e-Kong Group Limited

(Incorporated in Bermuda with limited liability)

www.e-kong.com

(Stock Code: 524)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2008

HIGHLIGHTS

- Amidst the global economic slowdown and continuing inflationary pressures, during the period under review, the Group managed to achieve turnover of HK$393.0 million, representing a 1.3% drop over the prior corresponding period, and recorded a profit of HK$1.9 million

- The first half of 2008 was also a very challenging period for ZONE US due primarily to the structural changes in the ILEC sector of the US telecommunication industry. Nevertheless, ZONE US has overcome the difficulties experienced during the period and is now better-positioned to be one of the leading direct resellers of major carriers in the United States

- "ZoiPPE" continues to expand its service offerings to the social networking communities and the mobile internet sector

- The Group continues to devote resources to explore participation arrangements in Broadband Wireless Access (BWA) markets in Asia and pursue opportunities in expanding the scope of its business in China

INTERIM RESULTS

The board of directors (the "Board") of e-Kong Group Limited (the "Company") herein announces the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2008, together with comparative figures for the corresponding period in 2007. The results were unaudited but have been reviewed by the Audit Committee and the auditors of the Company.

Condensed Consolidated Income Statement

	Notes	Six months ended 30 June 2008 (Unaudited) HK$'000	2007 (Unaudited) HK$'000
Turnover	2	**392,988**	397,956
Cost of sales		**(297,643)**	(294,011)
Gross profit		**95,345**	103,945
Other revenue and income	3	**994**	19,357
		96,339	123,302
Selling and distribution expenses		**(25,384)**	(29,100)
Business promotion and marketing expenses		**(2,638)**	(4,068)
Operating and administrative expenses		**(53,592)**	(51,613)
Depreciation and amortisation		**(10,076)**	(8,466)
Profit from operations		**4,649**	30,055
Finance costs	4	**(427)**	(1,229)
Profit before taxation	4	**4,222**	28,826
Taxation	5	**(2,284)**	(2,227)
Profit for the period		**1,938**	26,599
Profit for the period attributable to:			
Equity holders of the Company		**1,959**	26,659
Minority interests		**(21)**	(60)
Profit for the period		**1,938**	26,599
EBITDA	6	**14,725**	38,521
		HK cents	*HK cents*
Earnings per share	7		
Basic		**0.4**	5.3
Diluted		**N/A**	N/A

Condensed Consolidated Balance Sheet

	Notes	As at 30 June 2008 (Unaudited) HK$'000	As at 31 December 2007 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**24,795**	18,799
Intangible assets	8	**36,153**	41,504
Deferred tax assets		**13,634**	13,634
		74,582	73,937
Current assets			
Trade and other receivables	9	**100,767**	91,589
Pledged bank deposits		**2,215**	2,137
Cash and bank balances		**160,800**	181,662
		263,782	275,388
Current liabilities			
Trade and other payables	10	**96,338**	104,935
Current portion of bank borrowings		**9,555**	10,430
Current portion of obligations under finance leases		**210**	206
Taxation payable		**3,563**	4,288
		109,666	119,859
Net current assets		**154,116**	155,529
Total assets less current liabilities		**228,698**	229,466
Non-current liabilities			
Bank borrowings		–	4,250
Obligations under finance leases		**108**	213
Deferred tax liabilities		**542**	513
NET ASSETS		**228,048**	224,490
Capital and reserves			
Share capital		**5,229**	5,229
Reserves		**221,835**	218,256
Equity attributable to equity holders of the Company		**227,064**	223,485
Minority interests		**984**	1,005
TOTAL EQUITY		**228,048**	224,490

Notes:

1. Basis of preparation and accounting policies

The condensed consolidated financial statements are unaudited and have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The accounting policies and bases of preparation adopted in these interim financial statements are consistent with those adopted in the Company's 2007 Annual Report.

The Group has not early adopted the new and revised standards or interpretations issued by HKICPA that are not yet effective for the current period. The Group does not anticipate that the adoption of these standards or interpretations in future periods will have any 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 period are as set out below.

(a) By geographical segments:

	Six months ended 30 June							
	2008				2007			
	North America (Unaudited) *HK$'000*	**Asia Pacific (Unaudited) *HK$'000***	**Eliminations (Unaudited) *HK$'000***	**Consolidated (Unaudited) *HK$'000***	North America (Unaudited) *HK$'000*	Asia Pacific (Unaudited) *HK$'000*	Eliminations (Unaudited) *HK$'000*	Consolidated (Unaudited) *HK$'000*
Turnover								
External sales	**343,788**	**49,200**	**–**	**392,988**	349,476	48,480	–	397,956
Inter-segment sales	**–**	**1,963**	**(1,963)**	**–**	–	664	(664)	–
	343,788	**51,163**	**(1,963)**	**392,988**	349,476	49,144	(664)	397,956
Results								
Segment results	**3,463**	**11,379**	**–**	**14,842**	11,598	11,655	–	23,253
Finance costs				**(427)**				(1,229)
Other operating income and expenses				**(10,193)**				6,802
Profit before taxation				**4,222**				28,826
Taxation				**(2,284)**				(2,227)
Profit for the period				**1,938**				26,599

Inter-segment sales are charged at prevailing market prices.

(b) By business segments:

	Six months ended 30 June					
	2008			2007		
	Telecom-munication services (Unaudited) *HK$'000*	**Other (Unaudited) *HK$'000***	**Consolidated (Unaudited) *HK$'000***	Telecom-munication services (Unaudited) *HK$'000*	Other (Unaudited) *HK$'000*	Consolidated (Unaudited) *HK$'000*
Turnover						
External sales	**392,742**	**246**	**392,988**	396,177	1,779	397,956
Results						
Segment results	**14,869**	**(27)**	**14,842**	23,284	(31)	23,253
Finance costs			**(427)**			(1,229)
Other operating income and expenses			**(10,193)**			6,802
Profit before taxation			**4,222**			28,826
Taxation			**(2,284)**			(2,227)
Profit for the period			**1,938**			26,599

3. Other revenue and income

	Six months ended 30 June	
	2008 (Unaudited) *HK$'000*	2007 (Unaudited) *HK$'000*
Interest income on bank deposits	**962**	1,955
Gain on the deemed partial disposal of subsidiary *(Note)*	**–**	17,402
Other	**32**	–
	994	19,357

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. Profit before taxation

Profit before taxation is stated after charging the following:

	Six months ended 30 June 2008 (Unaudited) *HK$'000*	2007 (Unaudited) *HK$'000*
Finance costs:		
Interest on bank loan and other borrowings wholly repayable within five years	**(420)**	(1,218)
Finance charges on obligations under finance leases	**(7)**	(11)
	(427)	(1,229)
Losses on quoted investments included in operating and administrative expenses	**(883)**	–

5. Taxation

	Six months ended 30 June 2008 (Unaudited) *HK$'000*	2007 (Unaudited) *HK$'000*
Current tax		
Overseas income taxes	**(2,284)**	(2,227)

Hong Kong Profits Tax has not been provided as the Group's assessable profit for the period 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.

6. EBITDA

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

7. Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2008 is based on the consolidated profit attributable to equity holders of the Company of HK$1,959,000 (30 June 2007: HK$26,659,000) and on the weighted average number of 522,894,200 (30 June 2007: 506,518,509) shares in issue during the period.

Diluted earnings per share for the six months ended 30 June 2008 and 2007 have not been presented as the exercise prices of the share options were higher than the average market price of the shares.

8. Intangible assets

	As at 30 June 2008 (Unaudited) *HK$'000*	As at 31 December 2007 (Audited) *HK$'000*
Development costs	**3,597**	3,597
Customer contracts	**52,933**	52,933
	56,530	56,530
Less: amortisation	**(20,377)**	(15,026)
	36,153	41,504

Development costs represent the costs incurred for the development of new IP-based communication products and services.

Customer contracts represent intangible assets purchased pursuant to an asset purchase agreement with a third party 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 under the straight-line method over 5 years.

9. Trade and other receivables

	As at 30 June 2008 (Unaudited) *HK$'000*	As at 31 December 2007 (Audited) *HK$'000*
Trade receivables	**90,816**	82,797
Other receivables		
Deposits, prepayments and other debtors	**9,951**	8,792
	100,767	91,589

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 ageing analysis by invoice date:

	As at 30 June 2008 (Unaudited) ***HK$'000***	As at 31 December 2007 (Audited) *HK$'000*
Less than 1 month	**78,485**	74,197
1 to 3 months	**11,913**	8,377
More than 3 months but less than 12 months	**418**	223
	90,816	82,797

10. Trade and other payables

	As at 30 June 2008 (Unaudited) ***HK$'000***	As at 31 December 2007 (Audited) *HK$'000*
Trade payables	**41,418**	51,203
Other payables		
Accrued charges and other creditors	**54,920**	53,732
	96,338	104,935

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

	As at 30 June 2008 (Unaudited) ***HK$'000***	As at 31 December 2007 (Audited) *HK$'000*
Less than 1 month	**38,839**	40,462
1 to 3 months	**1,859**	10,284
More than 3 months but less than 12 months	**720**	457
	41,418	51,203

INTERIM DIVIDEND

The Board does not recommend the payment of a dividend for the six months ended 30 June 2008 (30 June 2007: Nil).

BUSINESS REVIEW AND OUTLOOK

During the period under review, the Group's operating performance began to feel the negative impact of global economic slowdown and continuing inflationary pressures. The Group's turnover was slightly down by 1.3% to HK$393.0 million. While the Group managed to remain profitable, its net profit reduced to HK$1.9 million from HK$26.6 million for the corresponding period in 2007. EBITDA decreased to HK$14.7 million when compared to HK$38.5 million for the corresponding period in the previous year. Nevertheless, the Group's financial position remains healthy with its total net assets of HK$228.0 million, including cash and bank balances of HK$160.8 million.

ZONE's operating turnover in the United States ("ZONE US") during the first six months of 2008 was HK$343.8 million which represented a 1.6% decrease over the same period of 2007. The first half of 2008 was a very challenging period for ZONE US mainly due to the structural changes in the Independent Local Exchange Carrier ("ILEC") sector of the US telecommunication industry, and the weakening of the US economy.

During the period under review, one of the ZONE US major domestic carriers announced significant increases in its domestic rates on short notice. As a consequence, ZONE US had to move a substantial number of customers' telephone lines within a short timeframe in order to mitigate the onerous cost increases. ZONE US, having upgraded its switch facilities and installed dedicated leased circuits to its other first tier carrier partners, was able to re-route a vast majority of customer traffic through its switching facilities. By contrast, during the same period, numerous smaller resellers in the United States, which did not have equipment facilities or resources that enabled them to switch lines as readily as ZONE US, lost significant operating margins and in many cases were forced out of the market. During the first six months of 2008, since a substantial amount of ZONE US management, customer service and technical resources had to be devoted to manage the transition in an efficient manner, ZONE US missed some new business opportunities and lost some of its more price-sensitive customers. ZONE US has overcome the difficulties experienced during the period, and is now better-positioned to be one of the leading direct resellers of major carriers in the United States. ZONE US has clearly created a value difference to its customers over the competitors. This change has also eliminated some of the competition in the ILEC sector.

ZONE US also initiated several proactive measures to expand its revenue streams, improve gross margins and drive down operating costs, which all have helped and will continue to help cushion the impact of the difficult market conditions. For example, capitalising on its new IP-based softswitch facilities, ZONE US now has a competitive advantage in using its latest "Least Cost Routing" platform. These same facilities, coupled with the ZONE presence in Singapore and Hong Kong, have enabled ZONE US to make significant progress in facilitating interconnections for its US-based customers interested in routing traffic to Asian destinations.

ZONE US has reinforced its sales and business development initiatives to secure large wholesale customers, including first tier carrier partners, for terminating international long distance traffic to major destinations such as China, Mexico and the Middle East. At the same time, ZONE US continues to introduce new service offerings. For example, as an extension of its Mobile Virtual Network Operator (MVNO) service, ZONE US is concurrently formulating plans to offer mobile services on a retail basis, with a view to initially offering these to its own corporate customer base.

Turnover from ZONE's operations in Asia ("ZONE Asia") increased by HK$2.2 million to HK$48.9 million as compared to HK$46.7 million for the previous corresponding period. As competition continues to drive down margins for the traditional IDD business, ZONE Asia stepped up its efforts to provide more solution-based offerings that cater for specific vertical markets instead of providing only basic commoditised IDD products. During the period under review, ZONE Hong Kong successfully secured a number of service apartments that utilise its proprietary "Call Accounting System" which not only helps to improve sustainable profit margins in its business but also builds customer loyalty and creates opportunities for cross-selling other value-added services.

ZONE Hong Kong continues to invest in establishing relationships with key potential partners and growing its operations in China. ZONE China concluded an agreement with China Telecom (中國電信) to market and resell its Internet Data Centre (IDC) facilities in Shenzhen and also executed a channel sales agreement to promote its "Yellow Pages" products and services. In order to maintain ZONE Hong Kong's competitiveness in the local market, it has progressively transferred a significant portion of its back office functions in Hong Kong to Shenzhen which has helped reduce operational overheads, in particular staff costs in engineering support, product development and customer service.

ZONE Singapore further intensified its sales and marketing efforts in addressing the corporate market and re-shaped its business profile to be more corporate-centric. Amidst the lacklustre economic conditions, intensified competition and increasing operating cost, ZONE Singapore has managed to maintain its revenue and operating profit for the first six months compared to the previous corresponding period. For the second half of the year, while it stays focussed on introducing new marketing initiatives and the impending new service offerings following the completion of upgrading its IP-based switching facilities, ZONE Singapore will remain vigilant to maintain its operating costs at manageable levels as inflation is likely to remain high for a considerable period. It will also look at tapping into the changing info-communication and foreign labour landscape in Singapore to explore possible new opportunities for revenue diversification in these sectors.

ZONE Asia's global VoIP offering "ZoiPPE" continued to grow its user base, particularly through its ZoiPPE Friends (*www.zoippefriends.com*) initiatives and also expanded its service offerings to the mobile internet sector by making ZoiPPE's "Link-up" service available on any WiFi-equipped mobile phones (*mobile.zoippe.com*) and on the latest Apple iPhone platform (*iphone.zoippe.com*). Furthermore, in line with a more collaborative approach to market its service offerings, ZoiPPE, in conjunction with ZONE Hong Kong, has recently partnered with a dominant mobile handset manufacturer to promote its latest WiFi-equipped phones pre-configured for ZONE's SIP-based VoIP functionalities.

Besides concentrating on overcoming the challenges faced by its core telecommunications business following the economic slowdown, inflationary impact on margins and the structural changes in the ILEC sector of the US telecommunication industry, the Group has strengthened its business team and will continue to devote resources specifically to explore participation arrangements in Broadband Wireless Access (BWA) markets in Asia. At the same time, the Group is actively pursuing opportunities to expand the scope of its business in China.

Looking ahead, while it is difficult at this time to ascertain the impact of the uncertainties in the global financial markets and the economy, the Group is cautiously optimistic that, for the rest of 2008, its business operations will improve. The Group, having a strong balance sheet and healthy cash balances, will direct its efforts to grow revenues, increase operating efficiencies through financial and management vigilance and seek new avenues to expand its market reach. During this period, the Group believes it is still worthwhile to seek investment opportunities in the market which have synergistic values to the Group. In the coming months, the Group also expects to make further progress in its efforts to enter the BWA market in Asia using the latest mobile WiMAX technology.

FINANCIAL REVIEW

Results

During the period under review, the Group's turnover decreased by 1.3% from HK$398.0 million to HK$393.0 million.

The gross profit for this period reduced to HK$95.3 million, compared to HK$103.9 million for the corresponding period in the previous year.

The Group's EBITDA for the period under review amounted to HK$14.7 million, representing a decrease of 61.8% from HK$38.5 million (inclusive of a one-off gain on deemed partial disposal of a subsidiary of HK$17.4 million) for the same period last year.

The operating profit for the period amounted to HK$4.6 million, when compared to HK$30.1 million for the first six months of 2007.

Consolidated net profit attributable to equity holders of the Company decreased to HK$2.0 million when compared to HK$26.7 million (inclusive of a one-off gain on deemed partial disposal of a subsidiary of HK$17.4 million) for the previous corresponding period.

Interim Dividend

The Board does not recommend the payment of a dividend for the six months ended 30 June 2008 (30 June 2007: Nil).

Capital Structure, Liquidity and Financing

The Group continued to maintain a healthy liquidity position with net current assets amounting to HK$154.1 million (31 December 2007: HK$155.5 million). The net assets of the Group increased slightly to HK$228.0 million as at 30 June 2008 (31 December 2007: HK$224.5 million).

Cash and bank balances (excluding pledged bank deposits) as at 30 June 2008 amounted to HK$160.8 million (31 December 2007: HK$181.7 million). The Group had pledged bank deposits amounting to HK$2.2 million as at 30 June 2008 (31 December 2007: HK$2.1 million) to banks for guarantees made to certain telecommunication carriers for payments due by the Group.

As at 30 June 2008, the Group's bank borrowings, represented by the bank loan advanced to a subsidiary for the purpose of the WRLD Alliance transaction in 2006, amounted to HK$9.6 million (31 December 2007: HK$14.7 million). 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 30 June 2008, the Group's liabilities under equipment lease financing amounted to HK$0.3 million (31 December 2007: HK$0.4 million).

The Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets, was 4.3% (31 December 2007: 6.7%) primarily due to the partial repayment of the bank loan.

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 is no significant exposure 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 30 June 2008, there were no material contingent liabilities or commitments.

EMPLOYEE REMUNERATION POLICIES

As at 30 June 2008, the Group had 168 (31 December 2007: 176) employees in the United States, China, Hong Kong and Singapore. The Group's total staff costs for the six months ended 30 June 2008 amounted to HK$40.0 million (30 June 2007: HK$40.2 million).

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 six months ended 30 June 2008, 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 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 has been re-assessing the possible negative impact of the Company deviating from CG Code A.2.1, and believes that vesting the roles of both Chairman and Chief Executive Officer in the same person enables more effective and efficient planning of expansion blueprints together with implementation of business plans and growth strategies. At the same time, it is believed the balance of power and authority will not be impaired and is adequately ensured by an effective Board which comprises experienced and high calibre individuals with a sufficient number thereof being independent non-executive directors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 six months ended 30 June 2008.

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 unaudited consolidated financial statements of the Company for the six months ended 30 June 2008. The review conducted by the auditors of the Company was in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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

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

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT

This interim results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at (*www.hkex.com.hk*) under "Latest Listed Company Information" and on the website of the Company at (*www.e-kong.com*) under "Investors' Information/Announcements".

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 during the period.

By Order of the Board
Richard John Siemens
Chairman

Hong Kong, 19 September 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.