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## **e-Kong Group Limited**

*(Incorporated in Bermuda with limited liability)*

www.e-kong.com

(Stock Code: 524)

# **PLACING OF EXISTING SHARES AND SUBSCRIPTION FOR NEW SHARES OF THE COMPANY AND ISSUE OF NEW SHARES BY ZoiPPE AND RESUMPTION OF TRADING**

### **PLACING AND SUBSCRIPTION AGREEMENT**

On 16 February 2007, the Seller, the Company and the Placing Agent entered into a conditional Placing and Subscription Agreement pursuant to which the Placing Agent agreed to use its best efforts to procure purchasers for the 52,000,000 Placing Shares at the Placing Price of HK\$0.90 per Placing Share. The Placing Agent has confirmed that it has procured purchasers for all the Placing Shares.

The Seller has also conditionally agreed to subscribe for, and the Company agreed to allot and issue to the Seller, the 52,000,000 Subscription Shares at the Subscription Price.

The Seller currently holds 100,000,200 Shares, representing approximately 21.24% of the existing issued share capital of the Company. Upon completion of the Placing and the Subscription, the Seller's shareholding in the Company will be approximately 19.12% of the enlarged issued share capital of the Company.

The Placing and the Subscription are conditional on the matters described below. The Placing and the Subscription, accordingly, may or may not proceed.

The Company intends to use the net proceeds from the Subscription of approximately HK\$44,767,000 to expand the Group's telecommunication business in its current territories, the PRC and India.

### **ZoiPPE AGREEMENT**

On 16 February 2007, Cyberman, Cannizaro and ZoiPPE entered into the conditional ZoiPPE Agreement, pursuant to which, among others, Cannizaro has agreed to subscribe for 500 ZoiPPE Shares, representing 5% of the issued share capital of ZoiPPE after completion of the ZoiPPE Agreement, for a total consideration of US\$2,500,000.

The ZoiPPE Agreement is conditional upon the completion of the Placing.

### **SUSPENSION AND RESUMPTION OF TRADING**

As the Placing Agent commenced its process of procuring professional, institutional and other investors for purchasing the Placing Shares, the Directors considered that the necessary level of confidentiality could not be maintained, and at the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 10:00 a.m. on Tuesday, 13 February 2007 pending the release of this announcement. The negotiation for the Placing and Subscription Agreement and the ZoiPPE Agreement, which are inter-conditional with each other, was more prolonged than anticipated and some operational technicalities need to be resolved, resulting in the suspension of trading in the Shares continuing until 16 February 2007 on which date the Placing and Subscription Agreement and the ZoiPPE Agreement were signed. An application has been made to the Stock Exchange for the resumption of trading with effect from 9:30 a.m. on Wednesday, 21 February 2007.

## **PLACING AND SUBSCRIPTION AGREEMENT**

### **Date**

16 February 2007

### **Parties**

- (a) The Seller;
- (b) The Placing Agent; and
- (c) The Company

### **The Placing**

The Placing Agent has been appointed to use its best efforts to procure purchasers for the Placing Shares. The Placing Agent has confirmed that it has procured purchasers for all the Placing Shares.

### **Number of Placing Shares**

52,000,000 Placing Shares, representing approximately 11.04% of the existing issued share capital of the Company and approximately 9.94% of the issued share capital of the Company as enlarged by the Subscription.

### **Placing Price**

The Placing Price of HK\$0.90 per Placing Share represents:

- a premium of approximately 2.27% to the closing price of HK\$0.88 per Share as quoted on the Stock Exchange on 12 February 2007;
- a premium of approximately 7.40% to the average closing price of HK\$0.838 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 12 February 2007; and
- a premium of approximately 7.78% to the average closing price of HK\$0.835 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including 12 February 2007.

The Placing Price was arrived at through arm's length negotiations between the Seller, the Company and the Placing Agent.

### **Rights**

The Placing Shares will be sold free of any encumbrances or other third-party rights and together with all rights attaching thereto as at the date of the Placing and Subscription Agreement, including the right to receive all dividends and distributions declared, made or paid on or after that date.

### **Placees**

More than six professional, institutional and other investors (including Cannizaro) have been selected and procured by and on behalf of the Placing Agent as placees of the Placing Shares as contemplated under the Placing and Subscription Agreement.

### **Placing Commission and other terms**

The placing commission payable to the Placing Agent upon completion of the Placing amounts to 2.5% of the proceeds of the Placing.

The Directors (including the independent non-executive Directors) consider that the Placing and Subscription Agreement is entered into upon normal commercial terms, and the terms of the Placing and Subscription Agreement (including the placing commission) are fair and reasonable and in the interests of the Company and its shareholders as a whole.

### **Independence of Placing Agent and Placees**

The Placing Agent confirms that it (and its beneficial owners) and the placees (and their respective ultimate beneficial owners) are not connected persons (as defined in the Listing Rules) of the Company. No placee will become a substantial shareholder (as defined in the Listing Rules) of the Company upon completion of the Placing.

## The Subscription

The Seller has agreed to subscribe for 52,000,000 new Shares, representing approximately 11.04% of the Company's existing issued share capital and approximately 9.94% of its issued share capital as enlarged by the Subscription. The Subscription Shares will rank equally with all the existing issued Shares. Application will be made to the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

## Subscription Price

HK\$0.90 per Share, which is the same as the Placing Price, subject to adjustment for commissions, costs and expenses incurred in relation to the Placing and the Subscription, which will be borne by the Company. Based on the estimated expenses for the Placing and the Subscription, the net Subscription Price is approximately HK\$0.86 per Share.

## Mandate to Issue New Shares

The Subscription Shares will be allotted and issued under the general mandate to allot, issue and deal with Shares granted to the Directors by resolutions passed at the Company's annual general meeting held on 10 May 2006 to issue up to a total of 94,178,840 Shares. As at the date of this announcement, no Shares have been issued under the said general mandate.

## Conditions of the Placing and the Subscription

- (a) Completion of the Placing is conditional upon (i) the Placing Agent procuring purchasers for all of the Placing Shares and (ii) the completion of the ZoIPPE Agreement in accordance with the provisions thereof.
- (b) Completion of the Subscription is conditional upon (i) satisfaction of the conditions mentioned in (a) above and (ii) the completion of the Placing.

## Completion of the Placing and the Subscription

Completion of the Placing will take place on the Business Day upon which the conditions mentioned in (a) under the paragraph headed "Conditions of the Placing and the Subscription" above are satisfied.

Completion of the Subscription will take place immediately following the conditions mentioned in (b) under the paragraph headed "Conditions of the Placing and the Subscription" above being satisfied and the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Subscription Shares, provided that completion of the Subscription will not be later than 14 days from the date of the Placing and Subscription Agreement.

## Changes in Shareholding Structure of the Company

The shareholding of the Company before and after the Placing and Subscription are and will be as follows:

	Existing Shares		Immediately after the Placing but before Subscription		Immediately after the Placing and Subscription	
	Number of Shares	Percentage	Number of Shares	Percentage	Number of Shares	Percentage
Seller	100,000,200	21.24	48,000,200	10.19	100,000,200	19.12
Directors and companies* controlled by them (other than the Seller)	152,243,689	32.33	152,243,689	32.33	152,243,689	29.12
Public shareholders of the Company						
– Cannizaro	–	–	34,600,000	7.35	34,600,000	6.62
– Placees (other than Cannizaro)	–	–	17,400,000	3.70	17,400,000	3.33
– Others	218,650,311	46.43	218,650,311	46.43	218,650,311	41.81
<b>Total</b>	<b>470,894,200</b>	<b>100.00</b>	<b>470,894,200</b>	<b>100.00</b>	<b>522,894,200</b>	<b>100.00</b>

\* 7,000,000 Shares are beneficially owned by Siemens Enterprises Limited, a company controlled by Mr. Richard John Siemens; 71,860,147 Shares are beneficially owned by Future (Holdings) Limited, a company controlled by Mr. Kuldeep Saran; and 67,962,428 Shares are beneficially owned by Great Wall Holdings Limited, a company controlled by Mr. William Bruce Hicks.

## **Purpose of the Placing and the Subscription**

The net proceeds from the Subscription are estimated to be approximately HK\$44,767,000. The aggregate expenses relating to the Placing and the Subscription are estimated to amount to approximately HK\$2,030,000, including commissions, professional fees and other related expenses.

The Group is principally engaged in the business of the provision of telecommunication services in the United States, Hong Kong and Singapore. The Company intends to use the net proceeds from the Subscription to expand the Group's telecommunication business, by way of organic growth of its existing businesses and/or acquisitions if such opportunities arise, in its current territories, the PRC and India.

The Company has had no fund raising activities in the past 12 months immediately preceding the date of this announcement.

## **ZoiPPE AGREEMENT**

### **Date**

16 February 2007

### **Parties**

- (a) Cyberman Limited;
- (b) Cannizaro (Hong Kong) Limited; and
- (c) ZONE Resources Limited

## **Subscription of ZoiPPE Shares**

Cannizaro has agreed to subscribe for 500 ZoiPPE Shares, representing 5% of the enlarged issued share capital of ZoiPPE after completion of the ZoiPPE Agreement, at a total consideration of US\$2,500,000, which is arrived at after arm's length negotiation between the Company and Cannizaro and taking into account the prospects for growing the business of ZoiPPE globally. Cannizaro is an independent third party and is not a connected person (as defined in the Listing Rules) of the Company.

Cyberman, a wholly-owned subsidiary of the Company, holds the only issued share in ZoiPPE and will subscribe for a further 9,499 ZoiPPE Shares at par value and will then hold 9,500 ZoiPPE Shares, representing 95% of the issued share capital of ZoiPPE, after completion of the ZoiPPE Agreement.

## **Condition of the ZoiPPE Agreement**

Completion of the subscription for the 500 ZoiPPE Shares by Cannizaro is conditional upon completion of the Placing.

## **Information on Cannizaro**

Cannizaro is a member of Cannizaro group of companies which, established in 2006 as a spin-out from the Lionhart investment group, is a specialist investment and advisory group specialising in alternative investments from Asian markets. The Cannizaro group has offices in London, Hong Kong and the British Virgin Islands.

## **Information on ZoiPPE**

ZoiPPE is a company incorporated in the British Virgin Islands in February 2001 but remained dormant until September 2006 when it, together with its subsidiary, carries on the business of the provision of internet-based communication services marketed under the brandname "ZoiPPE", which services were officially launched in December 2006. By installing and using a piece of software on computers or mobile devices, "ZoiPPE" users at any location with broadband internet connection can communicate with each other and other people around the world via computer-to-computer, computer-to-phone, phone-to-phone, short message service (SMS), instant messaging (IM) as well as email.

## **Purpose of entering into the ZoiPPE Agreement**

By entering into the ZoiPPE Agreement, the Group will not only raise additional capital for the Group for development of its internet-based communication services, but will also introduce an institutional investor which recognises ZoiPPE with a valuation equivalent to US\$50 million and together with which the Group will further grow and develop its services in different countries and territories.

The Directors (including the independent non-executive Directors) consider that the ZoiPPE Agreement is entered into upon normal commercial terms, and the terms of the ZoiPPE Agreement are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

## **SUSPENSION AND RESUMPTION OF TRADING**

As the Placing Agent commenced its process of procuring professional, institutional and other investors for purchasing the Placing Shares, the Directors considered that the necessary level of confidentiality could not be maintained, and at the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 10:00 a.m. on Tuesday, 13 February 2007 pending the release of this announcement. The negotiation for the Placing and Subscription Agreement and the ZoiPPE Agreement, which are inter-conditional with each other, was more prolonged than anticipated and some operational technicalities need to be resolved, resulting in suspension of trading in the Shares continuing until 16 February 2007 on which date the Placing and Subscription Agreement and the ZoiPPE Agreement were signed. An application has been made to the Stock Exchange for the resumption of trading with effect from 9:30 a.m. on Wednesday, 21 February 2007.

## **DEFINED TERMS**

“Board”	the board of Directors
“Business Day”	a day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Cannizaro”	Cannizaro Hong Kong Limited, a company incorporated in Hong Kong
“Company”	e-Kong Group Limited, a company incorporated in Bermuda and, the Shares of which are listed on the Stock Exchange
“Cyberman”	Cyberman Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the conditional placing of the Placing Shares pursuant to the Placing and Subscription Agreement
“Placing Agent”	Quam Securities Company Limited, a company incorporated in Hong Kong with its principal place of business at Room 3208, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong
“Placing and Subscription Agreement”	the placing and subscription agreement dated 16 February 2007 between the Seller, the Company and the Placing Agent
“Placing Price”	HK\$0.90 per Placing Share
“Placing Shares”	52,000,000 existing Shares owned by the Seller to be sold pursuant to the Placing
“PRC”	People’s Republic of China
“Seller”	Goldstone Trading Limited, a company incorporated in the British Virgin Islands and controlled by Mr. Richard John Siemens, the Chairman of the Company, and a substantial shareholder of the Company.

“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the conditional subscription by the Seller of the Subscription Shares pursuant to the Placing and Subscription Agreement
“Subscription Price”	the same as the Placing Price per Share, subject to adjustment as described in this announcement
“Subscription Shares”	the 52,000,000 new Shares to be subscribed for by the Seller under the Subscription
“US\$”	United States dollar(s), the lawful currency of the United States and the exchange rate for the purpose of this announcement is US\$1.00 = HK\$7.80
“ZoiPPE”	ZONE Resources Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company prior to completion of the ZoiPPE Agreement
“ZoiPPE Agreement”	the subscription and shareholders agreement dated 16 February 2007 between Cyberman, Cannizaro and ZoiPPE, relating to the subscription of ZoiPPE Shares by Cyberman and Cannizaro
“ZoiPPE Shares”	ordinary shares of US\$1.00 each in the capital of ZoiPPE

By Order of the Board  
**Lau Wai Ming Raymond**  
*Company Secretary*

Hong Kong, 16 February 2007

*As at the date of this announcement, the Board of the Company was comprised of Executive Directors, Richard John Siemens, Kuldeep Saran 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.*

Please also refer to the published version of this announcement in The Standard.