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 2008

HIGHLIGHTS

- Turnover amounted to HK$787.0 million, representing a decrease of 1.0% over the previous year
- Despite the difficult operating environment, the Group managed to achieve EBITDA of HK$23.2 million and profit from operations remained positive at HK$2.0 million
- The Group recorded a net loss of HK$43.7 million for 2008, but excluding the non-recurring non-cash impairment on intangible assets of HK$30.8 million and the adjustment in deferred tax of HK$9.8 million in 2008, the Group's net loss would have been HK$3.1 million
- The Group maintains a strong liquidity position with total cash and bank balances of HK$179.3 million

RESULTS

The board of directors (the "Board") of e-Kong Group Limited (the "Company") herein announces the audited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2008, together with comparative figures for 2007, as set out below.

Consolidated Income Statement

	Notes	Year ended 31 December 2008 HK$'000	2007 HK$'000
Turnover	2	**786,997**	795,252
Cost of sales		**(604,504)**	(583,405)
Gross profit		**182,493**	211,847
Other revenue and income	3	**2,338**	21,788
		184,831	233,635
Selling and distribution expenses		**(50,515)**	(57,144)
Business promotion and marketing expenses		**(5,075)**	(7,143)
Operating and administrative expenses		**(101,628)**	(99,234)
Other operating expenses		**(25,603)**	(21,549)
Profit from operations		**2,010**	48,565
Finance costs	4	**(667)**	(1,951)
Impairment losses on intangible assets	8	**(30,803)**	–
(Loss) / Profit before taxation	4	**(29,460)**	46,614
Taxation	5	**(14,273)**	(2,394)
(Loss) / Profit for the year		**(43,733)**	44,220
(Loss) / Profit for the year attributable to:			
Equity holders of the Company		**(43,458)**	44,303
Minority interests		**(275)**	(83)
(Loss) / Profit for the year		**(43,733)**	44,220
EBITDA	6	**23,236**	65,673
		HK cents	*HK cents*
(Loss) / Earnings per share	7		
Basic		**(8.3)**	8.6
Diluted		**N / A**	N / A

Consolidated Balance Sheet

	Notes	As at 31 December 2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment		**21,734**	18,799
Intangible assets	*8*	**–**	41,504
Deferred tax assets		**3,690**	13,634
		25,424	73,937
Current assets			
Trade and other receivables	*9*	**102,096**	91,589
Pledged bank deposits		**2,155**	2,137
Cash and bank balances		**177,173**	181,662
		281,424	275,388
Current liabilities			
Trade and other payables	*10*	**117,238**	104,935
Current portion of bank borrowings		**4,250**	10,430
Current portion of obligations under finance leases		**129**	206
Taxation payable		**3,848**	4,288
		125,465	119,859
Net current assets		**155,959**	155,529
Total assets less current liabilities		**181,383**	229,466
Non-current liabilities			
Bank borrowings		**–**	4,250
Obligations under finance leases		**595**	213
Deferred tax liabilities		**367**	513
NET ASSETS		**180,421**	224,490
Capital and reserves			
Share capital		**5,229**	5,229
Reserves		**174,462**	218,256
Equity attributable to equity holders of the Company		**179,691**	223,485
Minority interests		**730**	1,005
TOTAL EQUITY		**180,421**	224,490

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 Group has not early adopted the new and revised HKFRS issued by HKICPA that are not yet effective for the current year. The directors do not anticipate that the adoption of these new and 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							
	2008				2007			
	North America *HK$'000*	**Asia Pacific** *HK$'000*	**Eliminations** *HK$'000*	**Consolidated** *HK$'000*	North America *HK$'000*	Asia Pacific *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Turnover								
External sales	**692,249**	**94,748**	**–**	**786,997**	698,915	96,337	–	795,252
Inter-segment sales	**–**	**3,019**	**(3,019)**	**–**	–	5,335	(5,335)	–
	692,249	**97,767**	**(3,019)**	**786,997**	698,915	101,672	(5,335)	795,252
Results								
Segment results	**1,640**	**20,106**	**–**	**21,746**	27,295	27,657	–	54,952
Impairment losses on intangible assets	**(27,206)**	**(3,597)**	**–**	**(30,803)**	–	–	–	–
	(25,566)	**16,509**	**–**	**(9,057)**	27,295	27,657	–	54,952
Finance costs				**(667)**				(1,951)
Other operating income and expenses				**(19,736)**				(6,387)
(Loss) / Profit before taxation				**(29,460)**				46,614
Taxation				**(14,273)**				(2,394)
(Loss) / Profit for the year				**(43,733)**				44,220

(b) *By business segments:*

	Year ended 31 December							
	2008				2007			
	Telecom-munication services *HK$'000*	**Other** *HK$'000*	**Eliminations** *HK$'000*	**Consolidated** *HK$'000*	Telecom-munication services *HK$'000*	Other *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Turnover								
External sales	**786,462**	**535**	**–**	**786,997**	793,261	1,991	–	795,252
Inter-segment sales	**–**	**40**	**(40)**	**–**	–	–	–	–
	786,462	**575**	**(40)**	**786,997**	793,261	1,991	–	795,252
Results								
Segment results	**21,744**	**2**	**–**	**21,746**	55,003	(51)	–	54,952
Impairment losses on intangible assets	**(30,803)**	**–**	**–**	**(30,803)**	–	–	–	–
	(9,059)	**2**	**–**	**(9,057)**	55,003	(51)	–	54,952
Finance costs				**(667)**				(1,951)
Other operating income and expenses				**(19,736)**				(6,387)
(Loss) / Profit before taxation				**(29,460)**				46,614
Taxation				**(14,273)**				(2,394)
(Loss) / Profit for the year				**(43,733)**				44,220

The Group's inter-segment sales are charged at prevailing market prices.

3. Other revenue and income

	Year ended 31 December	
	2008	2007
	HK$'000	*HK$'000*
Interest income on bank deposits	**1,879**	4,206
Gain on the deemed partial disposal of subsidiary *(Note)*	**–**	17,402
Other	**459**	180
	2,338	21,788

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. **(Loss) / Profit before taxation**

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

	Year ended 31 December	
	2008	2007
	HK$'000	*HK$'000*
Finance costs:		
Interest on bank loan and other borrowings wholly repayable within five years	**634**	1,931
Finance charges on obligations under finance leases	**33**	20
	667	1,951
Amortisation of intangible assets included in other operating expenses	**10,701**	10,615
Depreciation of property, plant and equipment	**10,525**	6,493
Realised losses on quoted investments	**883**	–

5. **Taxation**

	Year ended 31 December	
	2008	2007
	HK$'000	*HK$'000*
Current tax		
Overseas income taxes	**(4,475)**	(4,642)
Deferred tax		
Depreciation allowances	**(89)**	(623)
Tax losses	**(9,709)**	2,871
	(9,798)	2,248
	(14,273)	(2,394)

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.

6. **EBITDA**

EBITDA represents earnings before interest expenses, taxation, depreciation, amortisation and impairment losses on intangible assets.

7. (Loss) / Earnings per share

The calculation of basic loss per share for the year ended 31 December 2008 is based on the consolidated loss attributable to equity holders of the Company of HK$43,458,000 (2007: profit of HK$44,303,000) and on the weighted average number of 522,894,200 (2007: 514,773,652) shares in issue during the year.

Diluted (loss) / earnings per share for the years ended 31 December 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 31 December	
	2008	2007
	HK$'000	*HK$'000*
Development costs	**3,597**	3,597
Customer contracts	**52,933**	52,933
	56,530	56,530
Amortisation at the beginning of year	**(15,026)**	(4,411)
Amortisation for the year	**(10,701)**	(10,615)
Impairment losses	**(30,803)**	–
	–	41,504

The impairment losses on intangible assets during the year related to development costs and customer contracts in respect of the telecommunication business.

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 should be recognised during the year.

9. Trade and other receivables

	As at 31 December	
	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**91,456**	82,797
Other receivables		
Deposits, prepayments and other debtors	**10,640**	8,792
	102,096	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 31 December	
	2008	2007
	HK$'000	*HK$'000*
Less than 1 month	**77,828**	74,197
1 to 3 months	**12,814**	8,377
More than 3 months but less than 12 months	**814**	223
	91,456	82,797

10. Trade and other payables

	As at 31 December	
	2008	2007
	HK$'000	*HK$'000*
Trade payables	**55,481**	51,203
Other payables		
Accrued charges and other creditors	**61,757**	53,732
	117,238	104,935

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

	As at 31 December	
	2008	2007
	HK$'000	*HK$'000*
Less than 1 month	**53,128**	40,462
1 to 3 months	**1,254**	10,284
More than 3 months but less than 12 months	**1,099**	457
	55,481	51,203

FINAL DIVIDEND

The Board does not recommend payment of a dividend for the year ended 31 December 2008 (2007: Nil).

BUSINESS REVIEW

The 2008 year has proven to be challenging for nearly every business in the world. The financial turmoil, triggered by the sub-prime mortgage and credit crisis in the United States, has not only undermined the global capital markets but has also adversely affected most mainstream industries. The telecom sector, as well as the Group's operations, has not been immune from the crisis.

For the 2008 year, the Group achieved an annual turnover of HK$787.0 million, representing a slight year-on-year decrease of 1.0%.

Given the impact of the economic turmoil, management re-assessed the intrinsic value of the Group's intangible assets, after the charge for amortisation for the year of HK$10.7 million, and concluded that the carrying value of the customer contracts acquired by ZONE's operations in the United States ("ZONE US") in 2006 and the softphone development costs, together aggregating HK$30.8 million, have became impaired in 2008. After the non-recurring non-cash impairment on intangible assets of HK$30.8 million and an adjustment in deferred tax of HK$9.8 million, the Group recorded a net loss of HK$43.7 million for the 2008 year, compared to a net profit of HK$44.2 million for the previous year.

Profit from operations and EBITDA, nevertheless, stayed positive at HK$2.0 million and HK$23.2 million, compared to HK$48.6 million and HK$65.7 million, respectively, for the prior year.

The Group continued its prudent financial management approach which maintained its balance sheet strength with total net assets of HK$180.4 million, including total cash and bank balances of HK$179.3 million as at 31 December 2008.

In 2008, the turnover of ZONE US amounted to HK$692.2 million compared to HK$698.9 million for the previous year despite the US telecommunications market continuing to be difficult. A major underlying carrier imposed substantial rate increases and additional surcharges in the last quarter of 2007 and raised these further in 2008. These significant cost increases exerted pressure on ZONE US's margins in the Independent Local Exchange Carrier ("ILEC") sector while, at the same time, the deterioration in the US economy impacted the growth and profitability in the corporate sector of ZONE US's business.

ZONE US has implemented a number of initiatives in order to improve profitability in its operations in the coming year including driving revenue growth, preserving overall gross margins and enhancing efficiencies in its cost structure. By realigning and strengthening its provisioning and engineering team, ZONE US is now more responsive to handling customers with specialised and complex technical requirements which, thereby, results in shorter provisioning time and improved customer service levels. Such flexibility is particularly valuable during this period of economic downturn when many larger customers are looking for more tailor-made and cost effective solutions to their telecom needs from alternative service providers like ZONE US. For example, to broaden its appeal to the Competitive Local Exchange Carrier ("CLEC") market segment and the ILEC market segment in the Northeast Region, ZONE US was able to facilitate the implementation of various networks with multiple carriers to meet the technical, geographical and pricing requirements of these CLEC and ILEC customers. Furthermore, ZONE US re-routed large volumes of traffic from its ILEC customers via ZONE US's switch facilities by way of dedicated circuits to avoid regulatory and rate increase challenges faced by such customers. ZONE US has also, in some cases, been able to increase the rates which it charges its customers so as to preserve reasonable margin levels.

While the market challenges are likely to continue putting pressures on the business in 2009, ZONE US believes that the measures it is putting into place and the ongoing efforts to improve operating efficiency and to strengthen its balance sheet position will not only help weather the economic and financial turbulence but also establish a firm foundation to build a long-term sustainable business. Empowered with these strengths during this period of market upheaval, ZONE US is positioned to increase its business organically as well as expand through customer and business acquisitions at valuations that meet its strategy and risk criteria.

Turnover from ZONE's operations in Asia ("ZONE Asia") for 2008 amounted to HK$94.3 million compared to HK$94.4 million for 2007. ZONE Asia has made further progress in its endeavours to offer more solution-based products and services customised to suit specific customer requirements. In addition to the call accounting systems designed for targeted markets, ZONE Asia has also made available its IP-PBX solutions tailored for the hospitality industry and small to medium sized enterprises (SMEs), and has recently launched its cost effective and easy-to-use web-enabled call-in / out tele-conferencing solutions.

While ZONE's office in China remained an integral part of its back office function serving the Hong Kong's operations, it continues to explore various opportunities to work with the major telecom companies in China, particularly following the restructuring of the telecom sector which was announced in May 2008. Pursuant to the restructuring plan, business of the existing operators will be merged into three full serviced operators, namely China Mobile (中國移動), China Unicom (中國聯通) and China Telecom (中國電訊). In addition, 3G licences were awarded in January 2009 to these three operators. ZONE China will further capitalise on relationships it has already established with these three newly-merged entities to extend its involvement into other areas, particularly areas related to the mobile wireless 3G businesses.

In the third quarter of 2008, the global economic slowdown hit Singapore and ZONE Singapore began to feel its impact. Singapore's recession deepened in the fourth quarter as the global economic turmoil took its toll on the export driven manufacturing and service sectors. Corporate customers, being squeezed during these difficult times, demanded better rates and dominant service providers, wanting to maintain their market share, began introducing more aggressively priced services. These factors together put added pressure on ZONE Singapore's operating results.

Despite the lower revenue recorded for 2008, ZONE Singapore was able to maintain its profit to the 2007 level mainly by keeping operating costs under control, improving margin through innovative and value-added offerings and providing superior customer service and retention. While the economic fallout is expected to continue to impact business in 2009, it also presents good opportunities to pursue new business prospects as corporations which historically have been long time customers of dominant service providers and less inclined to change service providers will, in their exercise of cost-control measures, start exploring alternative service providers such as ZONE Singapore. ZONE Singapore will continue to target the corporate market by introducing new enhanced and cost-efficient services and invest in effective marketing to acquire new users.

ZONE Asia also continues to enlarge the user base of its VoIP offering *ZoiPPE* through collaborative marketing with partners such as the *ZoiPPE Friends (www.zoippefriends.com)* partnership with a large social networking site and through on-going internet marketing and promotions. Over the last two years since ZONE's softphone was developed, there has been growing popularity of web-based functionalities which do not require downloading or installation of software, or use of open-source software which can be developed amongst different parties over the Internet to offer communications-related services. In line with this shift in technology and user preference as well as the abundance of resources on VoIP over the Internet and open-source communities, for the coming year ZONE will realign its focus from enhancing its *ZoiPPE* softphone features to developing more web-based features such as the "Link-up" service incorporated in its *ZoiPPE Friends* website and will collaborate with mobile handset manufacturers and open-source developers to integrate its back-end platform with their user interface.

Looking ahead and in light of the current uncertain operating environment and the likelihood of the economic situation worsening through 2009, the Group will continue to adopt a prudent approach to growth and cost control, and will keep focused on improving the operating performance of its ZONE businesses and maintaining a strong balance sheet. Historically, during difficult times, opportunities in the telecom industry will present themselves, such as the increasing demand for cost-effective products and services and also opportunities to acquire prospective financially strained businesses. The Group, being relatively well positioned in today's environment, will capitalise on any such opportunities by using its resources to organically grow its market share or through targeted acquisitions where the investments are in line with its overall strategy.

FINANCIAL REVIEW

Results

For the year ended 31 December 2008, the Group recorded a consolidated turnover of HK$787.0 million representing a decrease of HK$8.3 million as compared to HK$795.3 million for 2007.

Operating costs for 2008 amounted to HK$182.8 million compared to HK$185.1 million in 2007.

ZONE US recorded a 1.0% decrease in turnover from HK$698.9 million in 2007 to HK$692.2 million in 2008, while turnover from ZONE Asia, comprising the Group's telecommunication businesses in China, Hong Kong and Singapore, remained flat at HK$94.3 million for 2008, as compared to HK$94.4 million for 2007.

The Group's gross profit decreased by 13.9% from HK$211.8 million in 2007 to HK$182.5 million in 2008.

The operating profit for the year amounted to HK$2.0 million, representing a decline of HK$46.6 million when compared to HK$48.6 million for the previous year.

The Group recorded a net loss of HK$43.7 million, which included an impairment loss on intangible assets of HK$30.8 million and an adjustment in deferred tax of HK$9.8 million for the 2008 year, compared to a net profit of HK$44.2 million for 2007.

EBITDA for the Group decreased by HK$42.4 million from HK$65.7 million for 2007 to HK$23.2 million in 2008.

Capital Structure, Liquidity and Financing

During the year, the Group continued to be in a healthy liquidity position. As at 31 December 2008, the net assets of the Group reduced to HK$180.4 million (2007: HK$224.5 million) which was mainly attributed to the impairment losses on intangible assets and the deferred tax adjustment, referred to previously, in the aggregate amount of HK$40.6 million during the year.

Cash and bank balances (excluding pledged bank deposits) amounted to HK$177.2 million as at 31 December 2008 (2007: HK$181.7 million). The Group had pledged bank deposits of HK$2.2 million as at 31 December 2008 (2007: HK$2.1 million) to banks for guarantees made to suppliers.

As at 31 December 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, reduced to HK$4.3 million (2007: HK$14.7 million) as a result of a partial 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 2008, the Group's liabilities under equipment lease financing amounted to HK$0.7 million (2007: HK$0.4 million) as a result of entering into a new lease agreement to replace a previous lease of similar office equipment during the year.

The Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets, improved to 2.8% (2007: 6.7%) primarily due to the partial repayment of the bank loan during 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 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 and expectation that currency exchange markets will become volatile during 2009, 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 2008, there were no material contingent liabilities or commitments.

EMPLOYEE REMUNERATION POLICIES

As at 31 December 2008, the Group had 160 (2007: 176) employees in the United States, China, Hong Kong and Singapore. The Group's total staff costs amounted to HK$77.0 million (2007: HK$79.8 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 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 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 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 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, 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 from time to time re-assesses 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 that 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, as set out in Appendix 10 to the Listing Rules, (the "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 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 audited consolidated financial statements of the Group for the year ended 31 December 2008.

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 2008 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 employees for their invaluable efforts, dedication and commitment to the Group during this tumultuous time 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, 30 March 2009

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 J.P. *and Gerald Clive Dobby.*