THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in e-Kong Group Limited (the "Company"), you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

e-Kong Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 524)

MAJOR TRANSACTION

PROPOSED ACQUISITION OF TELECOMMUNICATION SERVICES ASSETS

A notice convening the special general meeting of the Company to be held at Room 4101, 41st Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on Friday, 3 March 2006 at 11:00 a.m. is set out on pages 64 to 65 of this circular.

If you are not able to attend and/or vote at the meeting in person, you are requested to complete and return the form of proxy enclosed with this circular in accordance with the instructions printed thereon to the Company's Branch Share Registrar in Hong Kong, Secretaries Limited at Level 25, Three Pacific Place, 1 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.

16 February 2006

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In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	means the proposed transactions contemplated under the Asset Purchase Agreement
"Assets"	means the customer and carrier contracts of and certain related assets held by the Vendors to be acquired under the Asset Purchase Agreement
"Asset Purchase Agreement"	means the conditional asset purchase agreement dated 16 January 2006 entered into between ZONE US, the Vendors and the Guarantor relating to the acquisition of the Assets, as further described in this circular
"Bank"	means Philadelphia Private Bank (a division of The Bancorp Bank), a charter member bank in the State of Delaware, the United States
"Board"	means the board of Directors
"Carrier Contracts"	includes all agreements, application forms, term contracts and other contractual instruments forming part of or relating to long distance telecommunication carrier accounts of CUCL and SAM as at the Closing Date, including all carrier records, files, data and similar items (other than those portions expressly excluded in the Asset Purchase Agreement) and all CUCL's and SAM's rights and remedies arising from or in connection with any breaches, defaults or other violations of any of the foregoing
"Closing Date"	means the later of (a) the 5th business day following the satisfaction of the first 3 conditions described in the paragraph entitled "Conditions" and (b) the day on which all of the conditions are satisfied
"Company"	means e-Kong Group Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
"Consent Threshold"	means eighty per cent (80%) of the average monthly revenue generated from the Customer Contracts in aggregate during the three-month period prior to the signing of the Asset Purchase Agreement
"Consideration"	means the consideration payable to the Vendors pursuant to the Asset Purchase Agreement

"CUC"	means Central Utah Communications, Inc., a Nevada corporation
"CUCL"	means Central Utah Communications Leasing, LC., a Utah limited liability company
"Customer Contracts"	includes all agreements, application forms, term contracts, letters of agency and other contractual instruments forming part of or relating to active or inactive long distance telecommunication customer accounts of CUC as at the Closing Date, including all past and present customer lists, records, files, data, letters of agency, sub-CIC arrangements, licences, consents, permits and other documents and items thereunder (other than those portions expressly excluded in the Asset Purchase Agreement), and all CUC's rights and remedies arising from or in connection with any breaches, defaults or other violations of any of the foregoing
"Director(s)"	means the director(s) of the Company
"Final Determination Date"	means the date to determine whether a Customer Contract is a Terminated Customer Contract which shall be made on the date that is 30 days after the Closing Date
"Guarantor"	means Mr. Dale H. Lewis, an individual, residing in the State of Utah, the United States who, together with members of his family, controls the Vendors
"Group"	means the Company and its subsidiaries
"HK$"	means Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	means the Hong Kong Special Administrative Region of the People's Republic of China
"Intellectual Property"	includes patents and patent applications, trademarks, service marks, logos, trade names and corporate names and registrations and applications for registration thereof, copyrights, computer software, data and documentation, customer and supplier lists and information, internet domain names and applications for domain names, all owned or used by any of the Vendors to the extent relating to or used or held for use in connection with the WRLD Operations

"Latest Practicable Date"	means 10 February 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	means The Rules Governing the Listing of Securities on the Stock Exchange
"SAM"	means Strategic Alliance Management, Inc. a Nevada corporation
"SFO"	means the Securities and Futures Ordinance, Cap. 571, Laws of Hong Kong
"SGM"	means the special general meeting of the Company to be held on Friday, 3 March 2006 at 11:00 a.m. and any adjournment thereof
"Share(s)"	means share(s) of HK$0.01 each in the issued and fully paid up share capital of the Company
"Shareholder(s)"	means holder(s) of the Shares
"SPRING"	means The Spring Trust, a trust established under the laws of the State of Utah, the United States
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"Terminated Customer Contract"	means a Customer Contract for which the Vendors have not obtained a customer consent and either (a) such customer has refused to provide such customer consent consistent with its contracts with the Vendors; or (b) ZONE US or the Vendors has determined that such Customer Contract should be terminated due to the customer's breach of the assignment provisions therein and such customer fails or refuses to accept service from ZONE US
"UCC"	means Uniform Commercial Code of the United States
"US$"	means United States dollar(s), the lawful currency of the United States and the exchange rate for the purpose of this circular is US$1 = HK$7.8
"Vendors"	means, collectively, CUC, CUCL, SAM and SPRING and a "Vendor" means any of them

"WRLD Operations"	means the operations and business of reselling long distance telecommunication services in the United States presently carried on by the Vendors under the tradename "WRLD Alliance"
"XSI Letter of Credit"	means the letter of credit in the approximate sum of US$600,000 issued by UBS Financial Services, Inc. at the request of CUC in favour of Xtension Services, Inc. (an independent third party not connected with any of the Vendors, their beneficial owners, the Company or any of its subsidiaries) and all those accounts and deposits pledged with UBS Financial Services, Inc. as security for issuing the aforesaid letter of credit
"ZONE US"	means Zone Telecom, Inc., a wholly-owned subsidiary of the Company, whose business is the provision of telecommunication and related services in the United States under the tradename "ZONE"
"ZONE US Holding"	means Zone USA, Inc., a wholly-owned subsidiary of the Company and the immediate holding company of ZONE US, whose sole business is the holding of ZONE US
"%"	means per cent

e-Kong Group Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 524)

Directors:
Mr. Richard John Siemens *(Chairman)*
Mr. Kuldeep Saran *(Deputy Chairman)*
Mr. Lim Shyang Guey
Mr. William Bruce Hicks[*]
Mr. Shane Frederick Weir[**]
Mr. John William Crawford[**]
Mr. Gerald Clive Dobby[**]

[*] *Non-executive Director*
[**] *Independent Non-executive Directors*

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Office:
3705 Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

16 February 2006

To the Shareholders and, for information purposes only, option holders of the Company

Dear Sir or Madam,

MAJOR TRANSACTION

PROPOSED ACQUISITION OF TELECOMMUNICATION SERVICES ASSETS

INTRODUCTION

On 16 January 2006, ZONE US, a wholly-owned subsidiary of the Company, entered into the Asset Purchase Agreement with the Vendors and the Guarantor to acquire the customer and carrier contracts of the Vendors and certain related assets held by the Vendors in connection with the provision by the Vendors of long distance telecommunication services in the United States.

To the best of the Directors' knowledge, (a) all of the Vendors and the Guarantor, and their beneficial owners are not connected persons of the Company, and are third parties independent of the Company and of any connected persons of the Company as defined under the Listing Rules, (b) none of them hold any interest in the issued Share capital of the Company, and (c) no Shareholder has any material interest in the Acquisition.

The total consideration for the Acquisition will be US$6.5 million (equivalent to approximately HK$50.7 million), subject to adjustments, US$6.0 million (equivalent to approximately HK$46.8 million) of which will be financed by a secured term loan facility made available to ZONE US by the Bank for the specific purpose of the Acquisition and the balance thereof will be financed by internal resources of ZONE US.

The Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to approval by the Shareholders at the SGM. The purpose of this circular is to provide you with further information with regard to the Acquisition and financial information of the Group and the Assets.

THE ASSET PURCHASE AGREEMENT

Date

16 January 2006

Parties

(a) ZONE US as the purchaser;

(b) the Vendors as the vendors; and

(c) the Guarantor as the guarantor for the Vendors.

Assets to be acquired

Pursuant to the Asset Purchase Agreement, the assets to be acquired by ZONE US from the Vendors include:

(a) Customer Contracts and all customer and other deposits and security held or made available and relating to the Customer Contracts, and receivables and unbilled revenue derived therefrom;

(b) Carrier Contracts and all deposits and security held by carriers to the credit of or made to the carriers and relating to the Carrier Contracts and payables derived therefrom; and

(c) all Intellectual Property, certain office equipment and furniture, software and rights, interests and benefits of and in specified contracts relating to the servicing of the Customer Contracts, all held by the Vendors in connection with the WRLD Operations.

ZONE US will, subject to the provisions for adjustments to the Consideration as described hereinbelow, assume current liabilities as at the Closing Date relating to the Assets incurred to third parties in the ordinary course of business in the conduct of the WRLD Operations by the Vendors which comprise, among others, customer and other deposits held or made available and relating to the Customer Contracts and amounts payable in relation to the Carrier Contracts and the Customer Contracts.

Consideration

US$6.5 million (equivalent to approximately HK$50.7 million), subject to adjustments as described in the paragraph below entitled "Consideration adjustment mechanism". The Consideration was arrived at after arm's length negotiations by ZONE US with the Vendors and the Guarantor with reference to the price/earnings ratios derived from the Assets. The Consideration represents approximately 3.0 and 2.6 times the net profit attributable to the Assets for the ten months ended 31 October 2005 and the year ended 31 December 2004, respectively. The Directors consider that, after taking into account other factors like (a) the economic benefits of the Assets to the Group; (b) the prospect of generating additional revenue from new product offerings to customers under the Customer Contracts; (c) the synergistic effects and strategic value of the Assets to the future development of the Group; and (d) the potential business opportunities that can be provided to the Group, the Consideration payable under the Asset Purchase Agreement at such price/earnings range are fair and reasonable.

Conditions

The completion of the Asset Purchase Agreement is conditional upon the following events:

(a) ZONE US obtaining all relevant approvals from governmental regulatory agencies and other regulatory entities that may be required to conduct the WRLD Operations;

(b) the Vendors securing the written consent of customers to be served by ZONE US under the Customer Contracts representing not less than the Consent Threshold on or before 15 February 2006;

(c) all consents to the assignment of the Carrier Contracts to ZONE US are obtained;

(d) if so required under the Listing Rules, the Shareholders pass an ordinary resolution at a general meeting approving the acquisition by ZONE US of the Assets and the assumption of those liabilities as set forth in the Asset Purchase Agreement, in form and substance satisfactory to the Company and the Stock Exchange;

(e) the XSI Letter of Credit shall have been released or agreed to be released;

(f) since 31 October 2005 that shall not have occurred any incident or event which has had or is reasonably likely to result in a material adverse effect on the Assets or the WRLD Operations;

(g) there shall not be any court orders issued by any court of competent jurisdiction which directs that the Asset Purchase Agreement or any material transaction contemplated thereby shall not be consummated as therein provided; and

(h) No Vendor shall: (i) have commenced or consented to commencement of a voluntary proceeding seeking liquidation, reorganisation or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking or consenting to the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or substantially all of its property, or have made a general assignment for the benefit of its creditors; or (ii) have an involuntary proceeding commenced against it seeking liquidation, reorganisation or other relief under any bankruptcy, insolvency or other similar law now or hereinafter in effect or seeking the appointing of a trustee, receiver, liquidator, custodian or similar official of all or substantially all of its property; or (iii) have an attachment placed on all or a significant portion of its assets.

If the condition (b) above is not satisfied on or before 15 February 2006 or the other conditions are not satisfied on or before 17 March 2006, ZONE US may terminate the Asset Purchase Agreement by giving a written notice to the Vendors, whereupon the rights and obligations of the parties thereto will lapse and be of no further effect.

As at the Latest Practicable Date, save as the condition (b) above, no condition precedent is determined to have been satisfied.

Payment arrangements

The Consideration will be satisfied in cash in the following manner:

(a) on the Closing Date, payment will be made to the Vendors in an amount equal to the Consideration multiplied by that percentage of Customer Contracts from whom written consents have been delivered by the Vendors to ZONE US, which percentage shall be equal to or exceed the Consent Threshold, subject to any adjustments for the difference in value of the current assets and liabilities to be acquired and assumed by ZONE US; and

(b) the balance of the Consideration, less any adjustments for Terminated Customer Contracts, will be disbursed to the Vendors on the Final Determination Date.

Consideration adjustment mechanism

The Consideration shall be subject to adjustments if either of the following events occurs:

(a) the customers whose Customer Contracts representing not less than 5% of the average monthly revenue for the 3-month period prior to the date of signing of the Asset Purchase Agreement refuse or unreasonably fail to grant written consent to the assignment of their respective Customer Contracts prior to the Final Determination Date, then the Consideration payable to the Vendors shall be reduced by a fraction, the numerator of which will be the average monthly revenue of the Terminated Customer Contracts for the 3-month period prior to the date of signing of the Asset Purchase Agreement, and the denominator of which will be the average monthly revenue for all Customer Contracts of the Vendors for the 3-month period prior to the date of signing of the Asset Purchase Agreement; and

(b) the current assets and current liabilities arising from the Customer Contracts and Carrier Contracts that will be acquired and assumed by ZONE US on the Closing Date will not be equal in value, then the Consideration shall be adjusted by the difference between the amount of current liabilities to be assumed by ZONE US and the amount of current assets to be acquired by ZONE US pursuant to the Asset Purchase Agreement, which adjustment will be downward if the amount of current liabilities exceeds that of current assets, and will be upward if the amount of current assets exceeds that of current liabilities.

Completion

Completion of the Asset Purchase Agreement shall take place on the Closing Date at the offices of the Vendors' solicitors, during which the rights, title and interests of and in the Assets will be transferred, records, files and other data in relation thereto will be delivered to ZONE US and such portion of the Consideration as described in the above paragraph entitled "Payment arrangements" will be paid to the Vendors.

Other Provisions

The Guarantor guarantees the performance by each Vendor of its obligations under the Asset Purchase Agreement. In addition, the Guarantor covenants that, within 5 years from the Closing Date, he shall not, among others, directly or indirectly engage in or otherwise hold any interest in a business activity relating to the long distance telecommunication services industry in the United States, or solicit any customer in a Customer Contract to cease or terminate its relationship with ZONE US.

FINANCING

The Acquisition will be primarily financed by a 5-year term loan facility of US$6.0 million (equivalent to approximately HK$46.8 million) from the Bank made available to ZONE US. Security for the term loan facility shall be as follows:

(a) ZONE US Holding will guarantee to the Bank the performance by ZONE US of covenants and obligations to the Bank;

(b) a first lien UCC filing will be made on all the business assets of ZONE US, inclusive of the Assets; and

(c) the existing shareholders' loan due and owing from ZONE US to the Company will be subordinated to the indebtedness outstanding from ZONE US to the Bank.

The balance of the Consideration payable to the Vendors will be funded by the internal resources of ZONE US.

INFORMATION ABOUT THE GROUP

The principal activity of the Company is investment holding. The Group's major operating subsidiaries are in the business of providing telecommunication services under the tradename "ZONE". The Group's ZONE telecommunications business currently has operations in the United States, Hong Kong and Singapore.

INFORMATION ABOUT THE VENDORS

The Vendors are a group of related companies, all controlled by the Guarantor or his family members, carrying on the business as, among others, a wholesale reseller of telecommunication services to the independent phone company market in the United States under the tradename "WRLD Alliance". The Vendors, in aggregate, purchase wholesale long distance services from telecommunications companies such as MCI, Qwest, Global Crossing and Sprint, among others. These services are then resold to phone companies, most of which are local exchange carriers, that re-brand the product to end-users.

In addition to the above, the Vendors' product offerings and services also include calling card and branded products such as WRLD VoIP and WRLD Connect Internet Accelerator. The Vendors also offer back-office support and marketing consulting services in the telecommunications sector as well.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Vendors have been providing long distance telecommunication services under the tradename "WRLD Alliance" since 1997 to a customer base concentrated in the western United States, including independent local exchange carriers and telephone companies across the States of Iowa, Michigan, Utah, Idaho, Ohio, Montana and others. ZONE US has been reselling telecommunications and related services to corporate and residential customers primarily in the North Eastern States, Florida and California, and recently it has expanded its market territories into mid-West States such as North and South Dakota. While ZONE US is able to and will continue to provide telecommunication services to all the customers in the Customer Contracts under its "ZONE" brandname, the Acquisition will therefore complement the existing business of ZONE US by broadening its revenue sources and customer base. In particular, the Acquisition is expected to help further develop the Group's market position and distribution network in the United States. The Board believes that the Group's operations and future development potential will benefit from the Acquisition.

No independent valuation on the Assets has been undertaken. Based on the unaudited combined financial information attributable to the Assets:

(a) net revenue for the ten months ended 31 October 2005 and the years ended 31 December 2004 and 2003 were US$21.6 million (equivalent to approximately HK$168.3 million), US$20.1 million (equivalent to approximately HK$156.4 million) and US$17.8 million (equivalent to approximately HK$139.1 million), respectively;

(b) net profit, after adjustments for related party transactions among the group of companies controlled by the Guarantor and members of his family and provisions for income taxes, for the ten months ended 31 October 2005 and the years ended 31 December 2004 and 2003 amounted to US$2.2 million (equivalent to approximately HK$16.9 million), US$2.5 million (equivalent to approximately HK$19.6 million) and US$1.6 million (equivalent to approximately HK$12.5 million), respectively;

(c) net profit, after adjustments for related party transactions as aforesaid but before provisions for income taxes, for the ten months ended 31 October 2005 and the years ended 31 December 2004 and 2003 amounted to US$2.2 million (equivalent to approximately HK$16.9 million), US$2.5 million (equivalent to approximately HK$19.7 million) and US$1.6 million (equivalent to approximately HK$12.6 million), respectively;

(d) the book value of the Assets as at 31 October 2005, which book value does not reflect any recorded value for the Customer Contracts, the Carrier Contracts or the Intellectual Property for any of which are not accounted, amounted to US$4.6 million (equivalent to approximately HK$35.6 million); and

(e) the book value of the current liabilities arising from the Assets incurred to third parties in the ordinary course of business in the conduct of the WRLD Operations by the Vendors as at 31 October 2005 amounted to US$4.6 million (equivalent to approximately HK$35.6 million).

In light of the above, the Board (including the independent non-executive Directors) is of the view that the terms of the Acquisition are fair and reasonable and in the interests of both the Company and the Shareholders.

FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

(a) Revenue and earnings

The Group recorded turnover of HK$402.7 million and an audited consolidated net loss of HK$131.6 million for the year ended 31 December 2004. For the six months ended 30 June 2005, the Group's turnover amounted to HK$192.4 million and its reported unaudited consolidated net profit amounted to HK$11.2 million.

As stated above, net revenue and net profit attributable to the Assets, after adjustments for related party transactions among the group of companies controlled by the Guarantor and members of his family and provisions for income taxes, for the ten months ended 31 October 2005 amounted to US$21.6 million (equivalent to approximately HK$168.3 million) and US$2.2 million (equivalent to approximately HK$16.9 million), respectively. The synergies from integrating the Assets with the existing businesses of ZONE US and the prospect of generating additional revenue from new product offerings to customers under the Customer Contracts are anticipated to allow the Group to improve its revenue and earnings in future years.

(b) Assets and liabilities

As at 30 June 2005, the unaudited total assets of the Group were approximately HK$115.0 million and its unaudited total liabilities amounted to approximately HK$59.8 million. Assuming that the Acquisition was completed on 30 June 2005, based on the unaudited pro forma financial information on the assets and liabilities of the Group as set out in Appendix III to this circular, the total assets of the Group will be increased by approximately HK$80.9 million, which represents the aggregate of (i) the book value of the Assets to be acquired, (ii) the increase in the carrying value of intangible assets as a result of the acquisition of the Assets and (iii) the reduced bank balances on the amount by which the Acquisition, including its associated legal and professional costs, will be financed by the internal resources of the Group. The total liabilities of the Group will be increased by approximately HK$82.4 million which represents the aggregate of the current liabilities to be assumed by the Group and the secured term loan made available to ZONE US by the Bank for the specific purpose of the Acquisition.

FUTURE PROSPECTS

As stated in its interim report for the six months ended 30 June 2005, while the Group stays focused on improving operational efficiencies and maintaining profitability, it will also actively seek new opportunities in the communications industry to increase its revenue. The Board believes that besides broadening its revenue sources and customer base following the Acquisition, overall operational efficiencies through economies of scale and consolidation of resources will also be enhanced. The Group will continue to pursue potential acquisitions targets, both in the United States and in Asia, which are synergistic to its existing businesses and which will make material contributions towards the Group's turnover and profitability.

IMPLICATIONS UNDER THE LISTING RULES

The Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is conditional on approval by Shareholders. None of the Shareholders has a material interest in the Acquisition and, accordingly, no Shareholder is required to abstain from voting at the SGM.

SPECIAL GENERAL MEETING

A notice of the SGM at which an ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, to approve, confirm and ratify the Acquisition and the transactions contemplated thereby, is set out on pages 64 to 65 of this circular.

Pursuant to the Bye-laws of the Company, a resolution put to the vote of a general meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (a) the chairman of such meeting; or (b) at least three Shareholders present in person or (being a corporation) by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or (c) Shareholder(s) present in person or (being a corporation) by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or (d) Shareholder(s) present in person or (being a corporation) by its duly authorised representative or by proxy and holding Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares.

A form of proxy for use at the SGM is enclosed with this circular. If you are not able to attend and/or vote at the SGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's Branch Share Registrar in Hong Kong, Secretaries Limited at Level 25, Three Pacific Place, 1 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.

RECOMMENDATION

The Board (including the independent non-executive Directors) is of the view that the terms of the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders and, accordingly, recommend you to vote in favour of the resolution to be proposed at the SGM.

MISCELLANEOUS

Your attention is also drawn to the information set out in the appendices to this circular.

The English text of this circular and the accompanying proxy form shall prevail over the Chinese text thereof in case of inconsistency.

Yours faithfully,
By order of the Board
Richard John Siemens
Chairman

1. UNAUDITED INTERIM RESULTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2005

The following is an extract of the unaudited financial statements of the Group from its interim report for the six months ended 30 June 2005.

Condensed Consolidated Income Statement

The board of directors (the "Board") of e-Kong Group Limited (the "Company") is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2005, together with comparative figures for the corresponding period in 2004. The results were unaudited but have been reviewed by the Company's Audit Committee and the Company's auditors.

		Six months ended 30 June	
		2005	**2004**
		(Unaudited)	**(Unaudited)**
	Notes	*HK$'000*	*HK$'000*
Turnover	*2*	192,354	201,456
Cost of sales		(120,918)	(126,754)
Gross profit		71,436	74,702
Other revenue	*3*	244	474
		71,680	75,176
Distribution costs		(18,527)	(20,235)
Business promotion and marketing expenses		(1,297)	(3,434)
Operating and administrative expenses		(38,273)	(43,707)
Depreciation and amortisation		(2,391)	(25,508)
Profit/(Loss) from operations		11,192	(17,708)
Finance costs		(18)	(22)
Profit/(Loss) before taxation		11,174	(17,730)
Taxation	*4*	–	–
Profit/(Loss) for the period		11,174	(17,730)
Attributable to:			
Equity holders of the Company		11,174	(17,700)
Minority interests		–	(30)
		11,174	(17,730)
		HK$	*HK$*
Earnings/(Loss) per share	*5*		
Basic		0.02	(0.04)
Diluted		N/A	N/A
		HK$'000	*HK$'000*
EBITDA	*6*	13,583	7,800

Condensed Consolidated Balance Sheet

	Notes	As at 30 June 2005 (Unaudited) HK$'000	As at 31 December 2004 (Audited) HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	7	7,771	7,916
Available-for-sale investments		1,894	1,894
Deferred tax assets		2,305	2,369
		11,970	12,179
Current assets			
Trade and other receivables	8	57,457	45,569
Pledged deposits		2,433	2,817
Bank balances and cash		43,159	44,377
		103,049	92,763
Current liabilities			
Trade and other payables	9	58,875	60,326
Current portion of obligations under finance leases		188	184
		59,063	60,510
Net current assets		43,986	32,253
Total assets less current liabilities		55,956	44,432
Long-term liabilities			
Obligations under finance leases		714	809
NET ASSETS		55,242	43,623
CAPITAL AND RESERVES			
Issued capital		4,709	4,709
Reserves		50,533	38,914
TOTAL EQUITY		55,242	43,623

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2004

	Share capital (Unaudited) *HK$'000*	Share premium (Unaudited) *HK$'000*	Exchange reserve (Unaudited) *HK$'000*	Capital redemption reserve (Unaudited) *HK$'000*	Contributed surplus (Unaudited) *HK$'000*	Accumulated losses (Unaudited) *HK$'000*	Total equity (Unaudited) *HK$'000*
As at 1 January 2004	4,709	23,461	–	6	607,462	(459,024)	176,614
Loss for the period	–	–	–	–	–	(17,700)	(17,700)
As at 30 June 2004	4,709	23,461	–	6	607,462	(476,724)	158,914

For the six months ended 30 June 2005

	Share capital (Unaudited) *HK$'000*	Share premium (Unaudited) *HK$'000*	Exchange reserve (Unaudited) *HK$'000*	Capital redemption reserve (Unaudited) *HK$'000*	Contributed surplus (Unaudited) *HK$'000*	Accumulated losses (Unaudited) *HK$'000*	Total equity (Unaudited) *HK$'000*
As at 1 January 2005	4,709	23,461	(1,384)	6	607,462	(590,631)	43,623
Exchange difference on translation of foreign subsidiaries	–	–	445	–	–	–	445
Profit for the period	–	–	–	–	–	11,174	11,174
As at 30 June 2005	4,709	23,461	(939)	6	607,462	(579,457)	55,242

Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2005	**2004**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
Net cash generated from operating activities	824	5,664
Net cash used in investing activities	(2,335)	(2,269)
Net cash used in financing activities	(91)	(112)
Net (decrease)/increase in cash and cash equivalents	(1,602)	3,283
Cash and cash equivalents as at 1 January	47,194	34,177
Cash and cash equivalents as at 30 June	45,592	37,460
Analysis of the balances of cash and cash equivalents		
Pledged deposits	2,433	3,153
Bank balances and cash	43,159	34,307
	45,592	37,460

Notes to the Condensed Financial Statements

For the six months ended 30 June 2005

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements are unaudited and have been prepared in accordance with the 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"). They have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter, collectively, referred to as "new HKFRSs") issued by the HKICPA that became effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in changes in presentation of the income statement, the balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Financial Instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the financial statements to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below.

Prior to 1 January 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities were classified as "investment securities" or "other investments" as appropriate. Investment securities are carried at cost less impairment losses (if any) while other investments are measured at fair value, with realised/unrealised gains or losses included in the profit and loss account. From 1 January 2005 onwards, the Group has classified and measured its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair values through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". "Financial assets at fair values through profit or loss" and "available-for-sale financial assets" are carried at fair values, with changes in fair values being recognised in profit or loss and equity. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

As a result of the adoption of HKAS 39, the Group has reclassified its "investment securities" as "available-for-sale financial assets" and the recognised impairment losses in previous periods are not reversed through profit or loss. Accordingly, no adjustments to the previous carrying amounts of assets at 1 January 2005 have been required.

1. **BASIS OF PREPARATION AND ACCOUNTING POLICIES** *(continued)*

Share-based Payment

Under HKFRS 2 "Share-based Payment", which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to given numbers of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the relevant vesting periods to the profit and loss account. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of those share options until they were exercised. From 1 January 2005 onwards, the Group has applied HKFRS 2 to share options granted on or after 7 November 2002 and had not yet been vested on 1 January 2005. In relation to share options granted before 7 November 2002, the Group has not applied HKFRS 2 in accordance with the relevant transitional provisions. As at 30 June 2005, all share options of the Company had been granted before 7 November 2002 and, therefore, are not subject to the requirements of HKFRS 2.

2. **TURNOVER AND SEGMENTAL INFORMATION**

The analysis of the Group's turnover and results by business and geographical segments during the period is as follows:

(a) *by business segments:*

	Six months ended 30 June					
	2005			2004		
	Telecom-munications services (Unaudited) *HK$'000*	Others (Unaudited) *HK$'000*	Consolidated (Unaudited) *HK$'000*	Telecom-munications services (Unaudited) *HK$'000*	Others (Unaudited) *HK$'000*	Consolidated (Unaudited) *HK$'000*
Turnover						
External sales	192,083	271	192,354	201,240	216	201,456
Results						
Profit/(Loss) from operations	19,587	26	19,613	(10,161)	(138)	(10,299)
Finance costs			(18)			(22)
Other operating income and expenses			(8,421)			(7,409)
Profit/(Loss) for the period			11,174			(17,730)

2. TURNOVER AND SEGMENTAL INFORMATION *(continued)*

(b) by geographical segments:

	Six months ended 30 June					
	2005			2004		
	North America (Unaudited) *HK$'000*	Asia Pacific (Unaudited) *HK$'000*	Consolidated (Unaudited) *HK$'000*	North America (Unaudited) *HK$'000*	Asia Pacific (Unaudited) *HK$'000*	Consolidated (Unaudited) *HK$'000*
Turnover						
External sales	138,157	54,197	192,354	135,183	66,273	201,456
Results						
Profit/(Loss) from operations	9,963	9,650	19,613	(13,903)	3,604	(10,299)
Finance costs			(18)			(22)
Other operating income and expenses			(8,421)			(7,409)
Profit/(Loss) for the period			11,174			(17,730)

3. OTHER REVENUE

	Six months ended 30 June	
	2005 (Unaudited) *HK$'000*	2004 (Unaudited) *HK$'000*
Interest income	209	134
Others	35	340
	244	474

4. TAXATION

Hong Kong Profits Tax and overseas taxation have not been provided as the Group's estimated assessable profit for the period is wholly absorbed by available tax losses brought forward from previous years (30 June 2004: Nil).

5. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2005 was based on the consolidated profit attributable to equity holders of the Company of HK$11,174,000 (30 June 2004: loss of HK$17,700,000) and on the 470,894,200 (30 June 2004: 470,894,200) shares in issue during the period.

The diluted earnings/(loss) per share for the six months ended 30 June 2005 and 2004 have not been presented as the exercise prices of the share options were higher than the average market price.

6. EBITDA

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

7. ACQUISITIONS AND DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment for an amount of approximately HK$2.3 million (31 December 2004: HK$4.8 million) and disposals were approximately HK$0.1 million (31 December 2004: HK$9.9 million).

8. TRADE AND OTHER RECEIVABLES

	As at 30 June 2005 (Unaudited) *HK$'000*	**As at 31 December 2004 (Audited)** *HK$'000*
Trade receivables	47,283	39,524
Other receivables		
Deposits, prepayments and other debtors	10,174	6,045
	57,457	45,569

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

	As at 30 June 2005 (Unaudited) *HK$'000*	**As at 31 December 2004 (Audited)** *HK$'000*
Current	41,433	33,069
1 to 3 months	5,592	6,103
More than 3 months but less than 12 months	258	352
	47,283	39,524

9. TRADE AND OTHER PAYABLES

	As at 30 June 2005 (Unaudited) *HK$'000*	As at 31 December 2004 (Audited) *HK$'000*
Trade payables	26,518	26,955
Other payables		
Accrued charges and other creditors	32,357	33,371
	58,875	60,326

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

	As at 30 June 2005 (Unaudited) *HK$'000*	As at 31 December 2004 (Audited) *HK$'000*
Current	22,212	19,900
1 to 3 months	1,585	3,582
More than 3 months but less than 12 months	2,721	3,473
	26,518	26,955

10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period presentation.

2. THREE-YEAR SUMMARY FINANCIAL INFORMATION

Summaries of the audited financial statements of the Group for the latest three financial years, as extracted from the published audited financial statements for the years ended 31 December 2004, 2003 and 2002 are set out below.

Consolidated Income Statements
For the years ended 31 December

	2004	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	402,654	402,543	316,746
Cost of sales	(254,821)	(235,128)	(226,986)
Gross profit	147,833	167,415	89,760
Interest income	339	107	313
Other income	1,519	3,142	3,039
	149,691	170,664	93,112
Distribution costs	(25,117)	(23,149)	(25,428)
Business promotion and marketing expenses	(6,029)	(5,106)	(6,853)
Operating and administrative expenses	(95,007)	(112,689)	(139,661)
Other operating expenses	(55,932)	(50,851)	(77,176)
Loss from operations	(32,394)	(21,131)	(156,006)
Finance costs	(38)	(157)	(1,080)
Restructuring costs	(100,544)	–	–
Gain on disposal of discontinuing operation	–	532	–
Provision for diminution in value of investment securities	–	–	(27,982)
Unrealised holding loss on other investments	–	–	(3,117)
Share of results of associates	–	–	1,911
Loss from ordinary activities before taxation	(132,976)	(20,756)	(186,274)
Taxation credit	1,369	1,000	–
Net loss attributable to shareholders	(131,607)	(19,756)	(186,274)
	HK$	*HK$*	*HK$*
Loss per share			
Basic	(0.28)	(0.04)	(0.74)
Diluted	N/A	N/A	N/A
	HK$'000	*HK$'000*	*HK$'000*
EBITDA	11,827	23,802	(109,084)

Consolidated Balance Sheets
As at 31 December

	2004	2003	2002
	HK$'000	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	7,916	149,698	190,730
Investment securities	1,894	3,452	3,452
Deferred tax assets	2,369	1,000	–
	12,179	154,150	194,182
Current assets			
Other investments	–	–	91
Trade and other receivables	45,569	47,489	51,908
Pledged deposits	2,817	3,305	7,740
Bank balances and cash	44,377	30,872	31,055
	92,763	81,666	90,794
Current liabilities			
Trade and other payables	60,326	58,601	81,210
Current portion of obligations under finance leases	184	289	6,566
	60,510	58,890	87,776
Net current assets	32,253	22,776	3,018
Total assets less current liabilities	44,432	176,926	197,200
Long-term liabilities			
Obligations under finance leases	809	312	830
NET ASSETS	43,623	176,614	196,370
CAPITAL AND RESERVES			
Issued capital	4,709	4,709	4,709
Reserves	38,914	171,905	191,661
	43,623	176,614	196,370

3. SUMMARY OF AUDITED FINANCIAL STATEMENTS

Set out below is a summary of the audited financial statements of the Group extracted from the annual report of the Company for the year ended 31 December 2004.

Consolidated Income Statement
For the year ended 31 December 2004

	Notes	**2004** *HK$'000*	**2003** *HK$'000*
Turnover	*3*	402,654	402,543
Cost of sales		(254,821)	(235,128)
Gross profit		147,833	167,415
Interest income	*3*	339	107
Other income		1,519	3,142
		149,691	170,664
Distribution costs		(25,117)	(23,149)
Business promotion and marketing expenses		(6,029)	(5,106)
Operating and administrative expenses		(95,007)	(112,689)
Other operating expenses		(55,932)	(50,851)
Loss from operations		(32,394)	(21,131)
Finance costs	*4*	(38)	(157)
Restructuring costs	*6*	(100,544)	–
Gain on disposal of discontinuing operation		–	532
Loss from ordinary activities before taxation	*4*	(132,976)	(20,756)
Taxation credit	*7*	1,369	1,000
Net loss attributable to shareholders	*8 & 20*	(131,607)	(19,756)
		HK$	*HK$*
Loss per share	*9*		
Basic		(0.28)	(0.04)
Diluted		N/A	N/A
		HK$'000	*HK$'000*
EBITDA	*10*	11,827	23,802

Consolidated Balance Sheet
As at 31 December 2004

	Notes	2004 HK$'000	2003 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*11*	7,916	149,698
Investment securities	*13*	1,894	3,452
Deferred tax assets	*23*	2,369	1,000
		12,179	154,150
Current assets			
Trade and other receivables	*14*	45,569	47,489
Pledged deposits	*15*	2,817	3,305
Bank balances and cash		44,377	30,872
		92,763	81,666
Current liabilities			
Trade and other payables	*16*	60,326	58,601
Current portion of obligations under finance leases	*17*	184	289
		60,510	58,890
Net current assets		32,253	22,776
Total assets less current liabilities		44,432	176,926
Long-term liabilities			
Obligations under finance leases	*17*	809	312
NET ASSETS		43,623	176,614
CAPITAL AND RESERVES			
Issued capital	*18*	4,709	4,709
Reserves	*20*	38,914	171,905
		43,623	176,614

Balance Sheet
As at 31 December 2004

	Notes	**2004** *HK$'000*	**2003** *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*11*	153	214
Interests in subsidiaries	*12*	56,222	167,120
		56,375	167,334
Current assets			
Trade and other receivables	*14*	1,345	1,220
Pledged deposits	*15*	1,700	2,110
Bank balances and cash		15,649	12,163
		18,694	15,493
Current liabilities			
Trade and other payables	*16*	1,426	3,320
Net current assets		17,268	12,173
NET ASSETS		73,643	179,507
CAPITAL AND RESERVES			
Issued capital	*18*	4,709	4,709
Reserves	*20*	68,934	174,798
		73,643	179,507

Consolidated Statement of Changes in Equity

For the year ended 31 December 2004

	Share capital	Share premium	Exchange reserve	Capital redemption reserve	Contributed surplus	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2003	4,709	23,461	–	6	607,462	(439,268)	196,370
Net loss attributable to shareholders	–	–	–	–	–	(19,756)	(19,756)
As at 31 December 2003	4,709	23,461	–	6	607,462	(459,024)	176,614
Exchange difference on translation of foreign subsidiaries	–	–	(1,384)	–	–	–	(1,384)
Net loss attributable to shareholders	–	–	–	–	–	(131,607)	(131,607)
As at 31 December 2004	4,709	23,461	(1,384)	6	607,462	(590,631)	43,623

Consolidated Cash Flow Statement
For the year ended 31 December 2004

	Note	2004 HK$'000	2003 HK$'000
OPERATING ACTIVITIES			
Cash generated from operations	*21*	13,925	4,918
Interest received		339	107
Interest on obligations under finance leases		(38)	(157)
Net cash generated from operating activities		14,226	4,868
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(4,804)	(6,039)
Proceeds from disposal of property, plant and equipment		1,877	1,165
Proceeds from disposal of other investments		–	104
Proceeds from disposal of investment securities		1,326	–
Disposal of subsidiaries (net of cash and cash equivalents disposed of)		–	2,079
Net cash used in investing activities		(1,601)	(2,691)
FINANCING ACTIVITIES			
Inception of finance leases		993	–
Repayment of obligations under finance leases		(601)	(6,795)
Net cash generated from/(used in) financing activities		392	(6,795)
Net increase/(decrease) in cash and cash equivalents		13,017	(4,618)
Cash and cash equivalents as at 1 January		34,177	38,795
Cash and cash equivalents as at 31 December		47,194	34,177
Analysis of the balances of cash and cash equivalents			
Pledged deposits		2,817	3,305
Bank balances and cash		44,377	30,872
		47,194	34,177

Notes to the Financial Statements

For the year ended 31 December 2004

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. PRINCIPAL ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the Companies Ordinance and applicable disclosure requirements under the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). A summary of the principal accounting policies adopted by the Group is set out below.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (collectively "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted any of the new HKFRSs in its financial statements for the year ended 31 December 2004. The Group has assessed the impact of these new HKFRSs and does not think they would have any significant impact on the Group's results of operations and financial position.

Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December 2004.

The results of subsidiaries acquired and disposed of during the year are accounted for from the effective dates of acquisition or up to the effective dates of disposal respectively.

All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

Losses attributable to minority shareholders of partly owned subsidiaries are accounted for based on the respective equity owned by the minority shareholders. The Group assumes any excess, and any further losses applicable to the minority, which exceed the minority interest in the equity of the subsidiary.

Subsidiaries

A subsidiary is an enterprise, in which the Group or the Company, directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from its activities. Investments in subsidiaries in the Company's balance sheet are stated at cost less accumulated impairment losses. The carrying amounts of the investments are reduced to their respective recoverable amounts on an individual basis.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Major costs incurred in restoring assets to their normal working conditions are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives.

The gain or loss arising from the retirement or disposal of property, plant and equipment is determined as the difference between the estimated net sales proceeds and the carrying amount of the assets and is recognised as an income or expense in the income statement.

Depreciation is provided to write off the cost, net of accumulated impairment losses, of property, plant and equipment over their estimated useful lives from the date on which they become fully operational and after taking into account their estimated residual values, using the straight-line method at the following rates per annum:

Leasehold improvements	Over the remaining lease terms
Machinery and equipment	20% – 33%
Office equipment, furniture and fittings	20% – 33%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the terms of the leases.

Investment securities

Investment securities held on a continuing basis with an identified long-term purpose are stated at cost and are subject to impairment review at each reporting date to reflect any diminution in their values expected to be other than temporary. The amount of provisions is recognised in the income statement in the period in which the decline occurs.

The gain or loss on disposal of investment securities is the difference between net sales proceeds and the carrying amount of the securities and is accounted for in the period in which the disposal occurs.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss or that an impairment loss previously recognised no longer exists or may be reduced. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably.

Income in respect of telecommunications services provided to customers is recognised when the services are rendered.

Interest income is accrued on a time proportion basis on the principal outstanding and at the interest rate applicable.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are recognised as an expense on the straight-line basis over the lease terms.

Foreign currencies

Transactions in foreign currencies are translated at the approximate rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the approximate rates of exchange ruling at that date. Translation differences are included in the income statement.

On consolidation, the balance sheets of overseas subsidiaries denominated in currencies other than Hong Kong dollars are translated at the approximate rates of exchange ruling at the balance sheet date while the income statements are translated at average rates for the year. All exchange differences arising on consolidation are dealt with in the exchange reserve.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided using the liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred tax liabilities or assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or liability is settled, based on the tax rates and the tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, tax losses and credits can be utilised.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Retirement benefit schemes

Since December 2000, the Group, other than overseas subsidiaries, has operated Mandatory Provident Fund ("MPF") Schemes to provide retirement benefits for its full time permanent employees in Hong Kong. The obligations for contributions to retirement benefit schemes are recognised as expenses in the income statement as incurred. The assets of the schemes are held separately from those of the Group with independent trustees.

Under the MPF Schemes, both the Group and each eligible employees were required to contribute 5% of the employee's basic monthly income, up to a maximum of HK$1,000 (the "mandatory contributions") and they may choose to make additional contributions ("voluntary contribution"). The Group shall make the same additional contributions if the employees choose to make a voluntary contribution of up to a maximum limit of HK$1,000.

Under the MPF Schemes, the employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65 years, death or total incapacity. The employees are entitled to 100% of the Group's voluntary contributions after completion of first year's service.

The overseas subsidiaries have also operated their pension schemes or similar arrangement for their employees in accordance with the statutory requirements prescribed by the relevant legal authorities.

As at the balance sheet date, the Group had no significant forfeited voluntary contributions which arose upon employees leaving the MPF Schemes and which are available to reduce the contributions payable by the Group in future years.

3. TURNOVER AND REVENUE

Turnover and revenue, recognised by category, are analysed as follows:

	Group	
	2004	**2003**
	HK$'000	*HK$'000*
Turnover		
Telecommunications services income	402,155	398,128
Other income	499	4,415
	402,654	402,543
Interest income	339	107
Revenue	402,993	402,650

4. LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging/(crediting):

	Group	
	2004	**2003**
	HK$'000	*HK$'000*
(a) Finance costs		
Finance charges on obligations under finance leases	38	157
(b) Other items		
Auditors' remuneration	1,278	1,214
Bad debts written off	2,943	3,901
Provision for doubtful debts	3,795	269
Cost of services provided	254,821	235,128
Depreciation of property, plant and equipment	48,925	44,403
Gain on disposal of other investments	–	(13)
Loss on disposal of investment securities	232	–
Loss/(Gain) on disposal of property, plant and equipment, including HK$5,650,000 *(2003: Nil)* as disclosed in note 6	5,687	(2)
Operating lease charges on premises	2,499	1,544
Gain on disposal of subsidiaries	–	(1,245)
Staff costs, including directors' emoluments:		
Salaries, allowances and gratuities	70,322	87,540
Retirement benefit schemes contributions	2,224	2,918

5. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2004	2003
	HK$'000	*HK$'000*
Fees	225	200
Salaries, other emoluments, gratuities and other benefits in kind	4,687	8,103
Retirement benefit schemes contributions	72	72
	4,984	8,375

Included in the directors' remuneration were fees of HK$225,000 *(2003: HK$200,000)* paid to the independent non-executive directors during the year.

The remuneration of directors was within the following bands:

	Number of directors	
HK$	2004	2003
Nil – 1,000,000	4	3
1,500,001 – 2,000,000	3	3
3,000,001 – 3,500,000	–	1
	7	7

No director waived or agreed to waive any remuneration during the year.

Individuals with highest emoluments

Among the six *(2003: six)* individuals with the highest emoluments, three *(2003: four)* were directors whose emoluments are disclosed above. The aggregate of the emoluments in respect of the other three *(2003: two)* individuals were as follows:

	2004	2003
	HK$'000	*HK$'000*
Salaries, gratuities and other emoluments	5,118	3,493
Retirement benefit schemes contributions	65	40
Non-contractual payments for loss of office paid by a subsidiary	–	356
	5,183	3,889

	Number of individuals	
HK$	2004	2003
1,500,001 – 2,000,000	3	1
2,000,001 – 2,500,000	–	1
	3	2

6. RESTRUCTURING COSTS

Due to significant technological and market development in the telecommunications industry, and the outsourcing of certain business processes in the Group's telecommunications operations in the United States, the Group has reviewed the carrying value of certain existing equipment together with related hardware and software to assess the recoverable value of those assets. As a result, restructuring costs of HK$100.5 million have been recognised in the year ended 31 December 2004, the breakdown of which is set out as follows:

	Group	
	2004	**2003**
	HK$'000	*HK$'000*
Impairment loss on property, plant and equipment *(note 11)*	90,153	–
Loss on disposal of property, plant and equipment *(note 11)*	5,650	–
Provision for obligations under an operating lease	4,437	–
Other	304	–
	100,544	–

7. TAXATION CREDIT

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes for the year.

The taxation credit recognised during the year represents deferred tax assets relating to the origination of temporary differences as analysed below:

	Group	
	2004	**2003**
	HK$'000	*HK$'000*
Types of temporary differences:		
Depreciation allowances	(770)	467
Tax losses	(599)	(1,467)
	(1,369)	(1,000)

Reference should also be made to note 23 for further details of the Group's deferred taxation status.

Reconciliation of effective tax rate:

	Group	
	2004	**2003**
	%	*%*
Applicable tax rate	(18)	(18)
Non-deductible expenses	7	15
Unrecognised tax losses arising in current year	6	27
Utilisation of previously unrecognised tax losses	(1)	(20)
Recognition of previously unrecognised deferred tax assets	7	5
Sundries	–	(4)
Effective tax rate	1	5

The applicable tax rate is the average of the tax rates prevailing in the territories in which the Group operates.

8. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders includes the loss of the Company in the amount of HK$105,864,000 *(2003: HK$17,051,000)* which has been dealt with in the financial statements of the Company.

9. LOSS PER SHARE

The calculation of basic loss per share for the year ended 31 December 2004 was based on the consolidated loss attributable to shareholders of HK$131,607,000 *(2003: HK$19,756,000)* and on the 470,894,200 *(2003: 470,894,200)* shares in issue during the year.

Diluted loss per share is not shown because the potential shares are anti-dilutive and would decrease the loss per share.

10. EBITDA

EBITDA represents earnings before interest expenses, taxation, depreciation, amortisation, and impairment and disposal losses on property, plant and equipment.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Machinery and equipment *HK$'000*	Office equipment, furniture and fittings *HK$'000*	Total *HK$'000*
Group				
Cost				
As at 1 January 2004	739	214,125	18,568	233,432
Additions	13	1,309	3,482	4,804
Disposals	–	(9,027)	(843)	(9,870)
Exchange adjustments	–	346	399	745
As at 31 December 2004	752	206,753	21,606	229,111
Accumulated depreciation				
As at 1 January 2004	507	69,168	14,059	83,734
Charge for the year	210	45,940	2,775	48,925
Disposals	–	(1,506)	(800)	(2,306)
Impairment losses	35	89,798	320	90,153
Exchange adjustments	–	342	347	689
As at 31 December 2004	752	203,742	16,701	221,195
Net book value				
As at 31 December 2004	–	3,011	4,905	7,916
As at 31 December 2003	232	144,957	4,509	149,698

11. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Due to significant technological and market development in the telecommunications industry, and the outsourcing of certain business processes in the Group's telecommunications operations in the United States, the Group has reviewed the carrying value of certain existing equipment together with related hardware and software to assess the recoverable value of those assets. As a result, disposal and impairment losses of HK$95.8 million have been recognised in the year ended 31 December 2004.

The net book value of the Group's property, plant and equipment includes an amount of HK$993,000 *(2003: HK$699,000)* in respect of assets held under finance leases.

	Office equipment *HK$'000*
Company	
Cost	
As at 1 January 2004	1,997
Additions	121
Disposals	(355)
As at 31 December 2004	1,763
Accumulated depreciation	
As at 1 January 2004	1,783
Charge for the year	181
Disposals	(354)
As at 31 December 2004	1,610
Net book value	
As at 31 December 2004	153
As at 31 December 2003	214

12. INTERESTS IN SUBSIDIARIES

	Company	
	2004 *HK$'000*	**2003** *HK$'000*
Unlisted shares, at cost	–	7,800
Due from subsidiaries	713,510	790,553
Less: Provisions	(657,288)	(631,233)
	56,222	167,120

12. INTERESTS IN SUBSIDIARIES *(continued)*

Details of the principal subsidiaries at the balance sheet date are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid up share capital	Percentage of share capital held by the Company		Principal activities
			Directly	*Indirectly*	
ZONE USA, Inc.	United States of America	US$10	–	100%	Investment holding
ZONE Telecom Pte Ltd	Singapore	S$100,000	–	100%	Provision of telecommunications services
ZONE Telecom, Inc.	United States of America	US$10	–	100%	Provision of telecommunications services
ZONE Limited	Hong Kong	HK$2	–	100%	Provision of telecommunications services
ZONE Global Limited	British Virgin Islands	US$1	–	100%	Investment holding
ZONE Channel Services Limited	Hong Kong	HK$2	–	100%	Provision of marketing and promotion services
speedinsure.com Limited	Hong Kong	HK$10,000	–	70.3%	Provision of sales and fulfillment solutions
speedinsure Global Limited	British Virgin Islands	US$10,000	–	70.3%	Investment holding
e-Kong Pillars Holdings Limited	British Virgin Islands	US$1	100%	–	Investment holding
e-Kong Pillars Limited	British Virgin Islands	US$1	–	100%	Investment holding
Cyber Insurance Brokers Limited	Hong Kong	HK$5,000,000	–	70.3%	Insurance brokerage
China Portal Limited	British Virgin Islands	US$1	–	100%	Provision of marketing and consultancy services

The above summary includes those subsidiaries which, in the opinion of the Company's directors, principally affected the results or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

13. INVESTMENT SECURITIES

	Group	
	2004	**2003**
	HK$'000	*HK$'000*
Equity securities, unlisted – at cost less provision	1,894	3,452

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2004	**2003**	**2004**	**2003**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	39,524	39,840	–	–
Other receivables				
Deposits, prepayments and other debtors	6,045	7,649	1,345	1,220
	45,569	47,489	1,345	1,220

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

	Group	
	2004	**2003**
	HK$'000	*HK$'000*
Current	33,069	39,040
1 to 3 months	6,103	775
More than 3 months but less than 12 months	352	25
	39,524	39,840

15. PLEDGED DEPOSITS

At the balance sheet date, the Group and the Company had pledged deposits amounting to HK$2,817,000 *(2003: HK$3,305,000)* and HK$1,700,000 *(2003: HK$2,110,000)*, respectively, to banks for guarantees made by the banks to certain telecommunications carriers for due payments by the Group.

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2004	**2003**	**2004**	**2003**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	26,955	24,218	–	–
Other payables				
Accrued charges and other creditors	33,371	34,383	807	2,066
Due to subsidiaries	–	–	619	1,254
	60,326	58,601	1,426	3,320

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

	Group	
	2004	**2003**
	HK$'000	*HK$'000*
Current	19,900	18,832
1 to 3 months	3,582	3,167
More than 3 months but less than 12 months	3,473	2,219
	26,955	24,218

17. OBLIGATIONS UNDER FINANCE LEASES

The obligations under finance leases are repayable as follows:

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2004	**2003**	**2004**	**2003**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Finance leases due:				
Within one year	218	326	184	289
After one year but within two years	218	326	184	312
After two years but within five years	653	–	625	–
	1,089	652	993	601
Future finance charges	(96)	(51)	–	–
Present value of lease obligations	993	601	993	601

	Group	
	2004	**2003**
	HK$'000	*HK$'000*
Reported as:		
Current liabilities	184	289
Long-term liabilities	809	312
	993	601

18. ISSUED CAPITAL

	2004		2003	
	Number of shares	**Amount**	**Number of shares**	**Amount**
		HK$'000		*HK$'000*
Authorised				
Preference shares				
As at 1 January at HK$1 each	288,929,402	288,929	288,929,402	288,929
Cancellation of preference shares	(288,929,402)	(288,929)	–	–
As at 31 December, at HK$Nil *(2003: HK$1)* each	–	–	288,929,402	288,929
Ordinary shares				
As at 1 January and as at 31 December, at HK$0.01 each	12,000,000,000	120,000	12,000,000,000	120,000
		120,000		408,929
Issued and fully paid				
Ordinary shares				
As at 1 January and as at 31 December, at HK$0.01 each	470,894,200	4,709	470,894,200	4,709

19. SHARE OPTIONS

Company

Pursuant to an employee share option scheme of the Company (the "Old Share Option Scheme") adopted in a special general meeting held on 25 October 1999, the directors of the Company might, at their discretion, invite eligible employees of the Group, including executive directors of the Company, to take up options to subscribe for shares in the Company under the terms and conditions stipulated therein. The Old Share Option Scheme was subsequently terminated by the Company in a special general meeting held on 28 June 2002 but the share options granted but not yet exercised thereunder remain effective and are bound by the scheme terms.

On 28 June 2002, the Company adopted a new share option scheme (the "New Share Option Scheme") to comply with the requirements of Chapter 17 of the Listing Rules. Under the New Share Option Scheme, the directors of the Company may at its discretion grant share options to (i) any director, employee, consultant, customer, supplier, business introduction agent, or legal, financial or marketing adviser of or contractor to any company in the Group or any affiliate; and/or (ii) any discretionary trust the discretionary objects of which include any of the foregoing, under the terms and conditions stipulated therein. No share options have been granted by the Company under the New Share Option Scheme since adoption.

19. SHARE OPTIONS *(continued)*

Subsidiaries

On 28 June 2002, the Company adopted scheme rules and procedures for share option schemes for its subsidiaries (the "Subsidiary Scheme Rules and Procedures"). In accordance with the Subsidiary Scheme Rules and Procedures, the subsidiaries may adopt their own respective share option schemes in line with the terms and conditions of the Subsidiary Scheme Rules and Procedures, pursuant to which the board of directors of each of the relevant subsidiaries may at its discretion grant share options to (i) any director, employee, consultant, customer, supplier, business introduction agent, or legal, financial or marketing adviser of or contractor to the subsidiaries and their subsidiaries, any of their holding companies or any affiliate; and/or (ii) any discretionary trust the discretionary objects of which include any of the foregoing. No subsidiaries have adopted their respective share option schemes pursuant to the terms and conditions of the Subsidiary Scheme Rules and Procedures since adoption.

Summary of principal terms

A summary of principal terms of the New Share Option Scheme and Subsidiary Scheme Rules and Procedures is as follows:

(i) *Purpose*

The scheme is designed to enable the board to grant share options to eligible participants as (i) incentives and/or rewards in recognition or acknowledgement of the contributions that eligible participants have made and will make to the Group; and (ii) motivation to high calibre employees for high levels of performance in order to enhance long-term shareholder value.

(ii) *Maximum number of shares*

The total number of shares in respect of which share options may be granted (together with share options exercised and then outstanding) under the scheme and to be granted under any other share option schemes of the company, shall not in aggregate exceed such number of shares representing 10% of the shares in issue as at the date of approval of the scheme unless shareholders' approval has been obtained pursuant to the scheme. As at 12 April 2005, 13,574,261 shares of the Company, representing about 2.9% of the issued share capital of the Company, are available for issue under the New Share Option Scheme.

The maximum number of shares issued and which may fall to be issued upon the exercise of the share options granted under the scheme and any other share option schemes (including both exercised and outstanding share options) to each eligible participant shall not exceed 1% of the shares in issue for the time being in any 12 month period up to and including the date of grant.

(iii) *Exercise period and payment on acceptance of share options*

A share option may be exercised in accordance with the terms of the scheme at any time during a period to be determined and notified by the directors to each grantee, subject to a maximum period of 10 years from the date of grant.

A share option shall be deemed to have been granted and accepted and to have taken effect when the duplicate letter comprising acceptance of the offer of the grant of a share option duly signed by the grantee (for the New Share Option Scheme) or the acceptance of the offer of the grant of a share option duly acknowledged by the grantee in such form as the board may from time to time determine (for the Subsidiary Scheme Rules and Procedures) together with a remittance in favour of the Company of HK$1.00 (or its US$ equivalent) in consideration of the grant thereof is received by the Company on a business day not later than 28 days from the offer date.

19. SHARE OPTIONS *(continued)*

(iv) *Basis of determining the subscription price*

New Share Option Scheme

Subject to the terms of the scheme and the provisions of the Listing Rules, the subscription price in respect of any share option shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets over the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share.

Subsidiary Scheme Rules and Procedures

Subject to the terms of the scheme and the provisions of the Listing Rules, the subscription price in respect of any share option shall not be less than the par value of a share provided that if the share option is intended to qualify as an incentive stock option under the tax laws of the United States, the subscription price thereof shall not be less than the fair market value of a share as detailed therein.

(v) *Remaining life of the scheme*

The scheme will be valid and effective, at the discretion of the board of directors, subject to a maximum period of 10 years from the date of adoption of the scheme.

Share option movements

During the year, no share options were held by the directors, chief executive or substantial shareholders of the Company, suppliers of goods or services, or other participants other than eligible employees under the Old Share Option Scheme.

Details of the share options granted and remaining outstanding at the balance sheet date were as follows:

			Number of share options		
Date of grant	**Exercisable period**	**Exercise price** *HK$*	**As at 1 January 2004**	**Lapsed during the year**	**As at 31 December 2004**
25.10.1999	25.10.2000 – 24.10.2009	1.40	1,065,000	(1,050,000)	15,000
16.11.1999	16.11.2000 – 24.10.2009	1.60	7,500	–	7,500
23.12.1999	23.12.2000 – 24.10.2009	2.00	370,000	–	370,000
03.01.2000	03.01.2001 – 24.10.2009	2.30	300,000	(300,000)	–
24.01.2000	21.02.2000 – 24.10.2009	2.30	450,000	(450,000)	–
25.01.2000	01.03.2000 – 24.10.2009	2.30	150,000	(150,000)	–
03.03.2000	03.04.2000 – 24.10.2009	7.60	1,140,000	(1,140,000)	–
03.03.2000	03.03.2001 – 24.10.2009	7.60	15,000	(15,000)	–
28.04.2000	28.04.2001 – 24.10.2009	3.30	476,500	(329,000)	147,500
09.08.2000	09.08.2001 – 24.10.2009	2.30	30,000	–	30,000
25.10.2000	25.10.2001 – 24.10.2009	1.20	30,000	(10,000)	20,000
Total			4,034,000	(3,444,000)	590,000

20. RESERVES

	Share premium *HK$'000*	Exchange reserve *HK$'000*	Capital redemption reserve *HK$'000*	Contributed surplus *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
Group						
As at 1 January 2003	23,461	–	6	607,462	(439,268)	191,661
Net loss attributable to shareholders	–	–	–	–	(19,756)	(19,756)
As at 31 December 2003	23,461	–	6	607,462	(459,024)	171,905
Exchange difference on translation of foreign subsidiaries	–	(1,384)	–	–	–	(1,384)
Net loss attributable to shareholders	–	–	–	–	(131,607)	(131,607)
As at 31 December 2004	23,461	(1,384)	6	607,462	(590,631)	38,914
Company						
As at 1 January 2003	23,461	–	6	607,462	(439,080)	191,849
Net loss attributable to shareholders	–	–	–	–	(17,051)	(17,051)
As at 31 December 2003	23,461	–	6	607,462	(456,131)	174,798
Net loss attributable to shareholders	–	–	–	–	(105,864)	(105,864)
As at 31 December 2004	23,461	–	6	607,462	(561,995)	68,934

Contributed surplus represents the amounts transferred from the share premium account as a result of the capital reorganisation undertaken by the Company in November 2002. Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

Subject to the conditions mentioned in the foregoing paragraph, the Company had the following reserves available for distribution to shareholders at the balance sheet date:

	2004 *HK$'000*	**2003** *HK$'000*
Contributed surplus	607,462	607,462
Accumulated losses	(561,995)	(456,131)
	45,467	151,331

21. CASH GENERATED FROM OPERATIONS

	Group	
	2004	**2003**
	HK$'000	*HK$'000*
Loss before taxation	(132,976)	(20,756)
Interest income	(339)	(107)
Interest on obligations under finance leases	38	157
Depreciation	48,925	44,403
Loss/(Gain) on disposal of property, plant and equipment	5,687	(2)
Impairment losses on property, plant and equipment	90,153	–
Gain on disposal of subsidiaries	–	(1,245)
Loss on disposal of investment securities	232	–
Gain on disposal of other investments	–	(13)
Bad debts written off	2,943	3,901
Provision for doubtful debts	3,795	269
Foreign exchange effects	(1,440)	–
Changes in working capital:		
Trade and other receivables	(4,818)	(1,117)
Trade and other payables	1,725	(20,572)
Cash generated from operations	13,925	4,918

22. COMMITMENTS UNDER OPERATING LEASES

At the balance sheet date, total outstanding commitments in respect of land and buildings under non-cancellable operating leases are payable as follows:

	Group		Company	
	2004	**2003**	**2004**	**2003**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	4,861	8,548	1,820	833
In the second to fifth years inclusive	7,370	6,243	816	740
Over five years	355	–	–	–
	12,586	14,791	2,636	1,573

23. DEFERRED TAX ASSETS

Recognised deferred tax assets/(liabilities)

	Group	
	2004	**2003**
	HK$'000	*HK$'000*
Depreciation allowances	303	(467)
Tax losses	2,066	1,467
Net deferred tax assets	2,369	1,000

The Group has suffered losses in prior periods. Based on the actual and budgeted results for the year ending 31 December 2005, management expects that certain subsidiaries of the Group will be able to generate taxable profits in the coming financial year. A deferred tax asset has been recognised to the extent of tax losses expected to be utilised in the coming financial year.

Unrecognised deferred tax assets

	Group	
	2004	**2003**
	HK$'000	*HK$'000*
Tax losses	155,649	125,215
Tax credits	1,957	2,157
Deductible temporary differences	741	9
As at 31 December	158,347	127,381

The tax losses of HK$169,462,000 *(2003: HK$170,134,000)*, tax credits of HK$9,787,000 *(2003: HK$9,806,000)* and deductible temporary differences of HK$4,217,000 *(2003: HK$43,000)* have no expiry dates under current tax legislation. The tax losses of HK$370,568,000 *(2003: HK$279,148,000)* can be carried forward for 20 years and will begin to expire from 2020 onwards. Deferred tax assets have not been recognised in respect of these items due to uncertainty of their recoverability.

24. SEGMENTAL INFORMATION

The analysis of the principal business activities and geographical areas of operation of the Group during the year are as follows:

(a) By business segments

Year ended 31 December 2004

	Tele-communications services *HK$'000*	**Others** *HK$'000*	**Consolidated** *HK$'000*
Turnover			
External sales	402,155	499	402,654
Results			
Loss from operations	(19,039)	(271)	(19,310)
Restructuring costs	(100,544)	–	(100,544)
	(119,583)	(271)	(119,854)
Finance costs			(38)
Other operating income and expenses			(13,084)
Loss from ordinary activities before taxation			(132,976)
Taxation credit			1,369
Net loss attributable to shareholders			(131,607)
Other information			
Capital expenditures			
– Business segments	4,683	–	4,683
– Unallocated segments			121
Depreciation			
– Business segments	48,551	193	48,744
– Unallocated segments			181
Significant non-cash expenses (other than depreciation)			
– Business segments	102,577	1	102,578
Assets			
Segment assets	83,957	237	84,194
Unallocated assets			20,748
			104,942
Liabilities			
Segment liabilities	60,199	309	60,508
Unallocated liabilities			811
			61,319

24. SEGMENTAL INFORMATION *(continued)*

(a) By business segments *(continued)*

Year ended 31 December 2003

	Tele-communications services *HK$'000*	**Others** *HK$'000*	**Consolidated** *HK$'000*
Turnover			
External sales	398,128	4,415	402,543
Results			
Loss from operations	(4,790)	(1,776)	(6,566)
Finance costs			(157)
Gain on disposal of discontinuing operation			532
Other operating income and expenses			(14,565)
Loss from ordinary activities before taxation			(20,756)
Taxation credit			1,000
Net loss attributable to shareholders			(19,756)
Other information			
Capital expenditures			
– Business segments	5,974	2	5,976
– Unallocated segments			63
Depreciation			
– Business segments	42,538	1,477	44,015
– Unallocated segments			388
Significant non-cash expenses (other than depreciation)			
– Business segments	4,170	–	4,170
Assets			
Segment assets	215,849	547	216,396
Unallocated assets			19,420
			235,816
Liabilities			
Segment liabilities	56,782	354	57,136
Unallocated liabilities			2,066
			59,202

24. SEGMENTAL INFORMATION *(continued)*

(b) By geographical segments

In presenting information on the basis of geographical segments, revenue is based on the geographical location of customers. Segment assets and capital expenditures are based on the geographical location of the assets.

Year ended 31 December 2004

	North America *HK$'000*	Asia Pacific *HK$'000*	Consolidated *HK$'000*
Turnover			
External sales	273,678	128,976	402,654
Results			
Profit/(Loss) from operations	(25,782)	6,472	(19,310)
Restructuring costs	(100,544)	–	(100,544)
	(126,326)	6,472	(119,854)
Finance costs			(38)
Other operating income and expenses			(13,084)
Loss from ordinary activities before taxation			(132,976)
Taxation credit			1,369
Net loss attributable to shareholders			(131,607)
Other information			
Segment assets	52,547	52,395	104,942
Capital expenditures	2,174	2,630	4,804

24. SEGMENTAL INFORMATION *(continued)*

(b) By geographical segments *(continued)*

Year ended 31 December 2003

	North America	Asia Pacific	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Turnover			
External sales	264,997	137,546	402,543
Results			
Profit/(Loss) from operations	(24,255)	17,689	(6,566)
Finance costs			(157)
Gain on disposal of discontinuing operation			532
Other operating income and expenses			(14,565)
Loss from ordinary activities before taxation			(20,756)
Taxation credit			1,000
Net loss attributable to shareholders			(19,756)
Other information			
Segment assets	181,356	54,460	235,816
Capital expenditures	2,869	3,170	6,039

25. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year presentation.

4. INDEBTEDNESS

As at the close of business on 31 December 2005, being the latest practicable date for the purpose of ascertaining the information relating to this indebtedness statement prior to the printing of this circular, the Group had outstanding obligations under finance leases in the amount of approximately HK$809,000. In addition, the Group had pledged deposits of approximately HK$2,476,000 to banks to secure bank guarantees issued to telecommunication carriers for payment assurances by the Group.

As at 31 December 2005, the Group had no debt securities outstanding.

Save as aforesaid and apart from intra-group liabilities, the Company and its subsidiaries did not, as at the close of business on 31 December 2005, have any outstanding, and authorised or otherwise created but unissued, loan capital or debentures, mortgages, charges, bank overdrafts, liabilities under acceptances or other similar indebtedness or acceptance credits or hire purchase commitments, finance lease commitments, guarantees or other material contingent liabilities.

5. MATERIAL CHANGES

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2004, being the date to which the latest published audited financial statements of the Group were made up.

6. WORKING CAPITAL

The Directors are of the opinion that after taking into account the Group's internal resources and available borrowing facilities, the Group has sufficient working capital for its present requirements.

UNAUDITED COMBINED PROFIT AND LOSS STATEMENTS ATTRIBUTABLE TO THE ASSETS

	Ten months ended	Years ended 31 December		
	31 October 2005	**2004**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net revenue	168,325	156,421	139,096	111,374
Cost of sales or direct costs	(139,349)	(121,565)	(115,717)	(91,522)
Gross profit	28,976	34,856	23,379	19,852
Expenses:				
General and administrative	(11,063)	(12,088)	(14,025)	(10,771)
Selling and marketing	(2,468)	(1,969)	(1,006)	(972)
Depreciation and amortisation	(422)	(415)	(464)	(745)
	(13,953)	(14,472)	(15,495)	(12,488)
Income from operations	15,023	20,384	7,884	7,364
Other income/(expenses), net	1,886	(719)	4,766	(162)
Income before income taxes	16,909	19,665	12,650	7,202
Provision for income taxes	(14)	(51)	(137)	(246)
Net income	16,895	19,614	12,513	6,956

The unaudited combined profit and loss statements attributable to the Assets (the "Profit and Loss Statements") for the ten months ended 31 October 2005 and the years ended 31 December 2004, 2003 and 2002 (the "Reporting Periods") set out above have been prepared based on the financial and other information provided by representatives of the Vendors and reviewed by the reporting accountants on the Assets, Horwath Hong Kong CPA Limited, which confirm that the Profit and Loss Statements have been properly compiled and derived from the underlying books and records of the Vendors and were prepared using accounting policies which are materially consistent with those of the Company in all material respects. Nevertheless, the Profit and Loss Statements do not purport to predict the future financial contribution to be derived from the Assets after completion of the Acquisition.

Notes:

1. The revenue for each of the Reporting Periods represents the combined revenue of the Vendors generated from the Assets, as provided by the Vendors.

2. The costs of sales or direct costs for each of the Reporting Periods represents the combined costs incurred by the Vendors in generating such revenue, as provided by the Vendors.

3. The general and administrative expenses and selling and marketing expenses incurred by the Vendors as stated above are after adjustments by excluding related party transactions with companies controlled by the Guarantor and/or members of his family.

1. BASIS OF PREPARATION OF THE PRO FORMA UNAUDITED STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

The pro forma unaudited statement of assets and liabilities of the Group has been prepared giving effect to the Acquisition at the full consideration amount of HK$50,700,000. HK$3,900,000 of the total consideration is to be financed by the Group's existing internal resources while the remaining balance is to be financed through a bank loan repayable over 5 years.

In connection with the Acquisition, the Group will incur incidental legal and professional costs estimated by the Directors to approximate HK$1,500,000.

The pro forma unaudited statement of assets and liabilities of the Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the Acquisition as if it had taken place on 30 June 2005.

The pro forma unaudited statement of assets and liabilities of the Group is based on the unaudited consolidated net assets of the Group as at 30 June 2005, which has been extracted from the interim report of the Company for the six months ended 30 June 2005, and the unaudited book value as at 31 October 2005 of the assets and liabilities to be acquired under the Asset Purchase Agreement, the underlying books and records thereof as provided by the Vendors, after giving effect to the pro forma adjustments described in the notes thereto, and using accounting policies which are consistent with those adopted by the Group. Narrative descriptions of the pro forma adjustments arising from the Acquisition that are (i) directly attributable to the transaction; (ii) expected to have a continuing impact on the Group; and (iii) are factually supportable, are summarised in the accompanying notes.

The accompanying pro forma unaudited statement of assets and liabilities of the Group is based on a number of assumptions, estimates and uncertainties. The statement does not purport to describe the actual financial position of the Group that would have been attained had the Acquisition been completed on 30 June 2005 or to predict the future financial position of the Group.

The pro forma unaudited statement of assets and liabilities of the Group should be read in conjunction with the historical financial information of the Company as set out in the interim report of the Company for the six months ended 30 June 2005 and other financial information included elsewhere in this circular.

2. PRO FORMA UNAUDITED STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP AS AT 30 JUNE 2005

	The Group as at 30 June 2005	**Acquired assets and liabilities as at 31 October 2005**	**Pro forma adjustments**		**Pro forma combined total**
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
ASSETS					
Non-current assets					
Property, plant and equipment	7,771	833	–		8,604
Intangible assets	–	–	50,700	*1*	50,700
Available-for-sale investments	1,894	–	–		1,894
Deferred tax assets	2,305	–	–		2,305
	11,970	833	50,700		63,503
Current assets					
Trade receivables, net	47,283	20,361	–		67,644
Deposits, prepayments and other debtors	10,174	613	–		10,787
Pledged deposits	2,433	–	–		2,433
Bank balances and cash	43,159	13,795	(5,400)	*2*	51,554
	103,049	34,769	(5,400)		132,418
Total assets	115,019	35,602	45,300		195,921
LIABILITIES					
Current liabilities					
Trade payables	26,518	22,724	–		49,242
Accrued charges and other creditors	32,357	963	–		33,320
Taxes payables	–	311	–		311
Customer deposits	–	11,604	–		11,604
Current portion of obligations under finance leases	188	–	–		188
Bank borrowings – current portion	–	–	9,360	*3*	9,360
	59,063	35,602	9,360		104,025
Non-current liabilities					
Obligations under finance leases	714	–	–		714
Long-term bank borrowings	–	–	37,440	*3*	37,440
	714	–	37,440		38,154
Total liabilities	59,777	35,602	46,800		142,179
NET ASSETS	55,242	–	(1,500)		53,742

Notes:

1. The adjustments to the pro forma unaudited statement of assets and liabilities reflect the increase in the carrying value of intangible assets of HK$50,700,000 as a result of the acquisition of the Assets as if the Acquisition had taken place on 30 June 2005. In accordance with Hong Kong Accounting Standard 38 "Intangible Assets" and Hong Kong Accounting Standard 36 "Impairment of Assets", cost incurred in acquiring the intangible assets, which relates to the future benefits to be derived from the Customer Contracts acquired, shall be carried at cost less accumulated amortisation and accumulated impairment losses.

2. The Group's bank balance and cash position has been reduced by HK$5,400,000 to reflect the HK$3,900,000 to be paid out of the total consideration by internal group resources together with HK$1,500,000 representing the estimated legal and professional costs of the transaction.

3. The remaining consideration for the Acquisition not paid in note 2 above will be financed through a bank loan of US$6,000,000 (equivalent to approximately HK$46,800,000) at the interest rate of 7% per annum, which shall be payable over 5 years and secured through, among others, a pledge of ZONE US's receivables.

4. No effect has been given to any adjustments which could arise in accordance with the consideration adjustment mechanism as provided in the Asset Purchase Agreement.

3. REPORT ON PRO FORMA UNAUDITED STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

Moores Rowland Mazars
摩斯倫・馬賽會計師事務所

The Directors
e-Kong Group Limited
Room 3705, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

Dear Sirs,

We report on the pro forma unaudited statement of assets and liabilities set out in Section 2 of Appendix III ("Pro Forma Assets and Liabilities Statement") to the circular of e-Kong Group Limited (the "Company") dated 16 February 2006 in connection with the major transaction of the proposed acquisition (the "Acquisition") of telecommunication services assets, which has been prepared by the directors of the Company (the "Directors"), for illustrative purposes only, to provide information about how the Acquisition might affect the net assets of the Company and its subsidiaries (collectively referred to as the "Group").

Responsibilities

It is the responsibility solely of the Directors to prepare the Pro Forma Assets and Liabilities Statement in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

It is our responsibility to form an opinion, as required by Rule 4.29 of the Listing Rules, on the Pro Forma Assets and Liabilities Statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Assets and Liabilities Statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on Pro Forma Financial Information pursuant to the Listing Rules" issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Assets and Liabilities Statement with the Directors.

Our work does not constitute an audit or review in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants and, accordingly, we do not express any such assurance on the Pro Forma Assets and Liabilities Statement.

The Pro Forma Assets and Liabilities Statement has been compiled in accordance with the basis set out in Section 1 of Appendix III to this circular for illustrative purposes only and, because of its nature, it may not be indicative of the financial position of the Group had the Acquisition actually occurred on 30 June 2005 or at any future date.

Opinion

In our opinion:

a) the Pro Forma Assets and Liabilities Statement has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the Pro Forma Assets and Liabilities Statement as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

Moores Rowland Mazars
Chartered Accountants
Certified Public Accountants

Hong Kong, 16 February 2006

A member of
Moores Rowland International
an association of independent
accounting firms throughout
the world

A member firm of Mazars

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained in this circular, the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests

As at the Latest Practicable Date, the Directors and the chief executive of the Company and their respective associates had the following interests and short positions (if any) in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to section 352 of the SFO to be recorded in the register maintained by the Company, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules:

Number of Director	Capacity	Number of Shares held	Approximate percentage of shareholding
Mr. Richard John Siemens	Held by controlled corporations	100,631,627 *(Note 1)*	21.4%
Mr. William Bruce Hicks	Personal	2,749,914	0.6%
	Held by a controlled corporation	67,962,428 *(Note 2)*	14.4%
Mr. Kuldeep Saran	Personal	341,200	0.1%
	Held by a controlled corporation	67,632,428 *(Note 3)*	14.4%
Mr. Lim Shyang Guey	Personal	1,020,000	0.2%
Mr. Shane Frederick Weir	Personal	10,000	0.0%

Notes:

1. 2,400,000 Shares are beneficially owned by Siemens Enterprises Limited, a company controlled by Mr. Richard John Siemens. 98,231,627 Shares are beneficially owned by Goldstone Trading Limited, a company controlled by Mr. Richard John Siemens.

2. 67,962,428 Shares are beneficially owned by Great Wall Holdings Limited, a company controlled by Mr. William Bruce Hicks.

3. 67,632,428 Shares are beneficially owned by Future (Holdings) Limited, a company controlled by Mr. Kuldeep Saran.

All interests disclosed above represent long positions in the shares of the Company and there were no underlying shares held by the Directors as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, the chief executive of the Company or their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are deemed or taken to have under such provisions of the SFO), or which are required pursuant to section 352 of the SFO to be recorded in the register referred to therein, or which are required pursuant to Model Code to be notified to the Company and the Stock Exchange.

(b) Substantial shareholders' interests

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and so far as was known to the Directors or the chief executive of the Company, the following persons (other than the Directors or the chief executive of the Company) had interests and short positions (if any) in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of shares carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of shareholder	Number of Shares held	Approximate percentage of shareholding
Goldstone Trading Limited	98,231,627*	20.9%
Great Wall Holdings Limited	67,962,428*	14.4%
Future (Holdings) Limited	67,632,428*	14.4%

* *The interests herein disclosed represent the same interests as the corporate interests of Mr. Richard John Siemens (being held through Goldstone Trading Limited of which Mr. Richard John Siemens is a director), Mr. William Bruce Hicks (being held through Great Wall Holdings Limited of which Mr. Willians Bruce Hicks is a director) and Mr. Kuldeep Saran (being held through Future (Holdings) Limited of which Mr. Kuldeep Saran is a director) as disclosed in the notes to the description under the paragraph above entitled "Directors' interests".*

All interests disclosed above represent long positions in the shares of the Company.

Save as disclosed above, as at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and so far as is known to the Directors and the chief executive of the Company, no other person (not being a Director or the chief executive of the Company) had any interests or short positions in the shares, underlying shares or debentures of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, nor were there any person, directly or indirectly, interested in 10% or more of the nominal value of any class of shares carrying rights to vote in all circumstances at general meetings of any other member of the Group.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any member of the Group which is not expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, there were no contracts or arrangements subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

5. DIRECTORS' INTEREST IN GROUP ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to any member of the Group, or was proposed to be acquired or disposed of by, or leased to any member of the Group, since 31 December 2004, the date to which the latest published audited financial statements of the Group were made up.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors or their respective associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group.

7. EXPERTS' PROFESSIONAL QUALIFICATIONS AND CONSENTS

The particulars of the experts whose opinions or advices are contained in this circular are as follows:

Name	Qualifications
Moores Rowland Mazars	Certified Public Accountants
Horwath Hong Kong CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, each of Moores Rowland Mazars and Horwath Hong Kong CPA Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or references to its name in the form and context in which they appear.

Neither Moores Rowland Mazars nor Horwath Hong Kong CPA Limited has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Neither Moores Rowland Mazars nor Horwath Hong Kong CPA Limited has any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to any member of the Group, or was proposed to be acquired or disposed of by, or leased to any member of the Group, since 31 December 2004, the date to which the latest published audited financial statements of the Group were made up.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Company) have been entered into by members of the Group within the two years preceding the date of this circular which are or may be material:

(a) an agreement dated 2 November 2005 in respect of the sale by e-Kong Pillars Limited, a wholly-owned subsidiary of the Company, of 315 shares in the issued share capital of Asiaxpat.com Limited ("Asiaxpat"), which is not a connected person of the Company, representing approximately 28.5% of the then issued share capital of Asiaxpat for a cash consideration of HK$5.2 million; and

(b) the Asset Purchase Agreement.

9. LITIGATION

No member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group as at the Latest Practicable Date.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during business hours at the Company's principal place of business in Hong Kong at 3705 Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong for a period of 14 days commencing from the date of this circular:

(a) the memorandum of association and bye-laws of the Company;

(b) the interim report of the Company for the six months ended 30 June 2005;

(c) the annual reports of the Company for the years ended 31 December 2004 and 2003;

(d) the Asset Purchase Agreement;

(e) the written consents referred to in the paragraph entitled "Experts' professional qualifications and consents" in this appendix;

(f) the statement signed by Moores Rowland Mazars setting out their opinion on the adjustments made on the pro forma financial information of the Group, the text of which is set out in Appendix III to this circular; and

(g) the material contracts disclosed in the paragraph entitled "Material contracts" in this appendix.

11. MISCELLANEOUS

(a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(b) The principal place of business of the Company in Hong Kong is situated at 3705 Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong.

(c) The branch share registrar and transfer office of the Company in Hong Kong is Secretaries Limited at Level 25, Three Pacific Place, 1 Queen's Road East, Hong Kong.

(d) The company secretary of the Company is Mr. Lau Wai Ming Raymond, who is qualified as a solicitor in Hong Kong.

(e) The qualified accountant of the Company is Mr. Chan Yee Bun who is a fellow member of the Hong Kong Institute of Certified Public Accountants.

e-Kong Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 524)

NOTICE IS HEREBY GIVEN THAT a special general meeting of e-Kong Group Limited (the "Company") will be held at Room 4101, 41st Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on Friday, 3 March 2006 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT** the acquisition of the assets and assumption of the liabilities by Zone Telecom, Inc. ("ZONE US"), a wholly-owned subsidiary of the Company, pursuant to the conditional asset purchase agreement dated 16 January 2006 and entered into between ZONE US, Central Utah Communications, Inc., Central Utah Communications Leasing, LC., Strategic Alliance Management, Inc., The Spring Trust and Mr. Dale H. Lewis ("the Asset Purchase Agreement", a copy of which has been produced to the meeting and marked "A" and initialled by the Chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified and the directors of the Company be and are hereby authorised to do all things and acts and sign all documents which they consider necessary, desirable or expedient in connection with the transactions contemplated under the Asset Purchase Agreement."

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

Hong Kong, 16 February 2006

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Office:
3705 Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice (or at any adjournment thereof) is entitled to appoint a proxy to attend and vote on his/her behalf at the meeting. A proxy needs not be a member of the Company.

2. To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's Branch Share Registrar in Hong Kong, Secretaries Limited at Level 25, Three Pacific Place, 1 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

3. Completion and delivery of the form of proxy shall not preclude any member from attending and voting in person at the meeting convened, if the member so desires and in such event, the form of proxy shall be deemed to be revoked.

4. In case of joint registered holders of any shares, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders shall be present at the meeting personally or by proxy, that one of such holders so present whose name stands first in the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

5. Pursuant to the Bye-laws of the Company, a resolution put to the vote of a general meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (a) the chairman of such meeting; or (b) at least three Shareholders present in person or (being a corporation) by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or (c) Shareholder(s) present in person or (being a corporation) by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or (d) Shareholder(s) present in person or (being a corporation) by its duly authorised representative or by proxy and holding Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares.