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 2009

SUMMARY

- All-time high turnover of HK$797.9 million
- Improved EBITDA of HK$25.6 million and profit from operations of HK$11.7 million
- Recorded a net profit of HK$19.0 million which is a significant improvement from a loss position of HK$43.7 million (inclusive of impairment losses of HK$30.8 million) in the previous year
- Maintained a healthy liquidity position with total cash and bank balances increasing to HK$199.6 million while, at the same time, having fully repaid all bank borrowings

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 2009, together with comparative figures for 2008, as set out below.

Consolidated Income Statement

	Notes	Year ended 31 December 2009 HK$'000	2008 HK$'000
Turnover	*2*	**797,852**	786,997
Cost of sales		**(613,922)**	(604,504)
Gross profit		**183,930**	182,493
Other revenue and income	*3*	**765**	2,338
		184,695	184,831
Selling and distribution expenses		**(42,592)**	(50,515)
Business promotion and marketing expenses		**(4,626)**	(5,075)
Operating and administrative expenses		**(105,270)**	(101,628)
Other operating expenses		**(20,491)**	(25,603)
Profit from operations		**11,716**	2,010
Finance costs	*4*	**(110)**	(667)
Impairment losses on intangible assets	*8*	**–**	(30,803)
Profit / (Loss) before taxation	*4*	**11,606**	(29,460)
Taxation credit / (charges)	*5*	**7,361**	(14,273)
Profit / (Loss) for the year		**18,967**	(43,733)
Profit / (Loss) for the year attributable to:			
Equity holders of the Company		**19,034**	(43,458)
Non-controlling interests		**(67)**	(275)
Profit / (Loss) for the year		**18,967**	(43,733)
EBITDA	*6*	**25,610**	23,236
		HK cents	*HK cents*
Earnings / (Loss) per share	*7*		
Basic		**3.6**	(8.3)
Diluted		**3.6**	N / A

Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2009	2008
	HK$'000	*HK$'000*
Profit / (Loss) for the year	**18,967**	(43,733)
Other comprehensive income / (loss) for the year		
Exchange differences on translation of foreign subsidiaries	**1,597**	(336)
Total comprehensive income / (loss) for the year	**20,564**	(44,069)
Total comprehensive income / (loss) for the year attributable to:		
Equity holders of the Company	**20,631**	(43,794)
Non-controlling interests	**(67)**	(275)
Total comprehensive income / (loss) for the year	**20,564**	(44,069)

Consolidated Statement of Financial Position

	Notes	As at 31 December 2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment		**14,246**	21,734
Intangible assets	*8*	**–**	–
Goodwill	*9*	**–**	–
Deferred tax assets		**14,805**	3,690
		29,051	25,424
Current assets			
Trade and other receivables	*10*	**88,160**	102,096
Pledged bank deposits		**2,211**	2,155
Cash and bank balances		**197,426**	177,173
		287,797	281,424
Current liabilities			
Trade and other payables	*11*	**112,730**	117,238
Current portion of bank borrowings		**–**	4,250
Current portion of obligations under finance leases		**142**	129
Taxation payable		**2,956**	3,848
		115,828	125,465
Net current assets		**171,969**	155,959
Total assets less current liabilities		**201,020**	181,383
Non-current liabilities			
Obligations under finance leases		**453**	595
Deferred tax liabilities		**245**	367
NET ASSETS		**200,322**	180,421
Capital and reserves			
Share capital		**5,229**	5,229
Reserves		**195,093**	174,462
Equity attributable to equity holders of the Company		**200,322**	179,691
Non-controlling interests		**–**	730
TOTAL EQUITY		**200,322**	180,421

Notes to the Consolidated Financial Statements:

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 bases of preparation adopted in these financial statements are consistent with those adopted in the Company's 2008 Annual Report except as described below.

In the current year, the Group has applied, for the first time, the following new and revised HKFRS issued by HKICPA which are mandatory for annual periods beginning on or after 1 January 2009 and are relevant to the Group.

HKAS 1 (Revised)	Presentation of Financial Statements
HKFRS 8	Operating Segments

HKAS 1 (Revised) separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income which presents all items of recognised income and expenses, either in one single statement, or in two linked statements. The Group has elected to present two statements.

HKFRS 8, replacing HKAS 14: Segment Reporting, requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. This standard requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's chief operating decision-maker in order to allocate resources to the segment and assess its performance. This resulted in a re-designation of the Group's reportable segments but had no impact on the reported results or financial position of the Group.

The Group has not early adopted the new and revised HKFRS issued by HKICPA that are not yet effective for the current year. The Group is in process of assessing the possible impact on the adoption of these new and revised HKFRS in future.

2. Turnover and segmental information

The Group's management determines the operating segments for the purpose of resources allocation and performance assessment. The business segments of the Group comprise telecommunication services and other operations. The other operations include the provision of insurance brokerage and consultancy services.

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

(a) By business segments:

	Year ended 31 December						
	2009			2008			
	Telecom-munication services	**Others**	**Consolidated**	Telecom-munication services	Others	Eliminations	Consolidated
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover							
External sales	**797,014**	**838**	**797,852**	786,462	535	–	786,997
Inter-segment sales	**–**	**–**	**–**	–	40	(40)	–
	797,014	**838**	**797,852**	786,462	575	(40)	786,997
Results							
Segment results	**36,672**	**28**	**36,700**	21,744	2	–	21,746
Impairment loss on goodwill arising from acquisition of additional interest in a subsidiary	**(3,237)**	**–**	**(3,237)**	–	–	–	–
Impairment losses on intangible assets	**–**	**–**	**–**	(30,803)	–	–	(30,803)
	33,435	**28**	**33,463**	(9,059)	2	–	(9,057)
Finance costs			**(110)**				(667)
Other operating income and expenses			**(21,747)**				(19,736)
Profit / (Loss) before taxation			**11,606**				(29,460)

Inter-segment sales are charged at prevailing market prices.

(b) By geographical segments:

	Year ended 31 December			
	Turnover from external sales		**Property, plant and equipment**	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
North America	**717,720**	692,249	**9,236**	14,565
Asia Pacific	**80,132**	94,748	**5,010**	7,169
	797,852	786,997	**14,246**	21,734

3. Other revenue and income

	Year ended 31 December	
	2009	2008
	HK$'000	*HK$'000*
Interest income on bank deposits and loan receivable	**295**	1,879
Other	**470**	459
	765	2,338

4. Profit / (Loss) before taxation

Profit / (Loss) before taxation is stated after charging the following:

	Year ended 31 December	
	2009	2008
	HK$'000	*HK$'000*
Finance costs:		
Interest on bank loan and other borrowings wholly repayable within five years	**46**	634
Finance charges on obligations under finance leases	**64**	33
	110	667
Amortisation of intangible assets included in other operating expenses	**–**	10,701
Depreciation of property, plant and equipment	**10,657**	10,525
Impairment loss on goodwill arising from acquisition of additional interest in a subsidiary, included in other operating expenses	**3,237**	–
Realised losses on quoted investments	**–**	883

5. Taxation credit / (charges)

	Year ended 31 December	
	2009	2008
	HK$'000	*HK$'000*
Current tax		
Overseas income taxes	**(3,889)**	(4,475)
Deferred tax		
Depreciation allowances	**193**	(89)
Tax losses	**11,057**	(9,709)
	11,250	(9,798)
	7,361	(14,273)

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

Overseas taxation represents income tax charges in 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, amortisation, and impairment losses on intangible assets and goodwill.

7. Earnings / (Loss) per share

The calculation of basic earnings per share for the year ended 31 December 2009 is based on the consolidated profit attributable to equity holders of the Company of HK$19,034,000 (2008: loss of HK$43,458,000) and on the 522,894,200 (2008: 522,894,200) shares in issue during the year.

Diluted earnings per share for the year ended 31 December 2009 is the same as the basic earnings per share.

Diluted loss per share for the year ended 31 December 2008 has 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 31 December	
	2009	2008
	HK$'000	*HK$'000*
Development costs	**3,597**	3,597
Customer contracts	**52,933**	52,933
	56,530	56,530
Amortisation and impairment losses at the beginning of year	**(56,530)**	(15,026)
Amortisation for the year	–	(10,701)
Impairment losses for the year	–	(30,803)
	–	–

As a result of the significant economic downturn in the fourth quarter of 2008, management considered that impairment losses on the intangible assets had occurred and that full impairment was recognised in that year.

9. Goodwill

	As at 31 December	
	2009	2008
	HK$'000	*HK$'000*
Additions	**3,237**	–
Impairment loss for the year	**(3,237)**	–
	–	–

Goodwill arose from the acquisition of a 5% additional interest in the share capital of a subsidiary during the year. As a result of the acquisition, the subsidiary became wholly-owned by the Company. At the end of the reporting period, the Group assessed the recoverable value of the goodwill and, after considering the value of the sole asset of the subsidiary as being fully impaired, determined that the goodwill was also impaired. The impairment loss recognised on goodwill has been included in other operating expenses in the consolidated income statement.

10. Trade and other receivables

	As at 31 December	
	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**77,137**	91,456
Other receivables		
Deposits, prepayments and other debtors	**11,023**	10,640
	88,160	102,096

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 31 December	
	2009	2008
	HK$'000	*HK$'000*
Less than 1 month	**66,489**	77,828
1 to 3 months	**8,177**	12,814
More than 3 months but less than 12 months	**2,471**	814
	77,137	91,456

11. Trade and other payables

	As at 31 December	
	2009	2008
	HK$'000	*HK$'000*
Trade payables	**53,377**	55,481
Other payables		
Accrued charges and other creditors	**59,353**	61,757
	112,730	117,238

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

	As at 31 December	
	2009	2008
	HK$'000	*HK$'000*
Less than 1 month	**37,586**	53,128
1 to 3 months	**15,140**	1,254
More than 3 months but less than 12 months	**651**	1,099
	53,377	55,481

FINAL DIVIDEND

The Board does not recommend payment of a dividend for the year ended 31 December 2009 (2008: Nil).

BUSINESS REVIEW

Overall Performance

In 2009, despite facing an unfavourable global economic environment and intense competition in the telecommunications market, particularly in the first half of the year under review, the Group managed to achieve record turnover and also returned to profitability. The Group turnover increased by HK$10.9 million from HK$787.0 million for 2008 to HK$797.9 million in 2009. Results attributable to equity holders improved from a loss position of HK$43.5 million (inclusive of impairment losses of HK$30.8 million) in the previous year to a net profit of HK$19.0 million. EBITDA amounted to HK$25.6 million, compared to HK$23.2 million for the prior year. The Group's financial position continued to strengthen with year-end net asset value improving from HK$180.4 million in the previous year to HK$200.3 million. Cash and bank balances increased from HK$177.2 million to HK$197.4 million, while all bank borrowings were fully repaid in the first half of the year. The improvements in the operating performance and financial position were principally attributed to concerted efforts by the Group to broaden its revenue base, preserve gross margin contributions, reduce operating costs and prudently manage its resources.

US Operations

In 2009, ZONE US continued to prove its ability to overcome the significant challenges faced and managed to maintain profitability and strong cash flow through a difficult year. It recorded an increase in turnover by 3.7% year-on-year, from HK$692.2 million to HK$717.7 million, despite ongoing changes within the industry which significantly affected the operating performance of ZONE US's business in the ILEC and enterprise sectors.

ZONE US's underlying carriers continued to raise rates in the ILEC sector, while in the enterprise sector, carriers implemented penalties for short duration calling customers. ZONE US had to initiate various steps to mitigate the increase in cost of services. To combat the carrier rate increases in the ILEC sector, during 2009, ZONE US managed to move over 750,000 telephone numbers to its own switch facilities. In addition, ZONE US collaborated with network companies to expand lower cost network capabilities from the ILEC regions to ZONE US's switching facilities in order to meet the demand from its customers for dedicated services as a more economical alternative to existing long distance services. In the enterprise sector, short duration calling penalties significantly impacted the call centre customers of ZONE US. To maintain margins, ZONE US re-negotiated with carriers for more equitable charging mechanisms, imposed monthly fees and passed on carrier penalties to customers. ZONE US also developed a detailed monitoring mechanism for each carrier to ensure minimal penalties were incurred.

Development of new products was also a key to ZONE US's efforts to improve operating margins. ZONE US re-launched an enhanced-value conferencing product; created new services conducive to selling into other vertical markets within the enterprise sector, such as enhanced local services and VoIP DID; and promoted data products that ride on its own IP network. The addition of these products creates a more diversified customer base and encourages ZONE US's agent distributors to focus more on the higher margin markets.

Asia Operations

ZONE Asia in 2009 posted turnover of HK$79.3 million as compared to HK$94.3 million for 2008. While ZONE Asia was able to control customer churn at manageable levels through ongoing marketing and customer service efforts, the Average Revenue per User (ARPU) for IDD services continued to fall as the IDD market remained highly competitive. Throughout 2009, ZONE Asia stayed focused on executing its strategy of transforming its business model and expanding its revenue base into the higher-margin enhanced data and voice solutions and services which helped offset the decline in its IDD-related revenue.

In Hong Kong, ZONE further evolved its organisation to be more solutions-driven by strengthening its technical team, allocating additional product development resources, recruiting more technically-oriented sales staff and providing training to both technical and non-technical staff. In addition, to enhance its competitive edge, ZONE Hong Kong installed and put into service its IP backbone infrastructure between Hong Kong and China which facilitates its ability to offer additional value-added services and also improves network security and reliability for its cross-border customers.

In Singapore, ZONE's marketing efforts were more segmentised and it introduced a suite of new service offerings tailored to address to each segment customer requirements. It continued to introduce various enhancements to its core services in order to remain competitive. ZONE Singapore introduced data services to its wide corporate customer base, including Multi-protocol Label Switching (MPLS) and International Private Leased Circuit (IPLC) services, which were riding on the extensive data network of its international carrier partner. Moving forward, ZONE Singapore will establish a broad base revenue strategy through its extensive service offerings and will also expand its market regionally through various collaboration business models.

Outlook

Given the market uncertainties during the first half of 2009, the Group followed through on its priorities of preserving operating margins and maintaining a strong financial position. Such initiatives successfully positioned the Group to capitalise on the improvement in market sentiment in the second half of 2009, as reflected in the upturn in the Group's turnover and financial strength. While there is still much to be done, the accomplishments in a tough business environment show that the Group is now back on track in executing its strategic goal of building ZONE into a sustainable solution-based telecommunication and IT service provider, offering a wide array of products and services to worldwide customers. Looking ahead to 2010, the Group will continue to diversify and grow its ZONE business organically while at the same time targeting to bring to fruition at least one of the merger and acquisition opportunities that it is currently pursuing.

FINANCIAL REVIEW

Highlights

	2009 *HK$'000*	2008 *HK$'000*	*% change*
Turnover	797,852	786,997	+1%
EBITDA	25,610	23,236	+10%
Net Assets	200,322	180,421	+11%
Cash and Bank Balances	197,426	177,173	+11%

Turnover

For the year ended 31 December 2009, despite difficult market conditions, in particular during the first six months, the Group registered an all-time high turnover of HK$797.9 million representing a growth of HK$10.9 million, or 1.4%, as compared to HK$787.0 million for 2008. Between the different segments of the business, ZONE US recorded a 3.7% increase in turnover from HK$692.2 million in 2008 to HK$717.7 million in 2009, while turnover from ZONE Asia, comprising the Group's telecommunication businesses in China, Hong Kong and Singapore, was HK$79.3 million for 2009 as compared to HK$94.3 million for 2008.

Total Operating Expenses

Following the Group's execution of its cost savings initiatives, total operating expenses for 2009 decreased to HK$173.0 million when compared to HK$182.8 million in 2008. Among other efforts, the Group fine-tuned the cost efficiency of different sales activities which resulted in a decrease in selling and distribution expenses from HK$50.5 million in 2008 (representing 6.4% of that year's turnover) to HK$42.6 million in 2009 (representing 5.3% of turnover).

Results

Benefiting from higher revenue and the reduction in total operating expenses, the Group's profit from operations for the year rose by HK$9.7 million to HK$11.7 million when compared to HK$2.0 million for the previous year. In 2009, the Group recorded a net profit of HK$19.0 million which is a significant improvement over the loss position of HK$43.7 million (inclusive of impairment losses of HK$30.8 million) in the previous year.

Similarly, EBITDA for the Group increased from HK$23.2 million for 2008 to HK$25.6 million in 2009.

Capital Structure, Liquidity and Financing

During the year, the Group continued to be in a healthy liquidity position as a result of positive contribution from its telecommunication business in the United States and Asia. As at 31 December 2009, the net assets of the Group increased to HK$200.3 million when compared to HK$180.4 million as at 31 December 2008.

Cash and bank balances (excluding pledged bank deposits) increased from HK$177.2 million at the end of 2008 to HK$197.4 million as at 31 December 2009. In addition, as at 31 December 2009, the Group maintained pledged bank deposits of HK$2.2 million, compared to HK$2.2 million as at 31 December 2008, to banks for guarantees made to suppliers.

The Group's bank borrowings, represented by the bank loan advanced to a subsidiary for the purpose of the WRLD Alliance transaction in 2006, were fully repaid in the second quarter of 2009, and there were no outstanding bank borrowings as at 31 December 2009 (2008: HK$4.3 million).

The Group's liabilities under equipment lease financing decreased by 17.8% to HK$0.6 million as at 31 December 2009 when compared to HK$0.7 million as at 31 December 2008.

The Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets, improved from 2.8% in 2008 to 0.3%, primarily due to the full repayment of the bank loan, as described above, in the second quarter of 2009.

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 as long as the Hong Kong-United States dollar exchange rate remains pegged. If cash contributions from the Singapore operations increase in future and currency exchange markets continue to be volatile, the Group will continue to closely monitor the Singapore-United States dollar exchange rate and, whenever appropriate, take any necessary action to reduce such exchange risks. In this regard, as at 31 December 2009, no related hedges had yet been undertaken by the Group.

Contingent Liabilities and Commitments

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

EMPLOYEE REMUNERATION POLICIES

As at 31 December 2009, the Group had 142 (2008: 160) employees in the United States, China, Hong Kong and Singapore. The Group's total staff costs for 2009 decreased by 4.5% to HK$73.5 million when compared to HK$77.0 million for 2008.

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 its objectives. In addition to salary and bonus payments, the Group also offers other fringe benefits, including provident fund and medical benefits, to its employees. In addition, share options may be granted to, among others, eligible employees of the Group to subscribe for shares in the Company under the terms and conditions stipulated in the share option schemes adopted by the Company. As at 31 December 2009, there were no outstanding share options under the share option schemes adopted by the Company.

CORPORATE GOVERNANCE

The directors of the Company are committed to maintaining high standards of corporate governance in discharging their obligations to act in the best interests of shareholders and enhance long term shareholder value. Except for the 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 2009, acting in compliance with the Code on Corporate Governance Practices (Corporate Governance Code) as set out in Appendix 14 to the Listing Rules.

Code provision A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual so that the responsibilities are not concentrated with any one person. Nevertheless, with the unanimous approval of the Board, Mr. Richard John Siemens, the Chairman, has assumed the role of the chief executive officer of the Company since 16 June 2007. The Board from time to time re-assesses the possible negative impact of the Company deviating from Corporate Governance 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 that the balance of power and authority is not impaired and is adequately ensured by an effective Board which is comprised of 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, as set out in Appendix 10 to the Listing Rules, (Model Code) 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 2009.

AUDIT COMMITTEE

The Audit Committee has reviewed, with the management and the auditor 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 2009.

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 2009 Annual Report of the Company containing all information required by Appendix 16 to the Listing Rules will be published on both the websites of Hong Kong Exchanges and Clearing Limited and the Company in due course.

APPRECIATION

The Board would like to extend its appreciation to all fellow directors and employees for their invaluable efforts, dedication and commitment to the Group and to thank all customers, shareholders, business associates and professional advisers for their continuous support.

By Order of the Board
Richard John Siemens
Chairman

Hong Kong, 26 March 2010

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