of the Directors

The directors present their report and the audited financial statements for the year ended 31 December 1999.

CHANGE OF NAME

Pursuant to a Special Resolution passed on 10 December 1999 and the approval of the Registrar of Companies of Bermuda on the even date, the name of the Company was changed from Goldtron Holdings Limited to e-Kong Group Limited.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out in note 11 to the financial statements.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to operating loss by principal activities and geographical locations for the year ended 31 December 1999 is as follows:

By activity:

| | Turnover HK\$'000 | Contribution to operating loss HK\$'000 |
|--------------------------------------|----------------------|---|
| Sales of animated films | 44,210 | 6,537 |
| Telecommunication services | <u>1,035</u> | <u>(985)</u> |
| | <u>45,245</u> | 5,552 |
| Add: Interest and investments income | | 1,493 |
| Less: Other operating expenses | | <u>(82,215)</u> |
| Loss before taxation | | <u><u>(75,170)</u></u> |

Report of the Directors (Cont'd)

SEGMENTAL INFORMATION (Cont'd)

By geographical area:

| | Turnover HK\$'000 | Contribution to operating loss HK\$'000 |
|--------------------------------------|----------------------|---|
| Hong Kong | 1,035 | (985) |
| North/South America | 759 | 131 |
| Europe | 31,094 | 4,576 |
| Australia | 12,357 | 1,830 |
| | <u>45,245</u> | <u>5,552</u> |
| Add: Interest and investments income | | 1,493 |
| Less: Other operating expenses | | <u>(82,215)</u> |
| Loss before taxation | | <u>(75,170)</u> |

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 1999 are set out in the Consolidated Income Statement on page 20.

The directors do not recommend the payment of dividends for the year ended 31 December 1999 (1998: Nil).

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 51 and 52.

MAJOR CUSTOMERS AND SUPPLIERS

Approximately 69% (1998: 48%) and 98% (1998: 95%) of the Group's total reported revenue were attributable to the largest customer and five largest customers respectively. At no time during the year have the directors, their associates, nor those shareholders which to the knowledge of the directors own more than 5% of the Company's share capital had any interest in the five largest customers.

The percentage of the Group's total expenditure on purchases of goods and services attributable to the Group's five largest suppliers was less than 5% during the year.

Report of the Directors (Cont'd)

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group are set out in note 10 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group are set out in note 21 to the financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

| | |
|-------------------------------------|--------------------------------|
| Mr. Richard John Siemens (Chairman) | (Appointed on 24 January 2000) |
| Mr. Ong Soon Kiat | |
| Mr. Derrick Francis Bulawa | (Appointed on 22 October 1999) |
| Mr. Lim Shyang Guey | (Appointed on 1 October 1999) |
| Mr. Tan Siak Kwang, Frankie | (resigned on 15 June 1999) |

Non-executive directors:

| | |
|---------------------------|------------------------------|
| Mr. Mokhzani Bin Mahathir | |
| Mr. Peng Chian Chua | |
| Datò Jaffar Mohd Ali | (resigned on 30 August 1999) |

Independent non-executive directors:

| | |
|---------------------------|--|
| Mr. Ngan Chor Man | |
| Mr. Fung Che Kwong, Peter | |

In accordance with the Bye-laws of the Company, Mr Ong Soon Kiat, Mr. Derrick Francis Bulawa and Mr. Lim Shyang Guey shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Report of the Directors (Cont'd)

DIRECTORS' INTERESTS IN SHARES

As at 31 December 1999, the directors had the following interests in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") or the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code")) as recorded in the register maintained pursuant to section 29 of the SDI Ordinance:

| Name of directors | Number of shares beneficially held | | Number of share options |
|------------------------|---------------------------------------|-----------------------|----------------------------|
| | Personal interest | Corporate interest | |
| Ong Soon Kiat | 5,000,000 | — | 9,168,988 (note 1) |
| Derrick Francis Bulawa | — | — | 28,961,235 (note 2) |
| Lim Shyang Guey | — | — | 4,500,000 (note 3) |

Notes:

1. 9,168,988 share options have been granted under the Employee Share Option Scheme of the Company which are exercisable at the exercise price of HK\$0.42 per share over the period ending 24 October 2009.
2. 28,961,235 share options have been granted under the Employee Share Option Scheme of the Company during the year, in which 23,961,235 share options are exercisable at the exercise price of HK\$0.42 per share for the period from 25 October 2000 to 24 October 2009; in which 4,750,000 share options are exercisable at the exercise price of HK\$0.49 per share for the period from 16 November 2000 to 24 October 2009, and in which 250,000 share options are exercisable at the exercise price of HK\$0.60 per share for the period from 23 December 2000 to 24 October 2009.
3. 4,500,000 share options have been granted under the Employee Share Option Scheme of the Company which are exercisable at the exercise price of HK\$0.42 per share for the period from 25 October 2000 to 24 October 2009.

Apart from the above, no other contracts of significance to which the Company or any of its subsidiaries was a party, and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

ARRANGEMENT TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

The Company has a share option scheme. Details of share options granted to or exercised by the directors during the year and their outstanding options at 31 December 1999 are shown above. Details of the share option scheme of the Company are set out in note 20 to the financial statements.

Report of the Directors (Cont'd)

DIRECTORS' SERVICE CONTRACTS

None of the directors has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than normal statutory compensation.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under section 16(1) of the Securities (Disclosure of Interests) Ordinance shows that as at 31 December 1999, the Company was notified that the following shareholders had an interest of 10% or more of the issued share capital of the Company:

| Name | Ordinary shares held | Percentage of total issued shares capital |
|------------------|-------------------------|--|
| Goldtron Limited | 128,906,172 | 11.12% |

SHARE CAPITAL

Details of movements in the Company's share capital during the year and the purpose of the share issues are set out in note 19 to the financial statements.

PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars regarding the principal subsidiaries of the Company are set out in note 11 to the financial statements.

LIQUIDITY

Working capital of the Group increased from HK\$6,128,000 to HK\$101,406,000 during the year. The increase primarily represents an increase in cash and bank deposits as a result of issuance and placement of new ordinary shares during the year. Cash and bank deposits as at 31 December 1999 were HK\$99,875,000.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

The Group has no bank loans, overdrafts and other borrowings as at 31 December 1999. There was no interest capitalised by the Group during the year.

Report of the Directors (Cont'd)

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

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

RETIREMENT BENEFITS SCHEME

Details of the Retirement Benefits Scheme are set out in note 6 to the financial statements.

PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT EXECUTIVES

Brief biographical details of the directors and senior management executives of the Company are set out on pages 16 to 18 under Directors and Senior Management Profile of this Annual Report.

REMUNERATION POLICIES AND EMPLOYEE RELATIONS

As at 31 December 1999, the Group employed approximately 320 full-time employees. All full-time salaried employees except for contract employees are being paid on a monthly basis plus other staff benefits.

Neither the Company nor any of its subsidiaries has established a labour union and is not subject to any collective agreements. The Group has maintained good relationships with its employees and has not experienced any labour disputes. None of the Group's employees is represented by a labour union.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, save and except that the independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Bye-laws, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year.

AUDIT COMMITTEE

Pursuant to the Listing Rules of the Stock Exchange, an audit committee, comprising two independent non-executive directors, namely Mr. Ngan Chor Man and Mr. Fung Che Kwong, Peter, was established in September 1999.

Report of the Directors (Cont'd)

AUDIT COMMITTEE (Cont'd)

By reference to "A guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants, written terms of reference which describe the authority and duties of the audit committee were prepared and adopted by the Board of the Company on the same date. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

YEAR 2000 COMPLIANCE

The Group has stated its definition and approach to Year 2000 problem, and reported the status in our 1998 annual report and 1999 interim report.

No reports on Year 2000-induced incidents have been received within the Group during the rollover to Year 2000 or the leap year date of 29 February 2000. The Company and its subsidiaries passed the rollover smoothly without need to activate any contingency procedures.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda although there are no restrictions against such rights under the laws in Bermuda.

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Moores Rowland, *Chartered Accountants, Certified Public Accountants*.

On behalf of the Board

Richard John Siemens
Chairman

Hong Kong, 19 April 2000

Directors and Senior Management Profile

Brief biographical details in respect of directors and senior management:

DIRECTORS

Mr. Richard John Siemens, 55, Chairman, joined the Group on 24 January 2000. Mr. Siemens is Chairman and a founding member of Distacom Communications Limited. He has been involved in the telecommunications industry for 26 years. Born and raised in Canada, Mr. Siemens was trained as a Chartered Accountant and came to Hong Kong in 1979. In 1984, he was involved in the establishment of Hutchison Telephone Company Limited with Hutchison Whampoa Limited ("Hutchison") and Motorola. Mr. Siemens, as Group Managing Director of Hutchison Telecommunications Limited, was also involved in the establishment of other well-known companies including AsiaSat, STAR TV and Metro Radio and Hutchison's move into the European wireless business with "Orange", as well as Hutchison's European paging strategy.

Mr. Ong Soon Kiat, 51, was firstly appointed as Chairman and Executive Director of the Group in July 1994. He was an executive director in 1999 and stepped down as Chairman of the Group in January 2000. Mr. Ong has extensive business experience in South East Asia and the People's Republic of China ("PRC").

Mr. Derrick Francis Bulawa, 36, joined the Group in September 1999 as Chief Executive Officer and was appointed on 22 October 1999 as executive director. Mr. Bulawa has 15 years of Internet and communications experience in the United States and Asia, with 10 years in Hong Kong. He is responsible for strategic development, as well as the overall executive management of the Group. Before joining the Group, he was one of the early members of Mr. Richard Li's HutchVision team that launched and founded STAR TV, serving as Vice President of Satellite & Technical Operations from 1991. He was promoted to General Manager after News Corporation bought a 63 per cent stake. Mr. Bulawa was then appointed Senior Technical Advisor of the Pacific Century Group, following the sale of the remaining 37 per cent of STAR TV to News Corporation. More recently, Mr. Bulawa was Chief Operating Officer of UNIFI Communications, an Internet-focused venture backed by Singapore Telecom which ranked Number 20 on the 'INC 500' list of fastest growing US-based companies in 1997. Prior to working for STAR TV, he spent six years working for GTE SpaceNet and Contel ASC in the Asian satellite, data and telecommunications sectors. He has a Bachelor of Science degree in Electronic Engineering Technology from the DeVry Institute of Technology in the United States.

Mr. Lim Shyang Guey, 41, was appointed as executive director and Vice-President Corporate Development on 1 October 1999. Mr. Lim is responsible for executing the Group's corporate strategy and looking after major shareholder issues. He has more than 12 years of experience in telecommunications and information technology in various countries including New Zealand, Russia, Malaysia and Singapore. Before joining

Directors and Senior Management Profile (Cont'd)

the Group, he was General Manager of Goldtron Electronics Pte Ltd in Singapore in charge of developing, manufacturing and marketing the company's proprietary telecommunications products, including pagers, GSM cellular phones and DECT cordless phones. Previously, Mr. Lim was Project Director of Goldtron Network Services Pte Ltd, also in Singapore, responsible for managing its telecommunications joint-venture operations in Russia, which provided local telephone, GSM cellular and paging services. Mr. Lim joined Goldtron Network Services Pte Ltd from Telecom New Zealand where he led projects relating to microwave and fibre optics transmission, and broadband cable TV. He has a Bachelor of Engineering and a Master of Engineering degree from the University of Auckland in New Zealand.

Mr. Mokhzani Bin Mahathir, 39, was appointed as non-executive director of the Group in 1999. Mr. Mahathir is the executive chairman of Tongkah Holdings Berhad, a publicly listed company in Malaysia and since 1993, a non-executive director of Goldtron Limited.

Mr. Peng Chian Chua, 55, was appointed as executive director in July 1994 and became a non-executive director of the Group in 1999. Mr. Peng has more than 20 years' working experience in manufacturing with various multinational companies.

Mr. Fung Che Kwong, Peter, 50, was appointed as an independent non-executive director of the Company since 1994. He is a Hong Kong based businessman with almost 20 years' experience in the textile industry.

Mr. Ngan Chor Man, 33, was appointed as an independent non-executive director of the Company since 1997. He is a Hong Kong based businessman with 6 years experience in the information technology and in PRC.

SENIOR MANAGEMENT

Mr. Kim Moon-Tae Grant, 26, joined the Group as Vice-President Business Development in September 1999. Mr. Kim has extensive experience in investment banking, telecommunications and the Internet in both the United States and Asia. He directs the strategy of new businesses and investments for the Group. His previous roles have included Vice President of Operations of UNIFI Communications ("UNIFI") where he managed the company's core Telecommunications, Network Operations, Systems Engineering, Service Fulfilment and Project Management groups. Prior to this, he was Director of Telecommunications and Business Development, where he pioneered and expanded the global data and switching businesses, working closely with some of the world's premier telecommunications carriers and Internet Service Providers. Before UNIFI, Mr. Kim worked with Pacific Century Group, Continental Development Corporation, and Singapore Telecom in various senior management and Mergers & Acquisitions advisory positions. Mr. Kim studied at the Wharton School, Harvard University and Oxford University.

Directors and Senior Management Profile (Cont'd)

Mr. Robbin Wells, 43, joined the Company in October 1999 as Vice-President Technology. Mr. Wells has more than 22 years of technology experience, having extensive experience developing IP networks across North America, Europe and Asia. He was previously Head of Technology for UNIFI Communications, a first-generation IP messaging company, where he designed and expanded its global network to more than 1000 platforms spanning 15 countries. He also served as Senior Technical Advisor to a R&D team of 120 developers focusing on IP and Internet software. Prior to UNIFI, Mr. Wells worked for Prime Computer as Principal Engineer in the Small Systems Group, one of the first companies to market products using Object Oriented Technology. During the 70's and 80's, he was Chief Engineer for W.F. Wood, a pioneer in the use of automated manufacturing technologies.

Ms. Leung Kit-Mee Judy, 36, joined the Group as Vice-President Marketing in January 2000. Ms. Leung has a wealth of experience in the telecommunications industry in Hong Kong especially as it relates to start-up operations. She is responsible for the marketing activities of the Group. Prior to joining the Group, Ms. Leung was one of the founding employees at New T&T, a Hong Kong-based telecommunications company. Throughout her tenure there, she held increasing levels of responsibility all in the marketing area. Most recently she was the Senior Manager of Marketing Promotions where she was responsible for devising promotion strategies, and developing and implementing comprehensive advertising, publicity and promotional programmes. Before New T&T, she was the Public Relations Manager at Hongkong Telecom. Ms. Leung is a graduate of the University of Aston in Birmingham, England with a Masters Degree in Business Administration.

Mr. Cheng Man-For Jeffrey, 35, joined the Company as Chief Financial Officer in October 1999. Mr. Cheng has more than 10 years finance and accountancy experience in PRC, Taiwan and Hong Kong. He is responsible for overall financial management and company secretarial duties of the Group. He was previously Director of Finance at Fax International HK Ltd. Mr. Cheng began his career with KPMG Peat Marwick before joining The Stock Exchange of Hong Kong Limited. Mr. Cheng is a fellow member of the Association of Chartered Certified Accountants (ACCA) and an associate member of the Hong Kong Institute of Company Secretaries (HKICS).

Auditors' Report

To the members

e-Kong Group Limited

(formerly known as Goldtron Holdings Limited)

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 20 to 50 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 1999 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Moore Rowland

Chartered Accountants

Certified Public Accountants

Hong Kong, 19 April 2000

Consolidated Income Statement

For the year ended 31 December 1999

| | Note | 1999 HK\$'000 | 1998 HK\$'000 |
|--|--------|----------------------------|----------------------------|
| Turnover | 3 | 45,245 | 54,334 |
| Cost of sales | | <u>(23,104)</u> | <u>(20,833)</u> |
| Gross profit | | 22,141 | 33,501 |
| Other revenue | 3 | 1,493 | 893 |
| Distribution and selling expenses | | (480) | (94) |
| Administrative expenses | | (25,283) | (23,840) |
| Other operating expenses | | <u>(8,062)</u> | <u>(5,048)</u> |
| (Loss)/Profit from operations | | (10,191) | 5,412 |
| Loss on disposal of subsidiaries | | (33,673) | — |
| Loss on disposal of a jointly controlled entity | | (11,284) | — |
| Loss on associates written off | | (4,590) | — |
| Provision for diminution in value of long-term investments | | (15,432) | — |
| Provision for diminution in value of associates | | — | (43,586) |
| Provision for long-term receivable | | — | <u>(17,149)</u> |
| Loss before taxation | 4 | (75,170) | (55,323) |
| Taxation | 7 | <u>(739)</u> | <u>(1,763)</u> |
| Loss from ordinary activities after taxation | | (75,909) | (57,086) |
| Minority interests | | <u>(2,499)</u> | <u>(6,469)</u> |
| Net loss attributable to shareholders | 8 & 21 | <u>(78,408)</u> | <u>(63,555)</u> |
| Loss per share | | | |
| Basic | 9 | <u>(11.5 cents)</u> | <u>(14.3 cents)</u> |

Consolidated Statement of Recognised Gains and Losses

For the year ended 31 December 1999

| | <i>Note</i> | 1999 <i>HK\$'000</i> | 1998 <i>HK\$'000</i> |
|--|-------------|-------------------------|-------------------------|
| Exchange reserve released on associates written off | 21 | 36,250 | — |
| Other capital reserve released on associates written off | 21 | <u>(31,660)</u> | <u>—</u> |
| Net gains not recognised in the consolidated income statement | | 4,590 | — |
| Net loss for the year | 21 | <u>(78,408)</u> | <u>(63,555)</u> |
| Total recognised losses | | (73,818) | (63,555) |
| Goodwill eliminated directly against reserves | 21 | <u>(62,761)</u> | <u>—</u> |
| | | <u>(136,579)</u> | <u>(63,555)</u> |

Consolidated Balance Sheet

As at 31 December 1999

| ASSETS | Note | 1999 HK\$'000 | 1998 HK\$'000 |
|--|------|-----------------------|----------------------|
| Non-current assets | | | |
| Property, plant and equipment | 10 | 10,469 | 11,380 |
| Intangible assets | 12 | 781 | — |
| Goodwill | 13 | — | 33,673 |
| Interest in a jointly controlled entity | 14 | — | 12,484 |
| Long-term investments | 15 | 4,267 | 12,642 |
| Investment securities | 16 | 778 | — |
| | | <u>16,295</u> | <u>70,179</u> |
| Current assets | | | |
| Inventories | 17 | 595 | 1,074 |
| Trade receivables | | 6,888 | 5,343 |
| Deposits paid | | 5,643 | 268 |
| Prepayments and other receivables | | 2,751 | 4,341 |
| Due from related companies | | — | 824 |
| Cash and cash equivalents | | 99,875 | 3,556 |
| | | <u>115,752</u> | <u>15,406</u> |
| Current liabilities | | | |
| Trade payables | | 2,342 | 406 |
| Receipts in advance | | 6,305 | 2,723 |
| Accrued charges and other payables | | 5,591 | 5,261 |
| Due to a shareholder | 18 | 19 | 199 |
| Taxation | | 89 | 689 |
| | | <u>14,346</u> | <u>9,278</u> |
| Net current assets | | <u>101,406</u> | <u>6,128</u> |
| Total assets less current liabilities | | <u>117,701</u> | <u>76,307</u> |
| Minority interests | | <u>(12,441)</u> | <u>(10,739)</u> |
| NET ASSETS | | <u><u>105,260</u></u> | <u><u>65,568</u></u> |
| CAPITAL AND RESERVES | | | |
| Issued capital | 19 | 194,160 | 181,340 |
| Reserves | 21 | (88,900) | (115,772) |
| | | <u><u>105,260</u></u> | <u><u>65,568</u></u> |

Approved by the Board of Directors on 19 April 2000

Richard John Siemens
Director

Derrick Francis Bulawa
Director

Balance Sheet

As at 31 December 1999

| ASSETS | Note | 1999 HK\$'000 | 1998 HK\$'000 |
|---|------|-----------------------|----------------------|
| Non-current assets | | | |
| Property, plant and equipment | 10 | 389 | 476 |
| Interests in subsidiaries | 11 | 78,117 | 77,145 |
| Investment securities | 16 | 778 | — |
| | | <u>79,284</u> | <u>77,621</u> |
| Current assets | | | |
| Deposits paid | | 1,515 | 219 |
| Prepayments and other receivables | | 887 | 3,504 |
| Due from related companies | | — | 824 |
| Cash and cash equivalents | | 94,016 | 773 |
| | | <u>96,418</u> | <u>5,320</u> |
| Current liabilities | | | |
| Accrued charges and other payables | | 1,135 | 2,629 |
| Due to a shareholder | 18 | 19 | 199 |
| Due to subsidiaries | | 5,470 | 16,317 |
| | | <u>6,624</u> | <u>19,145</u> |
| Net current assets/(liabilities) | | <u>89,794</u> | <u>(13,825)</u> |
| NET ASSETS | | <u><u>169,078</u></u> | <u><u>63,796</u></u> |
| CAPITAL AND RESERVES | | | |
| Issued capital | 19 | 194,160 | 181,340 |
| Reserves | 21 | (25,082) | (117,544) |
| | | <u><u>169,078</u></u> | <u><u>63,796</u></u> |

Approved by the Board of Directors on 19 April 2000

Richard John Siemens
Director

Derrick Francis Bulawa
Director

Consolidated Cash Flow Statement

For the year ended 31 December 1999

| | Note | 1999 HK\$'000 | 1998 HK\$'000 |
|---|------|----------------------|---------------------|
| Net cash outflow from operating activities | 22 | <u>(7,893)</u> | <u>(4,112)</u> |
| Returns on investments and servicing of finance | | | |
| Dividends paid to minority shareholders | | (800) | (6,400) |
| Interest received | | 995 | 251 |
| Income from unlisted investments | | 498 | 642 |
| Net cash inflow/(outflow) from returns on investments and servicing of finance | | <u>693</u> | <u>(5,507)</u> |
| Taxation | | | |
| Hong Kong Profits Tax paid | | (369) | (309) |
| Overseas tax paid | | (970) | (1,300) |
| Tax paid | | <u>(1,339)</u> | <u>(1,609)</u> |
| Investing activities | | | |
| Purchase of property, plant and equipment | | (1,375) | (3,102) |
| Purchase of intangible assets | | (781) | — |
| Addition of long-term investments | | (10,568) | (3,512) |
| Proceeds from sale of property, plant and equipment | | — | 81 |
| Purchase of a subsidiary | 24 | (2,714) | (2,274) |
| Purchase of investment securities | | (778) | — |
| Increase in interest in a jointly controlled entity | | — | (1,200) |
| Net cash outflow from investing activities | | <u>(16,216)</u> | <u>(10,007)</u> |
| Net cash outflow before financing activities | | <u>(24,755)</u> | <u>(21,235)</u> |
| Financing | 26 | | |
| Issue of ordinary shares | | 121,071 | 8,076 |
| Capital contributed by minority shareholders | | 3 | — |
| Expenses on repurchase of Company's own shares | | — | (20) |
| Net cash inflow from financing | | <u>121,074</u> | <u>8,056</u> |
| Increase/(Decrease) in cash and cash equivalents | | <u>96,319</u> | <u>(13,179)</u> |
| Cash and cash equivalents at 1 January 1999 | | <u>3,556</u> | <u>16,735</u> |
| Cash and cash equivalents at 31 December 1999 | | <u><u>99,875</u></u> | <u><u>3,556</u></u> |
| Analysis of the balances of cash and cash equivalents | | | |
| Bank balances and cash | | <u><u>99,875</u></u> | <u><u>3,556</u></u> |

Notes to the Financial Statements

For the year ended 31 December 1999

1. GENERAL

The Company is a public listed company incorporated in Bermuda and its ordinary shares are listed on The Stock Exchange of Hong Kong Limited.

Its principal activity is investment holding and those of its subsidiaries are set out in note 11 to the financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. A summary of the principal accounting policies adopted by the Group is set out below.

Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost.

Basis of consolidation

The consolidated financial statements incorporate the audited financial statements of the Company and of its subsidiaries for the year ended 31 December 1999. The results of subsidiaries acquired or disposed of during the year are dealt with in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate. Inter-company balances and transactions within the Group have been eliminated on consolidation.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary and is eliminated against reserves immediately on acquisition or amortised on a straight-line basis to the income statement over its estimated useful economic life. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration, is credited to reserves.

On the disposal of an investment in a subsidiary, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

Subsidiaries

A subsidiary is an enterprise, in which the Company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors or equivalent governing body. In the Company's balance sheet, investments in subsidiaries are stated at cost less provision, if necessary, for any permanent diminution in value.

Property, plant and equipment

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

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally recognised as an expense in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the assets.

When the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are discounted to their present values.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives from the date on which they become fully operational and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

| | |
|--|-------------------------------|
| Leasehold improvement | Over the remaining lease term |
| Office equipment, furniture and fittings | 10% - 20% |
| Machinery and equipment | 10% - 20% |
| Motor vehicles | 20% |

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

Intangible assets

Intangible assets comprise business assets acquired and are amortised over their estimated useful lives. Business assets include mainly business plans, business contracts, copyrights and other intellectual property rights.

Long-term investments

Long-term investments represent investments in finished animated films, unfinished animated films and licence fee paid for television and home video rights in finished animated films. They are carried at cost, less provisions for any permanent diminution in value deemed appropriate by the directors and amortisation, where appropriate.

Amortisation is provided to write off the cost of the investments in finished animated films and the licence fee paid for television and home video rights in finished animated films over a period of five years.

No amortisation is provided on an unfinished animated film until it is finished and the distribution is started thereof.

Loans receivable and related production facilities agreements that transfer substantially all the rewards and risks of ownership of investment in finished animated films to the Group, other than legal title, are accounted for as long-term investments. At the inception of the above loans, the amount of loans are capitalised and included in long-term investments and amortised over the loans period. Any unamortised balance is written off to the income statement when the economic value of such investment ceases.

Investment securities

Investment securities held for an identified long-term purpose are stated at cost and subject to impairment review at each reporting date to reflect any diminution in their values, which is expected to be other than temporary. The amount of provisions is recognised as an expense in the period in which the decline occurs.

The profit or loss on disposal of investment securities is accounted for in the period in which the disposal occurs as the difference between net sales proceeds and the carrying amount of the securities.

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Revenue recognition

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

Sales of animated films are recognised when films are delivered to the customers and title has passed.

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

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

Investment income is recognised when the Group's right to receive payment is established.

Foreign currencies

Transactions in foreign currencies are translated at the approximate rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the approximate rates of exchange ruling at that date. Translation differences are included in the income statement.

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

Foreign currencies (Cont'd)

On consolidation, the financial statements of overseas subsidiaries denominated in currencies other than Hong Kong dollars, are translated at the approximate rates of exchange ruling at the balance sheet date. All exchange differences arising on consolidation are dealt with in the exchange reserve.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future. A deferred tax asset is not recognised unless its realisation is assured beyond reasonable doubt.

Pension costs

Contributions are recognised as expenses as they become payable in accordance with the rules of the scheme.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals payable under operating leases are recognised as expenses on the straight-line basis over the lease terms.

Cash equivalents

Cash equivalents in the consolidated cash flow statement represent short-term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advance.

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

Related party

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

3. TURNOVER AND REVENUE

Turnover and revenue recognised by category are as follows:

| | Group | |
|-----------------------------------|------------------|------------------|
| | 1999 HK\$'000 | 1998 HK\$'000 |
| Sales of animated films | 44,210 | 54,334 |
| Telecommunication services income | 1,035 | — |
| Turnover | 45,245 | 54,334 |
| Interest income | 995 | 251 |
| Income from unlisted investments | 498 | 642 |
| Other revenue | 1,493 | 893 |
| Revenue | 46,738 | 55,227 |

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

4. LOSS BEFORE TAXATION

This is stated after charging/(crediting):

| | Group | |
|--|----------|----------|
| | 1999 | 1998 |
| | HK\$'000 | HK\$'000 |
| Amortisation of goodwill | — | 1,772 |
| Amortisation of long-term investments | 3,511 | 2,686 |
| Auditors' remuneration | 557 | 543 |
| Bad debts written off | 3,000 | — |
| Cost of inventories | 21,773 | 20,833 |
| Depreciation | 3,506 | 3,367 |
| Loss/(Profit) on disposal of property, plant and equipment | 319 | (17) |
| Operating lease charges on premises | 3,008 | 3,678 |
| Staff costs | 27,271 | 23,143 |
| Amount due from a jointly controlled entity waived | 1,200 | — |

5. DIRECTORS' REMUNERATION

| | Group | |
|---|--------------|--------------|
| | 1999 | 1998 |
| | HK\$'000 | HK\$'000 |
| Fees | — | — |
| Salaries, other emoluments and other benefits in kind | 2,350 | 1,560 |
| | <u>2,350</u> | <u>1,560</u> |

No fees or emoluments was paid to the independent non-executive directors during the year (1998: Nil).

In additions to the above emoluments, certain directors were granted share options under the Company's share option scheme. Details of these benefits in kind are disclosed under the paragraph "Directors' interests in shares" in the Report of the Directors.

In the absence of a ready market for the options granted on the shares of the Company, the directors are unable to arrive at an accurate assessment of the value of the options granted to the respective directors.

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

5. DIRECTORS' REMUNERATION (Cont'd)

The remuneration of directors were within the following bands:

| | Number of directors | |
|-----------------------|---------------------|----------|
| | 1999 | 1998 |
| Nil | 4 | 6 |
| 1 — 1,000,000 | 4 | — |
| 1,500,001 — 2,000,000 | — | 1 |
| | <u>8</u> | <u>7</u> |

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (1998: one) were directors whose emoluments are disclosed above. The aggregate of the emoluments in respect of the other two (1998: four) individuals were as follows:

| | Group | |
|----------------|--------------|--------------|
| | 1999 | 1998 |
| | HK\$'000 | HK\$'000 |
| Basic salaries | 2,540 | 3,106 |
| Bonuses | 300 | — |
| | <u>2,840</u> | <u>3,106</u> |

| | Number of individuals | |
|-----------------------|-----------------------|----------|
| | 1999 | 1998 |
| Nil — 1,000,000 | — | 3 |
| 1,000,001 — 1,500,000 | 1 | 1 |
| 1,500,001 — 2,000,000 | 1 | — |
| | <u>2</u> | <u>4</u> |

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

6. RETIREMENT BENEFIT COSTS

Set out below are certain particulars regarding the provident fund scheme operated by the Group:

(a) Nature of scheme

The Group currently operates a provident fund scheme. The scheme is available to all employees of the Group. The assets of the scheme are held separately by independently administered funds.

(b) Funding of the scheme

The Group's defined contribution scheme is funded by contributions from employees and employer. The employees and employer contribute respectively to the scheme sums which represent percentages of salaries of the employees as defined under the relevant trust deeds.

(c) Cost of the scheme

The Group's total retirement costs pursuant to the scheme charged to the income statement during the year ended 31 December 1999 amounted to HK\$32,538 (1998: HK\$37,000) after offsetting contributions forfeited of HK\$21,052 (1998: HK\$51,000) by employees during the year. The forfeited contributions available to the Group to reduce its contributions to the pension scheme in future years as at 31 December 1999 amounted to HK\$53,601 (1998: HK\$15,000).

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

7. TAXATION

Hong Kong Profits Tax has been provided for at the rate of 16% (1998: 16%) on the estimated assessable profits for the year.

Overseas taxation represents income tax payable in the Peoples' Republic of China and is calculated at the prevailing rate.

| | Group | |
|---|------------------|------------------|
| | 1999 HK\$'000 | 1998 HK\$'000 |
| The charge comprises: | | |
| Hong Kong Profits Tax: | | |
| Current year | 41 | 351 |
| (Over)/Underprovision in respect of previous year | (21) | 32 |
| Overseas taxation | 719 | 1,380 |
| | <u>739</u> | <u>1,763</u> |

The major components of deferred taxation not credited (provided) for the year are as follows:

| | Group | |
|--|------------------|------------------|
| | 1999 HK\$'000 | 1998 HK\$'000 |
| Excess of tax allowances over depreciation | 187 | 148 |
| Tax losses (arising)/utilised: | | |
| Acquisition of a subsidiary | (2,579) | — |
| Current year | (395) | 24,077 |
| | <u>(2,787)</u> | <u>24,225</u> |

8. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The net loss of the Company dealt with in the consolidated income statement amounted to HK\$70,989,000 (1998: HK\$46,062,000).

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

9. LOSS PER SHARE

The calculation of basic loss per share is based upon the loss attributable to shareholders of HK\$78,408,000 (1998: HK\$63,555,000) and on the weighted average number of ordinary shares of 681,868,558 (1998: 443,194,585) in issue during the year. The 1999 and 1998 diluted loss per share are not shown because the potential ordinary shares would decrease the loss per share and would be regarded as anti-dilutive.

10. PROPERTY, PLANT AND EQUIPMENT

| Group | Machinery and equipment HK\$'000 | Motor vehicles HK\$'000 | Leasehold improvement HK\$'000 | Office equipment, furniture and fittings HK\$'000 | Total HK\$'000 |
|-----------------------------|---|-------------------------------|--------------------------------------|---|-------------------|
| Cost | | | | | |
| At 1 January 1999 | 2,218 | 487 | 800 | 15,404 | 18,909 |
| Acquisition of a subsidiary | 1,371 | — | 102 | 531 | 2,004 |
| Additions | — | — | 269 | 1,106 | 1,375 |
| Disposals | — | — | (578) | (518) | (1,096) |
| At 31 December 1999 | 3,589 | 487 | 593 | 16,523 | 21,192 |
| Depreciation | | | | | |
| At 1 January 1999 | 1,263 | 248 | 533 | 5,485 | 7,529 |
| Acquisition of a subsidiary | 293 | — | 40 | 132 | 465 |
| Charge for the year | 184 | 68 | 267 | 2,987 | 3,506 |
| Disposals | — | — | (466) | (311) | (777) |
| At 31 December 1999 | 1,740 | 316 | 374 | 8,293 | 10,723 |
| Net book value | | | | | |
| At 31 December 1999 | 1,849 | 171 | 219 | 8,230 | 10,469 |
| At 31 December 1998 | 955 | 239 | 267 | 9,919 | 11,380 |

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

10. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

| Company | Leasehold improvement HK\$'000 | Office equipment, furniture and fittings HK\$'000 | Total HK\$'000 |
|----------------------------|--------------------------------------|---|-------------------|
| Cost | | | |
| At 1 January 1999 | 443 | 618 | 1,061 |
| Additions | 33 | 247 | 280 |
| Disposals | (476) | (128) | (604) |
| At 31 December 1999 | — | 737 | 737 |
| Depreciation | | | |
| At 1 January 1999 | 288 | 297 | 585 |
| Charge for the year | 138 | 122 | 260 |
| Disposals | (426) | (71) | (497) |
| At 31 December 1999 | — | 348 | 348 |
| Net book value | | | |
| At 31 December 1999 | — | 389 | 389 |
| At 31 December 1998 | 155 | 321 | 476 |

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

11. INTERESTS IN SUBSIDIARIES

| | Company | |
|---|------------------|------------------|
| | 1999 HK\$'000 | 1998 HK\$'000 |
| Unlisted shares, at cost | 145,696 | 216,141 |
| Provision for permanent diminution in value | (136,464) | (151,480) |
| | 9,232 | 64,661 |
| Due from subsidiaries | 68,885 | 23,687 |
| Provision for amount due from a subsidiary | — | (11,203) |
| | 68,885 | 12,484 |
| | 78,117 | 77,145 |

Details of the principal subsidiaries at the balance sheet date are as follows:

| Name of subsidiary | Country of incorporation and operation | Ordinary share capital issued | | Percentage of nominal value of issued capital held by the Company | | Principal activities |
|---|--|-------------------------------|--------------------------|---|------------|--|
| | | Number/amount | Par value per share HK\$ | Directly | Indirectly | |
| Colorland Animation Productions Limited * | Hong Kong | 3,250,000 | 1 | — | 60% | Investment holding and sales of animated films |
| Colorland Animation Productions (Shenzhen) Limited * | People's Republic of China | US\$500,000 | — | — | 60% | Production of animated films |
| Goldmarket Assets Limited | British Virgin Islands | 139,371,568 | 1 | 100% | — | Investment holding |
| magictel.com Limited (formerly known as Magictel Limited) | Hong Kong | 1,000 | 1 | — | 100% | Provision of telecommunication services |
| speedinsure.com Limited (formerly known as Cyber Pioneer Limited) | Hong Kong | 10,000 | 1 | — | 70% | Provision of e-business service portal |
| TelaPortal Limited (formerly known as Bright Source Limited) | Hong Kong | 2 | 1 | — | 100% | Provision of e-business service portal |

* Companies not audited by Moores Rowland.

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

11. INTERESTS IN SUBSIDIARIES (Cont'd)

The above summary lists the principal subsidiaries of the Company which, in the opinion of the Company's directors, principally affected the results or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

12. INTANGIBLE ASSETS

| | Group | |
|---------|------------------|------------------|
| | 1999 HK\$'000 | 1998 HK\$'000 |
| At cost | <u>781</u> | <u>—</u> |

13. GOODWILL

| | Group | |
|-----------------------|------------------|------------------|
| | 1999 HK\$'000 | 1998 HK\$'000 |
| Cost | | |
| At 1 January | 70,445 | 68,171 |
| Disposals | (70,445) | 2,274 |
| At 31 December | <u>—</u> | <u>70,445</u> |
| Amortisation | | |
| At 1 January | 36,772 | 35,000 |
| Disposals | (36,772) | 1,772 |
| At 31 December | <u>—</u> | <u>36,772</u> |
| Net book value | | |
| At 31 December | <u>—</u> | <u>33,673</u> |

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

14. INTEREST IN A JOINTLY CONTROLLED ENTITY

| | Group | |
|--------------------------------------|----------|---------------|
| | 1999 | 1998 |
| | HK\$'000 | HK\$'000 |
| Share of net assets | — | 11,284 |
| Due from a jointly controlled entity | — | 1,200 |
| | <u>—</u> | <u>12,484</u> |

In 1998, interest in a jointly controlled entity represented 25% equity interest in the registered and paid up capital of Chengdu Hongda Energy Co., Ltd. ("CHE"), a company established in the People's Republic of China. The Group had disposed its interest in CHE to a third party during the year.

15. LONG-TERM INVESTMENTS

| Group | Investment in finished animated films HK\$'000 | Television and home video rights in finished animated films HK\$'000 | Investment in unfinished animated films HK\$'000 | Total HK\$'000 |
|-----------------------------------|--|--|---|-------------------|
| Cost | | | | |
| At 1 January 1999 | 16,699 | 285 | 539 | 17,523 |
| Additions | 4,269 | — | 6,299 | 10,568 |
| Write-off | — | (285) | — | (285) |
| Transfers | 6,838 | — | (6,838) | — |
| Provision for diminution in value | (15,432) | — | — | (15,432) |
| At 31 December 1999 | 12,374 | — | — | 12,374 |
| Amortisation | | | | |
| At 1 January 1999 | 4,596 | 285 | — | 4,881 |
| Charge for the year | 3,511 | — | — | 3,511 |
| Write-off | — | (285) | — | (285) |
| At 31 December 1999 | 8,107 | — | — | 8,107 |
| Net book value | | | | |
| At 31 December 1999 | <u>4,267</u> | <u>—</u> | <u>—</u> | <u>4,267</u> |

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

15. LONG-TERM INVESTMENTS (Cont'd)

| Group (Cont'd) | Investment in finished animated films HK\$'000 | Television and home video rights in finished animated films HK\$'000 | Investment in unfinished animated films HK\$'000 | Total HK\$'000 |
|----------------------------|--|--|---|-------------------|
| 1998 | | | | |
| Cost | | | | |
| At 1 January 1998 | 11,141 | 285 | 2,585 | 14,011 |
| Additions | 2,973 | — | 539 | 3,512 |
| Transfers | 2,585 | — | (2,585) | — |
| At 31 December 1998 | 16,699 | 285 | 539 | 17,523 |
| Amortisation | | | | |
| At 1 January 1998 | 1,991 | 204 | — | 2,195 |
| Charge for the year | 2,605 | 81 | — | 2,686 |
| At 31 December 1998 | 4,596 | 285 | — | 4,881 |
| Net book value | | | | |
| At 31 December 1998 | <u>12,103</u> | <u>—</u> | <u>539</u> | <u>12,642</u> |

16. INVESTMENT SECURITIES

| | Group and Company | |
|-------------------|-------------------|------------------|
| | 1999 HK\$'000 | 1998 HK\$'000 |
| At cost, unlisted | <u>778</u> | <u>—</u> |

17. INVENTORIES

| | Group | |
|------------------|------------------|------------------|
| | 1999 HK\$'000 | 1998 HK\$'000 |
| At cost: | | |
| Raw materials | 201 | 240 |
| Work-in-progress | 394 | 834 |
| | <u>595</u> | <u>1,074</u> |

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

18. DUE TO A SHAREHOLDER

The amount due to a shareholder, Goldtron Limited, a company incorporated in the Republic of Singapore, is unsecured, interest-free and has no fixed terms for repayment.

19. ISSUED CAPITAL

| | 1999 | | 1998 | |
|-----------------------------------|----------------------|-----------------------|---------------------|-----------------------|
| | Number of shares | Amount HK\$'000 | Number of shares | Amount HK\$'000 |
| Authorised | | | | |
| Preference shares of HK\$1 each: | | | | |
| At 1 January and 31 December | <u>288,929,402</u> | <u>288,929</u> | <u>288,929,402</u> | <u>288,929</u> |
| Ordinary shares of HK\$0.02 each: | | | | |
| At 1 January | 750,000,000 | 15,000 | 750,000,000 | 15,000 |
| Increase of ordinary shares | <u>750,000,000</u> | <u>15,000</u> | — | — |
| At 31 December | <u>1,500,000,000</u> | <u>30,000</u> | <u>750,000,000</u> | <u>15,000</u> |
| TOTAL | | <u>318,929</u> | | <u>303,929</u> |
| Issued and fully paid | | | | |
| Preference shares of HK\$1 each: | | | | |
| At 1 January and 31 December | <u>170,970,968</u> | <u>170,971</u> | <u>170,970,968</u> | <u>170,971</u> |
| Ordinary shares of HK\$0.02 each: | | | | |
| At 1 January | 518,449,380 | 10,369 | 434,449,380 | 8,689 |
| Issue of ordinary shares | 631,000,000 | 12,620 | 84,000,000 | 1,680 |
| Exercise of share options | <u>10,000,000</u> | <u>200</u> | — | — |
| At 31 December | <u>1,159,449,380</u> | <u>23,189</u> | <u>518,449,380</u> | <u>10,369</u> |
| TOTAL | | <u>194,160</u> | | <u>181,340</u> |

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

19. ISSUED CAPITAL (Cont'd)

- (a) By an ordinary resolution passed at a special general meeting held on 1 September 1999, the authorised ordinary share capital of the Company was increased to HK\$30,000,000 by the creation of an additional 750,000,000 ordinary shares of HK\$0.02 each.
- (b) On 6 September 1999, the Company placed and issued 200,000,000 new ordinary shares of HK\$0.02 each at a price of HK\$0.17 per share. The net proceeds of HK\$32,800,000 are being used for working capital purposes.

Pursuant to a sale and purchase agreement dated 14 September 1999, 240,000,000 new ordinary shares of HK\$0.02 each were allotted and issued at a price of HK\$0.23 per share in consideration of the entire issued share capital of magictel.com Limited, which have become a wholly-owned subsidiary of the Group since then.

On 10 November 1999, the Company placed and issued 190,000,000 new ordinary shares of HK\$0.02 each at a price of HK\$0.45 per share. The net proceeds of HK\$83,300,000 were used for financing the expanding business and providing working capital of the Group.

On 13 December 1999, options were exercised to subscribe for 10,000,000 ordinary shares of HK\$0.02 each in the Company at a consideration of HK\$4,200,000.

Pursuant to an asset acquisition agreement dated 14 December 1999, the Company allotted and issued 1,000,000 new ordinary shares of HK\$0.02 each at a price of approximately HK\$0.778 per share to acquire certain assets from an independent third party.

- (c) The holders of the preference shares are entitled to convert all or any of the preference shares into fully paid ordinary shares on the basis of one ordinary share of HK\$0.02 each for every HK\$1 in nominal value of preference shares so converted, in accordance with the provision of the Company's Bye-laws. In each year the preference shares may be converted on any of the following dates:
 - (i) the date falling 30 days after the date of despatch of the audited financial statements of the Company for the last preceding accounting period to the holders of the preference shares; or
 - (ii) the date falling 30 days after the date on which the interim results of the Company in respect of any current accounting period shall be announced; or

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

19. ISSUED CAPITAL (Cont'd)

(iii) such other dates as may be notified in writing by the directors to the holders of the preference shares not less than 30 days before such date.

In additions, as resolved by the directors on 16 December 1998, the preference shares may be converted every second Wednesday and last Wednesday of each month provided always that if such is not a business day then the next business day.

The Company may in accordance with the Bermuda Companies Act determine to redeem for a sum equal to (i) the nominal capital paid up or credited as paid up thereon and (ii) a fixed premium equal to five percent of the amount of such nominal capital and (iii) outstanding dividends, on any conversion date out of funds of the Company which would otherwise be available for dividend or distribution to the holders of any class of share or out of the proceeds of a new issue of ordinary shares.

20. SHARE OPTIONS

The Company had in issue the following share options as at the balance sheet date.

| Date of options granted | Exercise price HK\$ | Number of options outstanding |
|-------------------------|------------------------|----------------------------------|
| 25 October 1999 | 0.42 | 51,630,223 |
| 16 November 1999 | 0.49 | 6,495,000 |
| 23 November 1999 | 0.60 | 4,100,000 |
| | | <u>62,225,223</u> |

In accordance with the Company's Employee Share Option Scheme ("the Scheme") which was adopted in a Special General Meeting held on 25 October 1999, the directors of the Company may grant options to eligible employees to subscribe for shares in the Company. Any options granted can be exercised within the period as set out in the Rules and Regulations for the Scheme. The subscription price is determined by the board of directors and shall not be less than the higher of 80% of the average of the closing market prices of the shares for the five trading days immediately preceding the date of grant or the nominal value of a share.

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

21. RESERVES

| Group | Share premium HK\$ '000 | Exchange reserve HK\$ '000 | Capital redemption reserve HK\$ '000 | Other capital reserve HK\$ '000 | Reserve on consolidation HK\$ '000 | Accumulated losses HK\$ '000 | Total HK\$ '000 |
|---|----------------------------|-------------------------------|---|------------------------------------|---------------------------------------|---------------------------------|--------------------|
| At 1 January 1998 | 57,580 | (35,133) | 6 | 30,573 | — | (111,619) | (58,593) |
| Shares issued at premium | 6,720 | — | — | — | — | — | 6,720 |
| Shares issue expenses | (324) | — | — | — | — | — | (324) |
| Shares repurchased in 1997 | (20) | — | — | — | — | — | (20) |
| Net loss for the year | — | — | — | — | — | (63,555) | (63,555) |
| At 31 December 1998 | 63,956 | (35,133) | 6 | 30,573 | — | (175,174) | (115,772) |
| Shares issued at premium | 166,858 | — | — | — | — | — | 166,858 |
| Shares issue expenses | (3,407) | — | — | — | — | — | (3,407) |
| Release on associates written off | — | 36,250 | — | (31,660) | — | — | 4,590 |
| Goodwill on acquisition of a subsidiary | — | — | — | — | (62,761) | — | (62,761) |
| Net loss for the year | — | — | — | — | — | (78,408) | (78,408) |
| At 31 December 1999 | <u>227,407</u> | <u>1,117</u> | <u>6</u> | <u>(1,087)</u> | <u>(62,761)</u> | <u>(253,582)</u> | <u>(88,900)</u> |
| Company | | | | | | | |
| At 1 January 1998 | 57,580 | — | 6 | — | — | (135,444) | (77,858) |
| Shares issued at premium | 6,720 | — | — | — | — | — | 6,720 |
| Shares issue expenses | (324) | — | — | — | — | — | (324) |
| Shares repurchased in 1997 | (20) | — | — | — | — | — | (20) |
| Net loss for the year | — | — | — | — | — | (46,062) | (46,062) |
| At 31 December 1998 | 63,956 | — | 6 | — | — | (181,506) | (117,544) |
| Shares issued at premium | 166,858 | — | — | — | — | — | 166,858 |
| Shares issue expenses | (3,407) | — | — | — | — | — | (3,407) |
| Net loss for the year | — | — | — | — | — | (70,989) | (70,989) |
| At 31 December 1999 | <u>227,407</u> | <u>—</u> | <u>6</u> | <u>—</u> | <u>—</u> | <u>(252,495)</u> | <u>(25,082)</u> |

There were no reserves available for distribution as at 31 December 1999 (1998: Nil).

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

22. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

| | 1999 HK\$'000 | 1998 HK\$'000 |
|---|------------------|------------------|
| Loss before taxation | (75,170) | (55,323) |
| Interest income | (995) | (251) |
| Income from unlisted investments | (498) | (642) |
| Depreciation | 3,506 | 3,367 |
| Loss/(Profit) on disposal of property, plant and equipment | 319 | (17) |
| Amortisation of long-term investments | 3,511 | 2,686 |
| Bad debts written off | 3,000 | — |
| Loss on disposal of subsidiaries | 33,673 | — |
| Loss on disposal of a jointly controlled entity | 11,284 | — |
| Loss on associates written off | 4,590 | — |
| Provision for diminution in value of long-term investments | 15,432 | — |
| Amount due from a jointly controlled entity waived | 1,200 | — |
| Property, plant and equipment written off | — | 206 |
| Amortisation of goodwill | — | 1,772 |
| Provision for long-term receivable | — | 17,149 |
| Provision for diminution in value of associates | — | 43,586 |
| Changes in working capital: | | |
| Inventories | 479 | 1,532 |
| Trade receivables, deposits paid, prepayments and other receivables | (7,895) | 62,257 |
| Trade payables, receipts in advance, accrued charges and other payables | (973) | (14,467) |
| Due from related companies | 824 | (3,650) |
| Due to a shareholder | (180) | (61,165) |
| Exchange difference on long-term receivable and bank balances | — | (1,152) |
| Net cash outflow from operating activities | (7,893) | (4,112) |

23. MAJOR NON-CASH TRANSACTION

Consideration for the purchase of a subsidiary that occurred during the year comprised issuance of ordinary shares. Further details of the acquisition is set out in note 24.

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

24. PURCHASE OF A SUBSIDIARY

| | 1999 HK\$'000 | 1998 HK\$'000 |
|--|------------------|------------------|
| Net liabilities acquired: | | |
| Property, plant and equipment | 1,539 | — |
| Trade receivables, deposits, prepayments and other receivables | 435 | — |
| Bank balances and cash | 739 | — |
| Trade payables, receipts in advance, accrued charges and other payables | (6,821) | — |
| | <u>(4,108)</u> | <u>—</u> |
| Goodwill | 62,761 | 2,274 |
| | <u>58,653</u> | <u>2,274</u> |
| Satisfied by: | | |
| Shares allotted | 55,200 | — |
| Direct costs incurred | 3,453 | 2,274 |
| | <u>58,653</u> | <u>2,274</u> |

Analysis of the net outflow of cash and cash equivalents in respect of the purchase of a subsidiary:

| | 1999 HK\$'000 | 1998 HK\$'000 |
|--|------------------|------------------|
| Bank balances and cash acquired | (739) | — |
| Cash payment for direct costs | 3,453 | 2,274 |
| | <u>2,714</u> | <u>2,274</u> |
| Net outflow of cash and cash equivalents in respect of the purchase of a subsidiary | <u>2,714</u> | <u>2,274</u> |

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

25. DISPOSAL OF SUBSIDIARIES

| | 1999 HK\$'000 | 1998 HK\$'000 |
|----------------------------------|------------------|------------------|
| Net assets disposed | — | — |
| Unamortised goodwill written off | 33,673 | — |
| | <u>33,673</u> | <u>—</u> |
| Loss on disposal | (33,673) | — |
| | <u>—</u> | <u>—</u> |
| Satisfied by: | | |
| Cash | — | — |
| | <u>—</u> | <u>—</u> |

26. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

| | Share capital and share premium HK\$'000 | Minority interest HK\$'000 |
|--|--|----------------------------------|
| At 1 January 1999 | 74,325 | 10,739 |
| Cash inflow from financing | 121,071 | 3 |
| Shares issued for non-cash consideration | 55,200 | — |
| Share of profit for the year | — | 2,499 |
| Dividend paid to minority shareholders | — | (800) |
| At 31 December 1999 | <u>250,596</u> | <u>12,441</u> |

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

27. COMMITMENTS

Commitments under operating leases

At the balance sheet date, the portion of outstanding commitments in respect of land and buildings not provided for under non-cancellable operating leases which are payable in the following year is as follow:

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 1999 HK\$'000 | 1998 HK\$'000 | 1999 HK\$'000 | 1998 HK\$'000 |
| Operating leases which expire: | | | | |
| Within one year | 1,786 | 1,047 | 893 | 730 |
| In the second to fifth years inclusive | 1,350 | 1,233 | 675 | — |
| | <u>3,136</u> | <u>2,280</u> | <u>1,568</u> | <u>730</u> |

Capital expenditure commitments

At the balance sheet date, the Group had the following capital expenditure commitments:

| | Group | |
|-----------------------------------|------------------|------------------|
| | 1999 HK\$'000 | 1998 HK\$'000 |
| Authorised but not contracted for | <u>19,858</u> | <u>—</u> |
| Contracted but not provided for | <u>9,818</u> | <u>—</u> |

28. RELATED PARTY TRANSACTIONS

During the year, the Company paid management fee to a shareholder amounting to HK\$1,500,000 (1998: HK\$2,000,000) pursuant to a management agreement dated 19 September 1994. The agreement was terminated on 30 September 1999 and no further payment was made since then.

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

29. DEFERRED TAXATION

At the balance sheet date, the major components of the deferred taxation liabilities/(assets) unprovided are as follows:

| | Group | |
|--|------------------|------------------|
| | 1999 HK\$'000 | 1998 HK\$'000 |
| Excess of tax allowances over depreciation | 357 | 170 |
| Tax losses carried forward | (10,469) | (7,495) |
| | <u>(10,112)</u> | <u>(7,325)</u> |

A potential deferred tax asset has not been recognised in the financial statements in respect of tax losses available to set off future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

30. POST BALANCE SHEET EVENTS

(a) Changes in authorised and issued share capital

On 9 February 2000, an aggregate of 72,042,000 preference shares were converted into 72,042,000 ordinary shares of HK\$0.02 each at a price of HK\$1.05 per share.

On 15 and 16 February 2000, the Company placed and issued 200,000,000 new ordinary shares of HK\$0.02 each at a price of HK\$3.6 per share. The net proceeds of HK\$705,000,000 will be used for financing expansion of existing business and providing additional working capital of the Group.

By an ordinary resolution passed at a special general meeting on 1 March 2000, the authorised ordinary share capital of the Company was increased to HK\$60,000,000 by the creation of 1,500,000,000 additional ordinary shares of HK\$0.02 each.

On 29 March 2000, an aggregate of 89,248,968 preference shares were converted into 89,248,968 ordinary shares of HK\$0.02 each at a price of HK\$1.05 per share.

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

30. POST BALANCE SHEET EVENTS (Cont'd)

(b) Investments

On 3 February 2000, the Group entered into an agreement with Elmsdale Media Limited ("Elmsdale") for subscribing 357,142 shares in Elmsdale at a consideration of GBP4,000,000 (approximately HK\$49,880,000). The principal activities of Elmsdale is the establishment and operation of worldwide interactive programming and distribution services.

On 9 February 2000, the Group entered into an agreement with SUMmedia.com Inc. ("SUMmedia") for subscribing approximately 3.8% equity interest and 700,000 warrants in SUMmedia at a consideration of US\$3,675,000 (approximately HK\$28,592,000). Each warrant entitled the Group to acquire one share of SUMmedia at a price of US\$7 per share for a period of one year from the date of issue of such warrant. SUMmedia is an Internet media and marketing company that provides online coupons through its eCoupon portal.

Further to the memorandum of understanding entered into by the Group and Space Media Holdings Limited ("Space Media") on 28 December 1999, a formal subscription agreement was entered into by the two parties on 16 February 2000 for acquiring 20% equity interest in Space Media at an aggregate consideration of US\$2,500,000 (approximately HK\$19,450,000). The said consideration has been included in the authorised but not contracted for capital expenditure commitments as disclosed in note 27. Space Media is engaged in the provision of Internet advertising consultancy services.

31. COMPARATIVE FIGURES

Following the adoption of Statements of Standard Accounting Practice 1 and 2 issued by the Hong Kong Society of Accountants, certain comparative figures have been reclassified to conform to current year's presentation.

Summary of the Results and of the Assets and Liabilities of the Group

For the year ended 31 December 1999

| | Results of the Group for the five years ended 31 December | | | | |
|---|---|---------------------|---------------------|--------------------|--------------------|
| | 1999 | 1998 | 1997 | 1996 | 1995 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Turnover | | | | | |
| Continuing operations | 45,245 | 54,334 | 48,557 | 84,678 | 64,717 |
| Discontinued operations | — | — | 28,160 | 79,915 | 25,556 |
| | <u>45,245</u> | <u>54,334</u> | <u>76,717</u> | <u>164,593</u> | <u>90,273</u> |
| Loss from operations | (75,170) | (55,323) | (56,790) | (8,025) | (16,824) |
| Share of results of associated companies | — | — | (21,478) | — | — |
| Loss before taxation | (75,170) | (55,323) | (78,268) | (8,025) | (16,824) |
| Taxation | (739) | (1,763) | (1,366) | 7 | (88) |
| Loss from ordinary activities after taxation | (75,909) | (57,086) | (79,634) | (8,018) | (16,912) |
| Minority interests | (2,499) | (6,469) | (6,154) | (920) | 2,356 |
| Net loss attributable to shareholders | <u>(78,408)</u> | <u>(63,555)</u> | <u>(85,788)</u> | <u>(8,938)</u> | <u>(14,556)</u> |
| Loss per share | | | | | |
| Basic | <u>(11.5 cents)</u> | <u>(14.3 cents)</u> | <u>(24.4 cents)</u> | <u>(2.8 cents)</u> | <u>(4.7 cents)</u> |

Summary of the Results and of the Assets and Liabilities of the Group (Cont'd)

For the year ended 31 December 1999

| | Assets and liabilities of the Group for the five years ended 31 December | | | | |
|--------------------------------|---|------------------|------------------|------------------|------------------|
| | 1999 HK\$'000 | 1998 HK\$'000 | 1997 HK\$'000 | 1996 HK\$'000 | 1995 HK\$'000 |
| Non-current assets | 16,295 | 70,179 | 114,797 | 177,527 | 409,545 |
| Current assets | 115,752 | 15,406 | 108,802 | 79,119 | 80,447 |
| Total assets | 132,047 | 85,585 | 223,599 | 256,646 | 489,992 |
| <i>Less:</i> | | | | | |
| Non-current liabilities | — | — | 5,237 | 37,342 | 161,286 |
| Current liabilities | 14,346 | 9,278 | 86,625 | 15,917 | 60,591 |
| Total liabilities | 14,346 | 9,278 | 91,862 | 53,259 | 221,877 |
| | 117,701 | 76,307 | 131,737 | 203,387 | 268,115 |
| <i>Less:</i> | | | | | |
| Minority interests | 12,441 | 10,739 | 10,670 | 8,916 | 56,182 |
| Total net assets | 105,260 | 65,568 | 121,067 | 194,471 | 211,933 |

EXHIBIT 6

TITLE SHEET

FLORIDA TELECOMMUNICATIONS TARIFF

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of service and facilities for intrastate interexchange telecommunications services provided by Zone Telecom, Inc., doing business as Zone Telecom, Inc., with principal offices at 279 Harvard Street, Suite 21, Cambridge, Massachusetts 02139. This tariff applies for services furnished within the state of Florida. This tariff is on file with the Florida Public Service Commission, and copies may be inspected, during normal business hours, at the Company's principal place of business.

Issued: October 2, 2000

Effective: _____, 2000

by:

**Lawton Bloom,
Vice President and Secretary
Zone Telecom, Inc.
279 Harvard Street, Suite 21
Cambridge, MA 02139**

CHECK SHEET

Sheets 1 through 43 inclusive of this tariff are effective as of the date shown at the bottom of each respective sheet(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date on the bottom of this page.

| <u>SHEET</u> | <u>REVISION</u> |
|--------------|-----------------|
| 1 | Original |
| 2 | Original |
| 3 | Original |
| 4 | Original |
| 5 | Original |
| 6 | Original |
| 7 | Original |
| 8 | Original |
| 9 | Original |
| 10 | Original |
| 11 | Original |
| 12 | Original |
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| 14 | Original |
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| 16 | Original |
| 17 | Original |
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| 24 | Original |
| 25 | Original |
| 26 | Original |
| 27 | Original |
| 28 | Original |
| 29 | Original |

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CHECK SHEET (continued)

| <u>SHEET</u> | <u>REVISION</u> |
|--------------|-----------------|
| 30 | Original |
| 31 | Original |
| 32 | Original |
| 33 | Original |
| 34 | Original |
| 35 | Original |
| 36 | Original |
| 37 | Original |
| 38 | Original |
| 39 | Original |
| 40 | Original |
| 41 | Original |
| 42 | Original |
| 43 | Original |

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SYMBOLS

The following are the only symbols used for the purposes indicated below:

D - Delete or Discontinue

I - Change Resulting in an Increase to a Customer's Bill

M - Moved From Another Tariff Location

N - New

R - Change Resulting in a Reduction to a Customer's Bill

T - Change In Text or Regulation but no Change in Rate or Charge

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TARIFF FORMAT

A. Sheet Numbering - Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between sheets 14 and 15 would be 14.1.

B. Sheet Revision Numbers - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current sheet version on file with the FPSC. For example, the 4th revised Sheet 14 cancels the third revised Sheet 14. Because of various suspension periods, deferrals, etc. the FPSC follows in their tariff approval process, the most current sheet number on file with the Commission is not always the tariff page in effect. Consult the Check Sheet for the sheet currently in effect.

C. Paragraph Numbering Sequence - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

- 2.
- 2.1.
- 2.1.1.
- 2.1.1.A.
- 2.1.1.A.1.
- 2.1.1.A.1.(a).
- 2.1.1.A.1.(a).I.
- 2.1.1.A.1.(a).I.(i).
- 2.1.1.A.1.(a).I.(i).(1).

D. Check Sheets - When a tariff filing is made with the FPSC, an updated check sheet accompanies the tariff filing. The check sheet lists the sheets contained in the tariff, with a cross reference to the current revision number. When new pages are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this page if these are the only changes made to it (i.e., the format, etc. remains the same, just revised revision levels on some pages). The tariff user should refer to the latest check sheet to find out if a particular sheet is the most current on file with the FPSC.

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SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

Access Line - An arrangement which connects the Customer's location to a Zone Telecom, Inc. network switching center.

Authorization Code - A numerical code, one or more of which are available to a Customer to enable him/her to access the carrier, and which are used by the carrier, and which are used by the carrier both to prevent unauthorized access to its facilities and to identify the Customer for billing purposes.

Company or Carrier - Zone Telecom, Inc.

Customer - The person, firm, corporation or other entity which orders service and is responsible for payment of charges due and compliance with the Company's tariff regulations.

Day - From 8:00 AM up to but not including 5:00 PM local time Monday through Friday.

Evening - From 5:00 PM up to but not including 11:00 PM local time Sunday through Friday.

Holidays - Zone Telecom, Inc.'s recognized holidays are New Year's Day, Memorial Day, July 4th, Labor Day, Thanksgiving Day, Christmas Day.

Night/Weekend - From 11:00 PM up to but not including 8:00 AM Sunday through Friday, and 8:00 AM Saturday up to but not including 5:00 PM Sunday.

InterLATA Toll Call - Any call terminating beyond the LATA of the originating caller.

IntraLATA Toll Call - Calls terminating within the LATA of the originating caller.

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SECTION 2 - RULES AND REGULATIONS**2.1 Undertaking of Zone Telecom, Inc.**

Zone Telecom, Inc. services and facilities are furnished for intrastate communications originating at specified points within the state of Florida under terms of this Tariff.

Zone Telecom, Inc. installs, operates, and maintains the intrastate communication services provided hereinunder in accordance with the terms and conditions set forth under this Tariff. It may act as the Customer's agent for ordering access connection facilities provided by other carriers or entities when authorized by the Customer, to allow connection of a Customer's location to Zone Telecom, Inc. network. The Customer shall be responsible for all charges due for such service arrangement.

The Company's services and facilities are provided on a monthly basis unless ordered on a longer term basis, and are available twenty-four hours per day, seven days per week.

2.2 Limitations

2.2.1 Service is offered subject to the availability of facilities and the provisions of this tariff.

2.2.2 Zone Telecom, Inc. reserves the right to discontinue furnishing service, or limit the use of service necessitated by conditions beyond its control; or when the Customer is using service in violation of the law or the provisions of this Tariff.

2.2.3 All facilities provided under this Tariff are directly controlled by Zone Telecom, Inc. and the Customer may not transfer or assign the use of the service or facilities, except with the express written consent of The Company. Such transfer or assignment shall only apply where there is no interruption of the use or location of the service or facilities.

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2. RULES AND REGULATIONS (continued)

2.2 Limitations (continued)

2.2.4 Prior written permission from The Company is required before any assignment or transfer. All regulations and conditions contained in this Tariff shall apply to all such permitted assignees or transfers, as well as all conditions for service.

2.3 Liabilities of the Company

2.3.1 Zone Telecom, Inc.'s liability for damages arising out of mistakes, interruptions, omissions, delays, errors, or defects in the transmission occurring in the course of furnishing service or facilities, and not caused by the negligence of its employees or its agents, in no event shall exceed an amount equivalent to the proportionate charge to the Customer for the period during which the aforementioned faults in transmission occur.

2.3.2 Zone Telecom, Inc. shall be indemnified and held harmless by the Customer against:

- (A) Claims for libel, slander, or infringement of copyright arising out of the material, data, information, or other content transmitted over The Company's facilities.
- (B) All other claims arising out of any act or omission of the Customer in connection with any service or facility provided by Zone Telecom, Inc.

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2. RULES AND REGULATIONS (continued)**2.3 Liabilities of the Company (continued)**

2.3.3 Zone Telecom, Inc. shall not be liable to any Customer, authorized user or third party for failures caused by the transition to the Year 2000. Zone Telecom, Inc. has, and will continue to make diligent efforts to ensure that our Customers receive the services specified in this tariff before, during and after the Year 2000. Due to Zone Telecom, Inc.'s reliance on the equipment and facilities of other companies and their processes, Zone Telecom, Inc. shall not be held responsible for damages of any nature, including consequential damages, due to, but not limited to, failures or interruptions to systems, switches, transmission facilities, computers and related equipment maintained by, provided by, or operated by either Zone Telecom, Inc. or other third parties, including, but not limited to underlying carriers, local exchange companies, Customers and other competitors. Information provided to parties upon request regarding the Year 2000 readiness of products and services offered by Zone Telecom, Inc. are "Year 2000 Readiness Disclosures" as defined by the Year 2000 Information and Readiness Disclosure Act of 1998 (Public Law 105-271, 112 Stat. 2386, a U.S. Statute) enacted on October 19, 1998.

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2. RULES AND REGULATIONS (continued)**2.4 Responsibilities of the Customer or Subscriber**

- 2.4.1 The Customer is responsible for placing any necessary orders, for complying with tariff regulations, and for assuring that users comply with tariff regulations. The Customer shall ensure compliance with any applicable laws, regulations, orders or other requirements (as they exist from time to time) of any governmental entity relating to services provided or made available by the Customer to Authorized Users.
- 2.4.2 The Customer is responsible for charges incurred for special construction and/or special facilities which the Customer requests and which are ordered by Zone on the Customer's behalf.
- 2.4.3 If required for the provision of Zone services, the Customer must provide any equipment space, supporting structure, conduit and electrical power without charge to the Company.
- 2.4.4 The Customer is responsible for arranging access to its premises at times mutually agreeable to the Company and the Customer when required for the Company personnel to install, repair, maintain, program, inspect or remove equipment associated with the provision of Zone's services.

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2. RULES AND REGULATIONS (continued)**2.4 Responsibilities of the Customer or Subscriber (continued)**

2.4.5 The Customer shall ensure that its equipment and/or system is properly interfaced with Zone facilities or services, that the signals emitted into the Zone network are of the proper mode, bandwidth, power, and signal level for the intended use of the Customer in compliance with the criteria set forth in this tariff, and that the signals do not damage equipment, injure personnel, or degrade service to other Customers. If the Federal Communications Commission or some other appropriate certifying body certifies terminal equipment as being technically acceptable for direct electrical connection with interstate communications service, Zone will permit such equipment to be connected with its channels without the use of protective interface devices.

If the Customer fails to maintain the equipment and/or the system properly, with resulting imminent harm to Zone equipment, personnel, or the quality of service to other Customers, Zone may, upon written notice, require the use of protective equipment at the Customer's expense. If this fails to produce satisfactory quality and safety, Zone may, upon written notice, terminate the Customer's service.

2.4.6 The Customer must pay the Company for replacement or repair of damage to the equipment or facilities of the Company caused by negligence or willful act of the Customer, users, or others, by improper use of the services, or by use of equipment provided by the Customer, users, or others.

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2. RULES AND REGULATIONS (continued)**2.4 Responsibilities of the Customer or Subscriber (continued)**

- 2.4.7 The Customer must pay for the loss through theft of any Zone equipment installed at Customer's premises.
- 2.4.8 The Customer is responsible for the payment of charges for all calls originated at the Customer's numbers, even when those calls are originated by fraudulent means, either from the Customer's premises or from remote locations.
- 2.4.9 The Customer or Authorized User is responsible for compliance with the applicable regulations set forth in this tariff.
- 2.4.10 The Customer or Authorized User is responsible for identifying the station, party, or person with whom communications is desired and/or made at the called number.

2.5 Cancellation or Discontinuance of Services

- 2.5.1 Without incurring liability, Zone may immediately discontinue services to a Customer or may withhold the provision of ordered or contracted services:
- (A) For nonpayment of any sum due Zone for more than thirty days after issuance of the bill for the amount due,
 - (B) For violation of any of the provisions of this tariff,
 - (C) For violation of any law, rule, regulation or policy of any governing authority having jurisdiction over the Company's services, or
 - (D) By reason of any order or decision of a court, public service commission or federal regulatory body or other governing authority prohibiting Zone from furnishing its services.

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2. RULES AND REGULATIONS (continued)

2.5 Cancellation or Discontinuance of Services (continued)

2.5.2 Without incurring liability, Zone may interrupt the provision of services at any time in order to perform tests and inspections to assure compliance with tariff regulations and the proper installation and operation of Customer and Company's equipment and services and may continue such interruption until any items of non-compliance or improper equipment operation so identified are rectified.

2.5.3 Service may be discontinued by Zone, without notice to the Customer, by blocking traffic to certain countries, cities or NXX exchanges, or by blocking calls using a call screening method which generates a network message not allowing calls to complete, when Zone deems it necessary to take such action to prevent unlawful use of its service. Zone will restore service as soon as it can be provided without undue risk.

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2. RULES AND REGULATIONS (continued)**2.6 Interruption of Service**

2.6.1 Credit allowance for the interruption of service which is not due to the Company's testing, inspecting, or adjusting, of equipment; or to the failure of channels or equipment provided by the Customer; or to the Company's blocking of services to certain locations; and that is not caused by the Customer, is subject to the general liability provisions set forth in 2.3.1 herein. It shall be the obligation of the Customer to notify the Company immediately of any interruption in service for which a credit allowance is desired. Before giving such notice, the Customer shall ascertain that the trouble is not being caused by any action or omission by the Customer within his control, or is not in wiring or equipment, if any, furnished by the Customer and connected to the Company's facilities.

2.6.2 For purposes of credit computation, every month shall be considered to have 720 hours.

2.6.3 No credit shall be allowed for an interruption of a continuous duration of less than two hours.

2.6.4 The Customer shall be credited for an interruption of two hours or more at the rate of 1/720th of the monthly charge for the facilities affected for each hour or major fraction thereof that the interruption continues.

CREDIT FORMULA:

$$\text{Credit} = (A \times B) / 720$$

"A" - outage time in hours

"B" - total monthly charge for affected facility

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2. RULES AND REGULATIONS (continued)

2.7 Restoration of Service

The use and restoration of service shall be in accordance with the priority system specified in part 64, Subpart D of the Rules and Regulations of the Federal Communications Commission

2.8 Deposits

The Company does not require a deposit from the Customer.

2.9 Advance Payments

For Customers whom The Company feels an advance payment is necessary, Zone Telecom, Inc. reserves the right to collect an amount not to exceed one (1) month's estimated charges as an advance payment for service. This will be applied against the next month's charges and if necessary a new advance payment will be collected for the next month.

2.10 Taxes

All state and local taxes (i.e., gross receipts tax, sales tax, municipal utilities tax) are listed as separate line items and are not included in the quoted rates.

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2. RULES AND REGULATIONS (continued)**2.11 Employee Concessions**

Any employee of the Company in good standing for three months or longer may receive any of the Company's services 20% below the tariffed rate as a concession.

2.12 Billing and Charges

Zone will bill its customers directly. Customers may contact Zone's representatives 24 hours a day, 7 days a week at 1-800-233-4736 and 1-800-626-4736, or by writing to Zone Telecom, Inc., Customer Service Division, 459 Oakshade Road, Shamong, NJ 08088. Billing will be payable upon receipt and will be considered past due by the 20th of the following month.

2.13 Late Fee

A late fee of 1.5% monthly will be charged on any past due balances.

2.14 Return Check Charges

A fee of \$20.00 or five percent of the amount of the check, whichever is greater, will be charged for each check returned for insufficient funds.

2.15 Reconnection Charge

A reconnection fee of \$50.00 per occurrence is charged when service is re-established for Customers who had been disconnected for non-payment.

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2. RULES AND REGULATIONS (continued)**2.16 Payphone Use Surcharge**

An undiscountable payphone use surcharge of \$.35 shall apply to each coinless call which Zone Telecom, Inc. can identify as being placed from a domestic payphone by or to the Customer or its permitted user. This includes, but is not limited to, calls placed with a Zone Telecom, Inc. calling card, pre-paid calling card, collect calls and calls placed to 800 numbers. This charge is in addition to standard tariffed usage charges and is for the use of the payphone instrument to access Zone Telecom, Inc.'s service.

2.17 Reseller/Rebiller Certification

Any Customer that resells or rebills the Zone services set forth in this tariff must possess all certifications and authorizations required by the Florida Public Service Commission and all other pertinent authorities.

2.18 Prepaid Telephone Card Service Refund Policy

For pre-paid Zone telephone cards that are rendered unusable for reasons beyond the Customer's control (other than loss or theft as discussed below) and that have not exceeded the expiration period, the Company will provide a refund equal to the value remaining in the account. Refunds may be cash or replacement service, as the Company deems appropriate, and will be made to the Customer within 60 days of notification by the Customer and verification by the Company that the pre-paid Zone telephone card has been rendered unusable for reasons beyond the Customer's control (other than loss or theft). The Company will not provide a refund for pre-paid Zone telephone cards that are lost or stolen.

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SECTION 3 - DESCRIPTION OF SERVICE**3.1 Timing of Calls**

- 3.1.1 The Customer's long distance usage charge is based on the actual usage of Zone Telecom, Inc.'s network. Usage begins when the called party picks up the receiver. When the called party picks up is determined by hardware answer supervision in which the local telephone company sends a signal to the switch or the software utilizing audio tone detection. When software answer supervision is employed, up to 60 seconds of ringing is allowed before it is billed as usage of the network. A call is terminated when either the called or calling party hangs up. There will be no charges for incomplete calls.
- 3.1.2 For billing provided directly by Company, the minimum call duration and initial period is 18 seconds for all intrastate direct dialed calls unless otherwise specified by this tariff. For billing provided directly by Company, the additional period is measured and rounded to the next higher 6 second increment unless otherwise specified by this tariff.
- 3.1.3 For billing provided by the Local Exchange Carrier of the Customer, the minimum call duration and initial period is 60 seconds (1 minute) and the additional period is measured in 60 second (1 minute) increments.

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3. DESCRIPTION OF SERVICE (continued)

3.2 Calculation of Distance

Usage charges for all mileage sensitive products are based on the airline distance rate centers associated with the originating and terminating points of the call.

The airline mileage between rate centers is determined by applying the formula below to the vertical and horizontal coordinates associated with the rate centers involved. The Company uses the rate centers and associated vertical and horizontal coordinates that are produced by Bell Communications Research in their NPA-NXX V & H Coordinates Tape and Bell's NECA Tariff No. 4

FORMULA:
$$2 \sqrt{\frac{(V1 - V2)^2 + (H1 - H2)^2}{10}}$$

EXAMPLE: Distance between Miami and New York City -

| | | | |
|------------|--------------|--------------|--|
| <u>VH</u> | | | |
| Miami | 8,351 | 529 | |
| New York | <u>4,997</u> | <u>1,406</u> | |
| Difference | 3,354 | -879 | |

Square and add: 11,249,316 + 772,641 = 12,021,957

Divide by 10 and round: 12,021,957 / 10 = 1,202,195.70
= 1,202,196

Take square root and round: $\sqrt{1,202,196} = 1,096.4$
= 1,097 miles

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3. DESCRIPTION OF SERVICE (continued)**3.3 Minimum Call Completion Rate**

A Customer can expect a call completion rate (number of calls completed / number of calls attempted) of not less than 90% during peak use periods for all services ("1+" dialing).

3.4 Service Offerings**3.4.1 Virtual WATS Service**

Virtual WATS Service is a telecommunications service utilizing AT&T as the underlying carrier. This service includes such services as outbound switched and dedicated calling, inbound (800 or 888) calling, calling card calling and directory assistance services.

3.4.2 FiberWATS Service

FiberWATS Service is a telecommunications service utilizing Sprint as the underlying carrier. This service includes such services as outbound switched and dedicated calling, inbound (800 or 888) calling, calling card calling and directory assistance services.

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3. DESCRIPTION OF SERVICE (continued)**3.4 Service Offerings (continued)****3.4.3 Dedicated Access**

Dedicated access circuits may be provided and billed by the local exchange company (LEC). Dedicated access channels may be purchased from carriers other than the LEC only in accordance with FPSC rules or if the special access channel is jurisdictionally interstate. Charges for the dedicated access channel are determined by the access provider.

This rate schedule applies to calls between an on-network station which uses a special access line and either an on-network station which uses a local exchange service access line or an off-network station within the State of Florida.

3.4.4 Calling Card Service

This service allows the Customer to either call via a 0+ number and / or authorization code to gain access to the Company's Network.

3.4.5 Inbound Switched Service (800 or 888)

Receives inbound Intrastate calls on regular local telephone lines.

3.4.6 Inbound Dedicated Service (800 or 888)

Receives inbound Intrastate calls on Dedicated Access Lines using 800 or 888 number(s).

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3. DESCRIPTION OF SERVICE (continued)**3.4 Service Offerings (continued)****3.4.7 Prepaid Telephone Card Service**

Zone Telecom, Inc. Prepaid Telephone Card Service provides an outbound voice grade communications service for calls charged to a Zone Telecom, Inc. Group Prepaid Telephone Card. Customers can use the Prepaid Telephone Card to complete Direct Dialed intrastate and interstate calls.

3.4.8 Switched Access

This rate schedule applies to calls between two on-network stations which use local exchange service access lines or between an on-network station which uses a local exchange service access line and an off-network station within the State of Florida.

3.4.9 Commercial Affiliation Program

This service applies to residential and small business Customers. To qualify for this service, Customers must be members of trade associations or commercial organizations. Customers may also qualify if they are individuals within an industry profession or business classification. Service shall be obtained by responding to an advertisement or promotional offering or by calling a toll free number in response to such solicitation.

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3. DESCRIPTION OF SERVICE (continued)**3.4 Service Offerings (continued)****3.4.10 Teleconference Service**

Zone Telecom, Inc. Teleconference Service provides communications between two or more stations connected to an audio bridge with the assistance of a teleconference operator.

Charges accrued by using teleconference service are billed to the telephone number of the originator of the conference call or billed to another number, if it is acceptable to that party.

Chargeable time of a conference call begins when all participants are connected and ends for each individual station when that station disconnects.

Chargeable time for ports joining the conference call already in progress begins when they are connected by a teleconference operator.

3.4.11 Prepaid Long Distance Service

Zone Telecom, Inc. prepaid long distance service is an optional 1+/011+ direct dial long distance service wherein Customers submit payments in advance.

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SECTION 4 - RATES

4.1 **VIRTUAL WATS SWITCHED ACCESS**

Rate per initial 18 second minimum and additional 6 second increments:

InterLATA

| <u>Miles</u> | 1 st 18 seconds | | Additional 6 seconds | |
|--------------|----------------------------|--------------|----------------------|--------------|
| | <u>Day</u> | <u>E/N/W</u> | <u>Day</u> | <u>E/N/W</u> |
| All | \$0.0657 | \$0.0576 | \$0.0219 | \$0.0192 |

IntraLATA

| <u>Miles</u> | 1 st 18 seconds | | Additional 6 seconds | |
|--------------|----------------------------|--------------|----------------------|--------------|
| | <u>Day</u> | <u>E/N/W</u> | <u>Day</u> | <u>E/N/W</u> |
| All | \$0.0540 | \$0.0492 | \$0.0180 | \$0.0164 |

Monthly recurring charge \$5.00 per account.

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Zone Telecom, Inc.
279 Harvard Street, Suite 21
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4. RATES (continued)

4.2 VIRTUAL WATS DEDICATED ACCESS

Rate per initial 18 second minimum and additional 6 second increments:

InterLATA

| <u>Miles</u> | 1 st 18 seconds | | Additional 6 seconds | |
|--------------|----------------------------|--------------|----------------------|--------------|
| | <u>Day</u> | <u>E/N/W</u> | <u>Day</u> | <u>E/N/W</u> |
| All | \$0.0417 | \$0.0327 | \$0.0139 | \$0.0109 |

IntraLATA

| <u>Miles</u> | 1 st 18 seconds | | Additional 6 seconds | |
|--------------|----------------------------|--------------|----------------------|--------------|
| | <u>Day</u> | <u>E/N/W</u> | <u>Day</u> | <u>E/N/W</u> |
| All | \$0.0417 | \$0.0327 | \$0.0139 | \$0.0109 |

Installation Fee: None by Zone. Charges may be incurred from local exchange carriers and equipment vendors. Zone's monthly recurring charge is \$20.00 per account.

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Zone Telecom, Inc.
279 Harvard Street, Suite 21
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4. RATES (continued)

4.3 VIRTUAL WATS CALLING CARD SERVICE

Rate per initial 18 second minimum and additional 6 second increments:

| 1 st 18 seconds | | | Additional 6 seconds | |
|----------------------------|------------|--------------|----------------------|--------------|
| <u>Miles</u> | <u>Day</u> | <u>E/N/W</u> | <u>Day</u> | <u>E/N/W</u> |
| All | \$0.0761 | \$0.0667 | \$0.0254 | \$0.0222 |

Monthly recurring charge: none. Calls are rounded to the next higher 1/10 minute for billing purposes.

Surcharge / call: \$.65

4.4 VIRTUAL WATS LONG DISTANCE DIRECTORY ASSISTANCE

A Long Distance Directory Assistance charge applies when the caller accesses the Company's network by dialing 1 + Area Code + 555-1212 to place a request for a telephone number. A caller may request one telephone number per directory assistance call. The charge applies to each inquiry regardless of whether the Directory Assistance bureau is able to supply a listed number. A credit will be issued for any Directory Assistance charge for which the Customer experiences poor transmission quality, is cut off, receives an incorrect telephone number, or misdials.

| | |
|-------------------------------|------------------------------|
| Directory Assistance Charge - | <u>Per Inquiry</u> \$0.85 |
|-------------------------------|------------------------------|

Monthly recurring charge: none.

Charges for calls within a local calling area or within a Customer's Home Numbering Plan Area (HNPA) will be prescribed and charged to the Customer by the local exchange carrier originating the call.

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4. RATES (continued)

4.5 VIRTUAL WATS INBOUND (800 or 888) USAGE RATES

a. Inbound Switched Usage Rates

| | | | |
|--|---------------------------|----------------|--------------|
| | Rate Per Hour of Usage | | |
| | <u>Day</u> | <u>Evening</u> | <u>Night</u> |
| | \$14.37 | \$13.93 | \$13.93 |

Monthly recurring service charge: \$20.00

b. Inbound Dedicated Usage Rates

| | | | |
|--|---------------------------|----------------|--------------|
| | Rate Per Hour of Usage | | |
| | <u>Day</u> | <u>Evening</u> | <u>Night</u> |
| | \$8.29 | \$6.99 | \$5.08 |

Monthly recurring service charge: \$50.00

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4. RATES (continued)

Reserved For Future Use

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4. RATES (continued)

Reserved For Future Use

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4. RATES (continued)

4.6 FIBERWATS SWITCHED ACCESS

Rate per initial 18 second minimum and additional 6 second increments:

InterLATA

| <u>Miles</u> | <u>Initial 18 Seconds</u> | | <u>Each Add'l 6 Seconds</u> | |
|--------------|---------------------------|--------------|-----------------------------|--------------|
| | <u>Day</u> | <u>E/N/W</u> | <u>Day</u> | <u>E/N/W</u> |
| 0+ | \$0.0528 | \$0.0528 | \$0.0176 | \$0.0176 |

IntraLATA

| <u>Miles</u> | <u>Initial 18 Seconds</u> | | <u>Each Add'l 6 Seconds</u> | |
|--------------|---------------------------|--------------|-----------------------------|--------------|
| | <u>Day</u> | <u>E/N/W</u> | <u>Day</u> | <u>E/N/W</u> |
| 0+ | \$0.0357 | \$0.0357 | \$0.0119 | \$0.0119 |

Monthly recurring charge: \$5.00 per account

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Zone Telecom, Inc.
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4. RATES (continued)

4.7 FIBERWATS DEDICATED ACCESS

Calls are billed in 6 second increments with 18 seconds minimum, except for Local Exchange Company billing which will be in 60 second (1 minute) increments [see sheet 21, section 3.1.3 of this tariff]. The 60 second (1 minute) rate is ten (10) times the 6 second increments shown below.

Rate per initial 18 second minimum and additional 6 second increments:

InterLATA

| <u>Miles</u> | <u>Initial 18 Seconds</u> | | <u>Each Add'l 6 Seconds</u> | |
|--------------|---------------------------|--------------|-----------------------------|--------------|
| | <u>Day</u> | <u>E/N/W</u> | <u>Day</u> | <u>E/N/W</u> |
| 0+ | \$0.0312 | \$0.0312 | \$0.0104 | \$0.0104 |

IntraLATA

| <u>Miles</u> | <u>Initial 18 Seconds</u> | | <u>Each Add'l 6 Seconds</u> | |
|--------------|---------------------------|--------------|-----------------------------|--------------|
| | <u>Day</u> | <u>E/N/W</u> | <u>Day</u> | <u>E/N/W</u> |
| 0+ | \$0.0312 | \$0.0312 | \$0.0104 | \$0.0104 |

Monthly access fees and service charges vary by Customer location and may be assessed by the Local Telephone Company or underlying carrier. These may be billed directly to the Customer by the Local Telephone Company or at the Customer's request, by Zone Telecom, Inc. with no mark up from actual cost.

Monthly recurring charge: none.

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4. RATES (continued)

4.8 FIBERWATS CALLING CARD ACCESS

Calling Card calls placed by Customers that have subscribed to Zone Telecom, Inc.'s calling card service prior to the date of this filing will be billed in 6 second increments with 18 seconds minimum. Calling Card calls placed by Customers that have subscribed to Zone Telecom, Inc.'s calling card service as of the date of this filing will be billed in 60 second (1 minute) increments. Local Exchange Company billing will be in 60 second (1 minute) increments [see Sheet 21, Section 3.1.3 of this tariff]. The 60 second (1 minute) rate, which applies to Local Exchange Company billing and to calls placed by Customers that have subscribed to Zone Telecom, Inc.'s calling card service as of the date of this filing, is ten (10) times the 5 second increments shown below.

Rate per initial 18 second minimum and additional 6 second increments:

| <u>Miles</u> | <u>Initial 18 Seconds</u> | | <u>Each Add'l 6 Seconds</u> | |
|---------------------------|---------------------------|--------------|-----------------------------|--------------|
| | <u>Day</u> | <u>E/N/W</u> | <u>Day</u> | <u>E/N/W</u> |
| 0+ | \$0.0642 | \$0.0642 | \$0.0214 | \$0.0214 |
| Monthly recurring charge: | None | | | |
| Surcharge per call: | \$0.55 | | | |

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4. RATES (continued)

4.9 FIBERWATS INBOUND (800 OR 888) USAGE RATES

a. Inbound (800 or 888) Switched Usage Rates

| | <u>Rate Per Hour of Usage</u> | | |
|-----------------------------------|-----------------------------------|----------------|--------------|
| | <u>Day</u> | <u>Evening</u> | <u>Night</u> |
| | \$12.84 | \$12.84 | \$12.84 |
| Monthly recurring service charge: | \$20.00 | | |

b. Inbound (800 or 888) Dedicated Usage Rates

| | <u>Rate Per Hour of Usage</u> | | |
|-----------------------------------|-----------------------------------|----------------|--------------|
| | <u>Day</u> | <u>Evening</u> | <u>Night</u> |
| | \$6.66 | \$6.66 | \$6.66 |
| Monthly recurring service charge: | \$50.00 | | |

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Zone Telecom, Inc.
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4. RATES (continued)

4.10 FIBERWATS LONG DISTANCE DIRECTORY ASSISTANCE

A long distance Directory Assistance charge applies when the caller accesses the Company's network by dialing 1 + Area Code + 555-1212 to place a request for a telephone number. A caller may request one telephone number per directory assistance call. The charge applies to each inquiry regardless of whether the Directory Assistance bureau is able to supply a listed number. A credit will be issued for any Directory Assistance charge for which the Customer experiences poor transmission quality, is cut off, receives an incorrect telephone number, or misdials.

| | |
|---------------------------------|--------------------|
| | <u>Per Inquiry</u> |
| Directory Assistance Charge - | \$0.75 |
| Monthly recurring charge: none. | |

Charges for calls within a local calling area or within a Customer's Home Numbering Plan Area (HNPA) will be prescribed and charged to the Customer by the local exchange carrier originating the call.

4.11 SPECIAL RATES

4.11.1 Discount for Hearing Impaired Customers:

A telephone toll message which is communicated using a telecommunications device for the deaf (TDD) by properly certified hearing or speech impaired persons or properly certified business establishments for individuals equipped with TDDs for communicating with hearing or speech impaired persons will receive, upon request, a discount for calls placed between TDDs. The credit to be given on a subsequent bill for such calls placed between TDDs will result in the application of the evening rate for calls made during daytime hours and night rates for calls made during evening and night hours. Discounts do not apply to surcharges or per call add on charges for operator service when the call is placed by a method that would normally incur the surcharge.

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4. RATES (continued)

4.11 SPECIAL RATES (continued)

4.11.2 Operator Assistance for Handicapped Persons:

Operator station surcharges will not be charged by the Company for operator assistance provided to a caller who identified him or herself as being handicapped and unable to dial the call because of a handicap.

4.11.3 Directory Assistance for Handicapped Persons:

There is no charge for Directory Assistance calls from handicapped persons. Such persons must contact the Company for credit on their directory assistance calls.

4.11.4 Discount for Telecommunications Relay Service Intrastate Toll Calls

Intrastate toll telecommunications relay service calls will be discounted by 50 percent off of the otherwise applicable rate for a voice nonrelay call except that where either the calling or called party indicates that either party is both hearing and visually impaired, the call will be discounted 60 percent off the otherwise applicable rate for a voice nonrelay call. The above discounts apply only to time-sensitive elements of a charge for the call and shall not apply to per call charges or surcharges.

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4. RATES (continued)

4.12 TIME OF DAY RATE PERIOD

Day, evening and night/weekend rates apply for the following products based on the following chart:

All Services:

| | MON | TUES | WEDS | THURS | FRI | SAT | SUN |
|----------------------------|--------------------------------------|------|------|-------|-----|-----|-----|
| 8:00 AM TO 5:00 PM* | DAYTIME RATE PERIOD | | | | | | |
| 5:00 PM TO 11:00 PM* | EVENING/NIGHT/WEEKEND RATE PERIOD | | | | | | |
| 11:00 PM TO 8:00 AM* | | | | | | | |

*** to, but not including**

Calls are billed based on the rate in effect for the actual time period(s) during which the call occurs. Calls that cross rate period boundaries are billed the at rates in effect in that boundary for each portion of the call.

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4. RATES (continued)

4.13 COMMERCIAL AFFILIATION PROGRAM

Customers of this calling plan may place as many calls as desired at the specified rates. No minimum monthly usage is required.

The following rates apply for all times of day, seven days a week, for all distances. Calls will be billed at 18 second initial increment with 6 second additional increments.

| <u>Rate Mileage</u> | <u>Initial 18 Seconds or Fraction</u> | | <u>Each Additional 6 Seconds or Fraction</u> | |
|-----------------------|---------------------------------------|--------------------------|--|--------------------------|
| | <u>Day</u> | <u>Eve/Night Weekend</u> | <u>Day</u> | <u>Eve/Night Weekend</u> |
| 0+ | \$0.0408 | \$0.0408 | \$0.0136 | \$0.0136 |
| Monthly Recurring Fee | | \$2.00 | | |

4.14 PREPAID TELEPHONE CARD RATES

| <u>Maximum Rate Per Minute of Usage</u> | | |
|---|----------------|--------------|
| <u>Day</u> | <u>Evening</u> | <u>Night</u> |
| \$0.35 | \$0.35 | \$0.35 |

Surcharges: None.

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4. RATES (continued)

4.15 ZONE TELECOM, INC. SPECIAL PROMOTIONAL OFFERINGS

The company may from time to time engage in special Promotional Offerings limited to certain dates, times or locations designed to attract new subscribers or increase subscriber usage. The company will not have special promotional offerings for more than 90 days in any 12 month period. In all such cases, the rates charged will not exceed those specified in this Tariff.

4.16 ZONE TELECOM, INC. TELECONFERENCE SERVICE

Charges for teleconference service calls are per minute and per port usage, rounded to the next highest full minute.

Monthly recurring fees: none.

4.16.1 Dial-In Service: Each participant dials into the conference via a standard telephone number and pays their own long distance costs. A teleconference operator will ask for the designator of the call and place the participant into the call. Bridging costs are paid by the initiating party.

Dial - In Service Rates

| | |
|---|--------|
| Bridging Usage Rate Per Minute, Per Line, All Time Periods Domestic Interstate and Intrastate Calling | \$0.21 |
|---|--------|

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Zone Telecom, Inc.
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4. RATES (continued)

4.16 ZONE TELECOM, INC. TELECONFERENCE SERVICE (continued)

4.16.2 Dial-Out Service: Each participant is called by a teleconference operator and placed into the conference. The initiating party pays all long distance charges and bridging costs.

Dial - Out Service Rates

| | |
|---|--------|
| Bridging Usage Rate Per Minute, Per Line, All Time Periods Domestic Interstate and Intrastate Calling | \$0.39 |
|---|--------|

4.16.3 800/888 Dial-In: Participants dial in via an 800/888 number. A teleconference operator will ask for the designated moderator of the call and place the participant into the call. The initiating party pays all long distance charges and bridging costs.

800/888 Dial - In

| | |
|---|--------|
| Bridging Usage Rate Per Minute, Per Line, All Time Periods Domestic Interstate and Intrastate Calling | \$0.39 |
|---|--------|

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Zone Telecom, Inc.
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4. RATES (continued)**4.17 ZONE TELECOM, INC. PREPAID LONG DISTANCE SERVICE****4.17.1 Description**

Zone Telecom, Inc. prepaid long distance service is an optional 1+/011+ direct dial long distance service wherein Customers submit payments in advance. The advance payments are placed in the consumer's account and are depleted as long distance charges, applicable surcharges, regulatory assessments, taxes and fees are accrued. If during any month, the total of charges exceed the monthly advance payments, the Customer will hear an announcement that there is no credit available, and the Customer will not be able to complete 1+/011+ calls until additional advance payments are received. In addition, several minutes in advance of the depletion of the prepayment, the Customer will be advised via announcement. If a consumer does not utilize the full amount of the monthly prepayment, the remaining balance will carry over to subsequent months until the balance is depleted.

4.17.2 Billing

Charges are billed in full minute increments

4.17.3 Rates and Charges:

\$.25 cents per minute, 24 hours a day, seven days a week

Monthly recurring fee: \$5.00 waivable monthly fee.

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