e-Kong Group Limited

(Incorporated in Bermuda with limited liability)
www.e-kong.com
(Stock Code : 524)

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2007

HIGHLIGHTS

- Record turnover of HK$795.3 million, representing a growth of 13.2% over the previous year
- EBITDA was up 14.8% to HK$65.7 million and net profit up 8.8% to HK$44.2 million
- Cash and bank balances increased by 81.0% to HK$181.7 million
- ZONE successfully launched its MVNO services in the United States
- ZoiPPE expands its services into mass-market social networking websites
- The Group prepares to enter the Broadband Wireless Access markets in Asia

RESULTS

The board of directors (the "Board") of e-Kong Group Limited (the "Company") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2007, together with comparative figures for 2006, as follows:

Consolidated Income Statement

	Notes	Year ended 31 December 2007 *HK$'000*	2006 *HK$'000*
Turnover	*2*	**795,252**	702,810
Cost of sales		**(583,405)**	(509,718)
Gross profit		**211,847**	193,092
Other revenue and income	*3*	**21,788**	2,723
		233,635	195,815
Selling and distribution expenses		**(57,144)**	(55,343)
Business promotion and marketing expenses		**(7,143)**	(4,635)
Operating and administrative expenses		**(99,234)**	(76,419)
Other operating expenses		**(21,549)**	(11,928)
Profit from operations		**48,565**	47,490
Finance costs	*7*	**(1,951)**	(2,859)
Profit before taxation	*7*	**46,614**	44,631
Taxation	*4*	**(2,394)**	(3,999)
Profit for the year		**44,220**	40,632
Profit for the year attributable to:			
Equity holders of the Company		**44,303**	40,632
Minority interests		**(83)**	–
Profit for the year		**44,220**	40,632
EBITDA	*5*	**65,673**	57,205
		HK cents	*HK cents*
Earnings per share	*6*		
Basic		**8.6**	8.6
Diluted		**N/A**	N/A

Consolidated Balance Sheet

	Notes	As at 31 December 2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment		**18,799**	17,117
Intangible assets	8	**41,504**	51,659
Deferred tax assets		**13,634**	10,866
		73,937	79,642
Current assets			
Trade and other receivables	9	**91,589**	86,630
Pledged bank deposits		**2,137**	1,547
Cash and bank balances		**181,662**	100,362
		275,388	188,539
Current liabilities			
Trade and other payables	10	**104,935**	99,686
Current portion of bank borrowings		**10,430**	9,188
Current portion of obligations under finance leases		**206**	198
Taxation payable		**4,288**	3,996
		119,859	113,068
Net current assets		**155,529**	75,471
Total assets less current liabilities		**229,466**	155,113
Non-current liabilities			
Bank borrowings		**4,250**	22,577
Obligations under finance leases		**213**	419
Deferred tax liabilities		**513**	–
NET ASSETS		**224,490**	132,117
Capital and reserves			
Share capital		**5,229**	4,709
Reserves		**218,256**	127,408
Equity attributable to equity holders of the Company		**223,485**	132,117
Minority interests		**1,005**	–
TOTAL EQUITY		**224,490**	132,117

Notes:

1. **Basis of preparation and accounting policies**

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and applicable requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies and basis of preparation adopted in these financial statements are consistent with those adopted in the Company's 2006 Annual Report except as described below.

In the current year, the Group has adopted the following new / revised HKFRS, which are first effective on 1 January 2007 and relevant to the Group.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures

The adoption of these new / revised HKFRS has no material impact on the accounting policies or the results and financial position of the Group.

The Group has not early adopted the new / revised HKFRS issued by HKICPA that are not yet effective for the current year. The Group does not anticipate that the adoption of these new / revised HKFRS in future periods will have a material impact on the results of the Group.

2. **Turnover and segmental information**

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

(a) By geographical segments:

	Year ended 31 December						
	2007				2006		
	North America *HK$'000*	**Asia Pacific** *HK$'000*	**Eliminations** *HK$'000*	**Consolidated** *HK$'000*	North America *HK$'000*	Asia Pacific *HK$'000*	Consolidated *HK$'000*
Turnover							
External sales	**698,915**	**96,337**	**–**	**795,252**	598,989	103,821	702,810
Inter-segment sales	**–**	**5,335**	**(5,335)**	**–**	–	–	–
	698,915	**101,672**	**(5,335)**	**795,252**	598,989	103,821	702,810
Results							
Segment results	**27,295**	**27,657**	**–**	**54,952**	29,925	27,873	57,798
Finance costs				**(1,951)**			(2,859)
Other operating income and expenses				**(6,387)**			(10,308)
Profit before taxation				**46,614**			44,631
Taxation				**(2,394)**			(3,999)
Profit for the year				**44,220**			40,632

Inter-segment sales are charged at prevailing market prices.

(b) By business segments:

	Year ended 31 December					
	2007			2006		
	Telecom-munication services *HK$'000*	**Other** *HK$'000*	**Consolidated** *HK$'000*	Telecom-munication services *HK$'000*	Other *HK$'000*	Consolidated *HK$'000*
Turnover						
External sales	**793,261**	**1,991**	**795,252**	696,494	6,316	702,810
Results						
Segment results	**55,003**	**(51)**	**54,952**	57,792	6	57,798
Finance costs			**(1,951)**			(2,859)
Other operating income and expenses			**(6,387)**			(10,308)
Profit before taxation			**46,614**			44,631
Taxation			**(2,394)**			(3,999)
Profit for the year			**44,220**			40,632

3. Other revenue and income

	Year ended 31 December	
	2007	2006
	HK$'000	*HK$'000*
Interest income on bank deposits	**4,206**	2,326
Gain on the deemed partial disposal of subsidiary *(Note)*	**17,402**	–
Other	**180**	397
	21,788	2,723

Note: The gain on the deemed partial disposal of a subsidiary arose from the subscription by an institutional investor for 5% of the share capital of the subsidiary.

4. Taxation

	Year ended 31 December	
	2007	2006
	HK$'000	*HK$'000*
Current tax		
Overseas income taxes	**(4,642)**	(3,964)
Deferred tax		
Depreciation allowances	**(623)**	(9)
Tax losses	**2,871**	(26)
	2,248	(35)
	(2,394)	(3,999)

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

Overseas taxation represents income taxes of certain subsidiaries, calculated at the tax rates prevailing in the countries in which the subsidiaries operate.

5. EBITDA

EBITDA represents earnings before interest expenses, taxation, depreciation and amortisation.

6. Earnings per share

The calculation of basic earnings per share for the year ended 31 December 2007 is based on the consolidated profit attributable to equity holders of the Company of HK$44,303,000 (2006: HK$40,632,000) and on the weighted average number of 514,773,652 (2006: 470,894,200) shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2007 and 2006 have not been presented as the exercise prices of the share options were higher than the average market price of the shares.

7. Profit before taxation

Profit before taxation is stated after charging the following:

	Year ended 31 December	
	2007	2006
	HK$'000	*HK$'000*
Finance costs:		
Interest on bank loan and other borrowings	**1,931**	2,832
Finance charges on obligations under finance leases	**20**	27
	1,951	2,859
Amortisation of intangible assets included in other operating expenses	**10,615**	4,411
Depreciation of property, plant and equipment	**6,493**	5,304

8. Intangible assets

	As at 31 December	
	2007	2006
	HK$'000	*HK$'000*
Development costs	**3,597**	3,137
Customer contracts	**52,933**	52,933
	56,530	56,070
Less: accumulated amortisation	**(15,026)**	(4,411)
	41,504	51,659

Development costs represent the costs incurred in 2006 and 2007 for the development of new IP-based communication products, in the form of a softphone and web applications, and a social networking platform.

Customer contracts represent intangible assets purchased pursuant to an asset purchase agreement with a third party in 2006 to acquire certain telecommunication service assets in connection with the provision of long distance telecommunication services in the United States. The costs were capitalised and are being amortised using the straight-line method over 5 years.

9. Trade and other receivables

	As at 31 December	
	2007	2006
	HK$'000	*HK$'000*
Trade receivables	**82,797**	76,119
Other receivables		
Deposits, prepayments and other debtors	**8,792**	10,511
	91,589	86,630

The Group's credit terms on sales mainly range from 30 to 90 days. Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following by invoice date ageing analysis:

	As at 31 December	
	2007	2006
	HK$'000	*HK$'000*
Less than 1 month	**74,197**	68,042
1 to 3 months	**8,377**	7,858
More than 3 months but less than 12 months	**223**	219
	82,797	76,119

10. Trade and other payables

	As at 31 December	
	2007	2006
	HK$'000	*HK$'000*
Trade payables	**51,203**	44,924
Other payables		
Accrued charges and other creditors	**53,732**	54,762
	104,935	99,686

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

	As at 31 December	
	2007	2006
	HK$'000	*HK$'000*
Less than 1 month	**40,462**	26,733
1 to 3 months	**10,284**	17,992
More than 3 months but less than 12 months	**457**	199
	51,203	44,924

FINAL DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2007 (2006: Nil).

BUSINESS REVIEW

For the year ended 31 December 2007, the Group's core telecommunication business maintained its momentum with steady growth. The Group achieved a record turnover of HK$795.3 million, representing a year-on-year growth of 13.2%. The increase in revenue was mainly contributed by operations in the United States. The Group's net profit rose by 8.8%, from HK$40.6 million in 2006 to HK$44.2 million. EBITDA increased 14.8% to HK$65.7 million when compared to HK$57.2 million for the previous year. The Group's balance sheet position remained healthy with total net assets of HK$224.5 million, representing an increase of 69.9% over the prior year, while cash and bank balances further strengthened to HK$181.7 million.

In 2007, ZONE operations in the United States ("ZONE US") posted a year-on-year turnover increase of 16.7% from HK$599.0 million to HK$698.9 million. The increase in turnover was due primarily to facility improvements made to expand the offering of IP-based services which attracted more application-driven domestic US customers. Also, the IP technology improvements allowed ZONE US to expand sales outside the US to international customers. The wholesale segment of business expanded beyond the successful Independent Local Exchange Carrier ("ILEC") market to encompass smaller resellers across the US, as ZONE US's buying power with first and second tier carriers improved due to increased buying volume and technology improvements at its facilities. ZONE US also continued, through its collaboration with its counterparts in Asia, to provide more competitive rates and quality routes to Asia for its customers.

During the year under review, ZONE US entered into an agreement with a first tier long distance carrier to extend a national network to its facilities in Los Angeles. This provides ZONE US with the ability to offer direct dedicated services to enterprise and wholesale customers and to allow for improved margins while providing more competitive pricing to customers. It also provides redundancy and diversity routing for ZONE's VoIP customers, a unique offering which most VoIP providers in the US are not able to offer.

ZONE US, in addition, expanded its service offerings to include mobile voice and data services after reaching an agreement with a major US wireless network provider in the first half of the year. Following timely completion of technical and business process integration, ZONE US successfully launched its Mobile Virtual Network Operator ("MVNO") services and has signed contracts with both its ILEC and Competitive Local Exchange Carrier (CLEC) customers for reselling mobile services.

Turnover from ZONE's operations in Asia ("ZONE Asia") for 2007 amounted to HK$94.4 million compared to HK$97.5 million for 2006. ZONE operations in Singapore continued to be the major revenue contributor in Asia. While ZONE Asia's turnover is mainly derived from the retail IDD segment, contributions from the wholesale voice business particularly benefiting from the collaboration between ZONE US and ZONE Asia, have recorded gradual increases.

ZONE Hong Kong operations made significant progress in strengthening its presence in the telecom market in China. Its wholly foreign-owned enterprise ("WFOE") was incorporated in March 2007 and its plan to penetrate the marketing and reselling sector of the Chinese telecommunication market have been progressing well. During the year, the WFOE successfully concluded business management and consultancy arrangements with two local Chinese enterprises which have contracted with Chinese state-owned telecom operators, namely, China Netcom (中國網通) and China Tietong (中國鐵通), in reselling their voice and data products and services in Shenzhen. Through these business arrangements, the China operation has started to contribute towards the Group's turnover. In March 2008, the WFOE also concluded an agreement with another Chinese state-owned telecom operator, China Telecom (中國電信), to market and resell its Internet Data Centre (IDC) facilities in Shenzhen. This is an important milestone achieved by ZONE Asia as we have been able to create close business ties with three incumbent telecom operators in China within such a short period while at the same time expanding into the data-related segment of the China telecom market.

ZONE Singapore forged ahead with its business strategies for 2007 and delivered on its business plan. Initiatives to broaden its revenue base to a diverse range of corporate customers and aggressive marketing efforts resulted in further turnover and income growth despite operating in a mature and competitive market. ZONE Singapore effectively harnessed the benefits of new IP-based technology deployments which facilitated the increase in business volume. For 2008, ZONE Singapore will continue to create opportunities to expand its service offerings and widen its revenue base while differentiating itself through innovative sales and marketing efforts in order to stay ahead of the competition.

ZONE Asia's global offering *ZoiPPE* (*www.zoippe.com*) continues to explore and implement different innovative and creative methods of expanding its user base. Besides viral marketing and co-branding/white labelling of its "softphone", *ZoiPPE* has also expanded its user reach through *Zoip-me* web applications which allow people to "click-to-call" users via normal phones. Such web applications are made available to the *ZoiPPE* service platform, other mass-market community websites (including popular websites such as Facebook, Friendster and MySpace) and e-commerce marketplace websites. *ZoiPPE* has also recently expanded the social networking element of its service (*www.zoippefriends.com*) through partnership with a company that currently has more than a million members. Users of this social networking platform are now able to enjoy an enhanced level of social interaction through the added *Zoip-me* functionalities including voice and SMS features.

Looking ahead to 2008, while the Group continues to focus on growing its core business, it is also pursuing other business opportunities that are complimentary to its existing businesses or have potential capabilities in offering significant return on investment. In parallel with expanding ZONE's MVNO services in the United States, the Group anticipates itself actively participating in the wireless industry in Asia, in particular in the Broadband Wireless Access (BWA) arena. The Group, having in-depth knowledge on the development of the WiMAX technology and its applications as well as the regulatory and operating landscape in Asia, believes now is the opportune time to enter the broadband wireless market in Asian countries, including Hong Kong. The Group will carefully evaluate different business models, identify potential investors, technology vendors and operating partners and establish an appropriate strategy for entering into these markets.

FINANCIAL REVIEW

Results

For the year ended 31 December 2007, the Group achieved a record consolidated turnover of HK$795.3 million representing an increase of HK$92.4 million, or 13.2%, as compared to 2006.

ZONE US recorded a 16.7% increase in turnover from HK$599.0 million in 2006 to HK$698.9 million in 2007, while turnover from ZONE Asia, comprising the Group's telecommunication businesses in China, Hong Kong and Singapore, decreased by 3.2% to HK$94.4 million for 2007 as compared to HK$97.5 million for 2006.

The Group's gross profit increased by 9.7% from HK$193.1 million in 2006 to HK$211.8 million in 2007.

The operating profit for the year increased by 2.3% to HK$48.6 million when compared to HK$47.5 million for the previous year.

The consolidated net profit for the year was up HK$3.6 million to HK$44.2 million, compared to a net profit of HK$40.6 million for 2006.

EBITDA for the Group increased by 14.8%, or HK$8.5 million, from HK$57.2 million for 2006 to HK$65.7 million in 2007.

Capital Structure, Liquidity and Financing

The Group's liquidity position was further strengthened as a result of contributions from the profitable ZONE telecommunication business, as well as the private placement of shares of the Company and the allotment of 5% shareholding interest in a subsidiary in February 2007. The net assets of the Group rose to HK$224.5 million as at 31 December 2007 (2006: HK$132.1 million).

With an enhanced capital structure and positive operating cash flow, cash and bank balances (excluding pledged bank deposits) reached HK$181.7 million as at 31 December 2007 (2006: HK$100.4 million). The Group had pledged bank deposits amounting to HK$2.1 million as at 31 December 2007 (2006: HK$1.5 million) to banks for guarantees made by them to certain telecommunication carriers for payments due by the Group.

As at 31 December 2007, the Group's bank borrowings, represented by the bank loan advanced to a subsidiary for the purpose of the WRLD Alliance transaction in 2006, reduced to HK$14.7 million (2006: HK$31.8 million) as a result of partial early repayment of principal during the year. The Group's bank borrowings are in United States dollars at a fixed interest rate and secured through, among others, a pledge of the trade receivables of the subsidiary.

As at 31 December 2007, the Group's liabilities under equipment lease financing amounted to HK$0.4 million (2006: HK$0.6 million).

The Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets, improved to 6.7% (2006: 24.5%) primarily due to the partial repayment of the bank loan, the enhanced capital structure and profits for the year.

Foreign Exchange Exposure

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

Contingent Liabilities and Commitments

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

EMPLOYEE REMUNERATION POLICIES

As at 31 December 2007, the Group had 176 (2006: 145) employees in the United States, China, Hong Kong and Singapore. The Group's total staff costs amounted to HK$79.8 million (2006: HK$71.3 million). Pursuant to the share option schemes adopted by the Company, share options may be granted to, among others, eligible employees of the Group to subscribe for shares in the Company under the terms and conditions stipulated therein. Altogether, 132,500 share options remained outstanding as at 31 December 2007.

The Group's remuneration policies are formulated on the basis of the performance and experience of individual employees and are in line with local market practices where the Group operates. The Group has established incentive bonus schemes to motivate and reward employees at all levels to achieve the Group's objectives. In addition to salary and bonus payments, the Group also offers other fringe benefits, including provident fund and medical benefits, to its employees.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. Except for a deviation described below, no director of the Company is aware of any information which would reasonably indicate that the Company is not, or was not, at any time during the year ended 31 December 2007, acting in compliance with the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Listing Rules.

CG Code A.2.1 stipulates that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. Nevertheless, Mr. Richard John Siemens, the Chairman of the Company, assumed the role of the chief executive officer of the Company following the passing away of Mr. Kuldeep Saran, the then Deputy Chairman and Managing Director, on 16 June 2007. The Board anticipates that the assumption of the role of the chief executive officer by Mr. Siemens is only an interim measure.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own securities code. All directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standards set out in the Model Code throughout the year ended 31 December 2007.

AUDIT COMMITTEE

The Audit Committee has reviewed, with the management and the auditors of the Company, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including a review of the audited consolidated financial statements of the Group for the year ended 31 December 2007.

CHANGE OF AUDITORS

The Company announced on 5 June 2007 that Messrs. Moores Rowland Mazars resigned as auditors of the Group following the reorganisation of the firm and Mazars CPA Limited was appointed as auditors of the Group on 1 June 2007.

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

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

PUBLICATION OF FURTHER INFORMATION

The 2007 Annual Report of the Company containing all information required by Appendix 16 to the Listing Rules will be published on both the websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

APPRECIATION

The Board would like to thank all customers, shareholders, business associates and professional advisers for their support and extend its appreciation to all employees for their hard work, dedication and commitment to the Group.

By Order of the Board
Richard John Siemens
Chairman

Hong Kong, 1 April 2008

As at the date of this announcement, the Board of the Company comprises Executive Directors, Richard John Siemens and Lim Shyang Guey; Non-executive Director, William Bruce Hicks and Independent Non-executive Directors, Shane Frederick Weir, John William Crawford and Gerald Clive Dobby.