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 a licenced securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **e-Kong Group Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, licenced securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

e-KONG

e-Kong Group Limited

(Incorporated in Bermuda with limited liability)

www.e-kong.com

(Stock Code: 524)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF ZONE GLOBAL LIMITED

Financial adviser to e-Kong Group Limited

Quam CAPITAL 華富嘉洛企業融資

Independent Financial Adviser to the Independent Board Committee and Independent Shareholders of e-Kong Group Limited

ALTUS CAPITAL LIMITED

A letter from the Board is set out on pages 4 to 13 of this circular. A notice convening the special general meeting of e-Kong Group Limited to be held at Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Tuesday, 16 December 2014 at 10:00 a.m. or any adjournment(s) thereof is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use at the meeting is also enclosed.

Whether or not you are able to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 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 adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

28 November 2014

CONTENTS

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

"ANPI Holding"	ANPI Holding, Inc., an Illinois corporation
"ANZ"	ANZ Communications LLC, a limited liability company incorporated under the laws of the State of Delaware in the U.S., which is beneficially owned as to 50% by ZONE USA and 50% by ANPI Holding
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"BVI"	British Virgin Islands
"Cloud Business"	in relation to ANZ, its new business of provision of Unified Communication hosted solutions and cloud applications
"Company"	e-Kong Group Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
"Completion"	completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement
"Completion Date"	the date on which Completion takes place
"connected person(s)"	has the meaning ascribed thereto under Rule 1.01 and as extended under Rule 14A.11 of the Listing Rules
"Director(s)"	the director(s) of the Company
"Disposal"	the proposed disposal of the Sale Share by the Seller to the Purchaser pursuant to the Disposal Agreement
"Disposal Agreement"	the conditional sale and purchase agreement dated 4 November 2014 entered into between the Seller and the Purchaser in relation to the Disposal
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong GAAP"	Generally Accepted Accounting Principles in Hong Kong

"Independent Board Committee"	the independent committee of the Board comprising all the independent non-executive Directors, namely Mr. John William Crawford J.P., Mr. Gerald Clive Dobby and Mr. Thaddeus Thomas Beczak, established to provide a recommendation to the Independent Shareholders on the terms of the Disposal Agreement
"Independent Financial Adviser"	Altus Capital Limited, a licensed corporation permitted to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Disposal Agreement
"Independent Shareholders"	Shareholders, other than Mr. Siemens, the Purchaser and their respective associates
"Latest Practicable Date"	26 November 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Siemens"	Mr. Richard John Siemens, an executive Director, Chairman of the Board and a substantial Shareholder
"percentage ratios"	has the meaning ascribed thereto under Chapter 14 of the Listing Rules
"Purchaser"	Distacom International Limited, a company incorporated in the BVI with limited liability and wholly owned by Mr. Siemens
"Sale Share"	one issued share of US$1.00 of the Target, representing the entire issued share capital of the Target
"Seller"	Cyberman Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
"SFO"	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"SGM"	the special general meeting to be convened and held by the Company for the Independent Shareholders to consider and, if thought fit, approve the Disposal Agreement and the transactions contemplated thereunder

"Share(s)"	share(s) of HK$0.01 each in the issued and fully paid up share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target"	ZONE Global Limited, a company incorporated in the BVI with limited liability, which is an indirect wholly-owned subsidiary of the Company and the immediate holding company of ZONE USA
"Target Group"	the Target and ZONE USA
"U.S."	United States of America
"US$"	United States dollar(s), the lawful currency of the U.S.
"ZONE USA"	Zone USA, Inc., a Delaware corporation, which is an indirect wholly-owned subsidiary of the Company
"%"	per cent

Unless otherwise specified in this circular, amounts denominated in US$ have been converted, for illustrative purposes only, into Hong Kong dollars at a rate of US$1.00 = HK$7.75. Such conversion should not be construed as a representation that the currency could actually be converted to HK$ at that rate or at all.

e-Kong Group Limited

(Incorporated in Bermuda with limited liability)

www.e-kong.com

(Stock Code: 524)

Executive Directors:
Richard John Siemens (*Chairman*)
Lim Shyang Guey
Chi Chi Hung Kenneth
Lau Wai Ming Raymond

Independent Non-executive Directors:
John William Crawford J.P.
Gerald Clive Dobby
Thaddeus Thomas Beczak

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Place of Business:
3705 Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

28 November 2014

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF ZONE GLOBAL LIMITED

INTRODUCTION

Reference is made to the Company's announcements dated 17 October 2014 and 6 November 2014 in respect of the proposed disposal of the Group's entire interests in ANZ to the Purchaser. On 4 November 2014 (after trading hours), the Seller (a wholly-owned subsidiary of the Company) and the Purchaser entered into the Disposal Agreement pursuant to which the Seller has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Share at a cash consideration of HK$130,000,000. Upon Completion, the Company will cease to have any interests in the Target Group.

The purpose of this circular is to provide you with, among others, (i) details of the Disposal Agreement; (ii) the financial information of the Group; (iii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iv) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (v) the notice of the SGM.

THE DISPOSAL AGREEMENT

The principal terms of the Disposal Agreement are as follows:

Date

4 November 2014

Parties

(i) Distacom International Limited (as purchaser); and

(ii) Cyberman Limited (as seller).

Mr. Siemens, an executive Director, Chairman of the Board and a substantial Shareholder who owned approximately a 24.6% shareholding interest in the Company as at the Latest Practicable Date, is interested in the entire issued share capital of the Purchaser. The Purchaser is an associate of Mr. Siemens and thus a connected person of the Company under the Listing Rules. The Purchaser is principally engaged in investment holding.

Asset to be disposed of

Pursuant to the Disposal Agreement, the Purchaser has conditionally agreed to purchase from the Seller the Sale Share (representing the entire issued share capital of the Target), free from all liens, charges, encumbrances and third party rights and together with all rights attaching thereto including the right to all dividends paid, declared or made in respect thereof after the Completion Date.

Consideration

The consideration for the Disposal is HK$130,000,000, which shall be payable by the Purchaser to the Seller in the following manner:

(i) a deposit in the sum of HK$26,000,000 was paid upon the signing of the Disposal Agreement; and

(ii) the balance of the consideration in the sum of HK$104,000,000 shall be payable upon Completion.

The Purchaser has acknowledged that the unsecured loan made to the Target by Distacom Enterprises Limited, a company controlled by Mr. Siemens, in the principal amount of US$5.0 million (equivalent to approximately HK$38.8 million) which was drawn down on 17 July 2014 remains outstanding. The liability to repay the loan (principal and interest) shall remain with the

Target on Completion without recourse to the Company and its subsidiaries (excluding the Target Group). The loan was made available to the Target to finance a capital contribution to ANZ which was made in July 2014.

The consideration for the Disposal was determined after arm's length negotiations between the Seller and the Purchaser with reference to, among other things, the carrying value of the Group's 50% interests in ANZ of approximately US$17.4 million (equivalent to approximately HK$134.7 million) as at 31 August 2014 and the unsecured loan of US$5.0 million (equivalent to approximately HK$38.8 million) of the Target described above.

Conditions precedent

Completion is conditional upon the following conditions being satisfied, or waived by the Purchaser, on or before 28 February 2015:

(i) the Shareholders (other than Mr. Siemens and his associates) having approved the sale of the Sale Share to the Purchaser in accordance with the Listing Rules;

(ii) the warranties given by the Seller in the Disposal Agreement remaining true and accurate in all material respects and not misleading in any material respect immediately prior to Completion by reference to the facts and circumstances subsisting immediately prior to Completion;

(iii) all necessary approvals in respect of the Disposal Agreement and the transactions contemplated thereunder, including all relevant material consents and approvals from third parties which are necessary in conjunction with the proposed change in shareholding of the Target, having been obtained;

(iv) the Target Group having no outstanding intercompany loans, intercompany related balances or other debts due to the Company or any related party of the Company; and

(v) the bank loan to ZONE USA made by Citibank, N.A. in the principal amount of US$10.0 million (equivalent to approximately HK$77.5 million), which bank loan is collateralised by a bank letter of credit supported by the Company, being discharged.

The Purchaser may at any time waive in writing any of the above conditions (except condition (i) which is incapable of being waived).

Completion

Subject to all conditions set out in the Disposal Agreement (as described in the section headed "Conditions precedent" above) having been satisfied (or waived), Completion shall take place on the Completion Date.

Upon Completion, the Company will cease to have any interests in the Target Group.

INFORMATION ON THE GROUP

The Group is principally engaged in the provision of telecommunication services and insurance-related product distribution services. The Group's telecommunication business currently has operations in Singapore and Hong Kong as well as the U.S. through ANZ.

INFORMATION ON THE TARGET GROUP

The Target is a company incorporated in the BVI with limited liability and is an investment holding company which, through its direct wholly-owned subsidiary, ZONE USA, holds 50% of the voting units in ANZ. Both the Target and ZONE USA have not conducted any business operations other than investment holding.

The following table sets out the unaudited consolidated financial information of the Target prepared in accordance with Hong Kong GAAP for the two years ended 31 December 2013:

	For the year ended 31 December	
	2012	**2013**
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Turnover	—	—
Net profit / (loss) before taxation	13,628	(9,999)
Net profit / (loss) after taxation	1,122	(11,171)

The following table sets out the consolidated financial position of the Target prepared in accordance with Hong Kong GAAP as at 30 June 2014:

	As at 30 June 2014
	(Unaudited)
	HK$'000
Assets	
— Interests in joint venture (i.e. ANZ)	103,064
— Other net current assets	700
	103,764
Liabilities	
— Amount due to the Group and interests accrued thereon	(277,389)
— Bank loan of US$10.0 million to ZONE USA made by Citibank, N.A.	(77,500)
	(251,125)

ANZ is a limited liability company incorporated under the laws of the State of Delaware in the U.S., and whose voting units are owned as to 50% by ZONE USA and 50% by ANPI Holding. ANZ is an investment holding company and its operating subsidiaries are principally engaged in the provision of voice and data telecommunication services, and are in the course of investing and executing its plan to roll-out its Cloud Business in the U.S..

ZONE USA controls 50% of the voting power of ANZ in general meetings. Since the major financing and operational decisions of ANZ should be unanimously approved by the Group and its joint venture partner, ANZ and its subsidiaries are accounted for as joint ventures of the Group under Hong Kong GAAP.

As disclosed in the annual report of the Company for the year ended 31 December 2013, subsequent to the application of HKFRS 11 "Joint Arrangements" which resulted in the change in the Group's accounting policy that came into effect on 1 January 2013, the Group's interests in ANZ are accounted for using the equity method. As such, only the Group's share of each of the ANZ net assets and net results based on the equity method were recognised in the Group's financial statements for the year ended 31 December 2013.

Set out below is the selected financial information of ANZ as extracted from the annual report of the Company for the year ended 31 December 2013 and the interim report of the Company for the six months ended 30 June 2014, in each case prepared in accordance with Hong Kong GAAP:

	As at 31 December		**As at 30 June**
	2012	**2013**	**2014**
	(Restated)		
	(Audited)	(Audited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*
Interests in joint ventures	140,401	131,655	103,064

	For the year ended 31 December		**For the six months ended 30 June**
	2012	**2013**	**2014**
	(Restated)		
	(Audited)	(Audited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*
Share of results of joint ventures:			
— Profit / (Loss) for the year / period	18,147	(8,180)	(28,661)
Distributions received from joint venture	14,994	567	—

As at 31 August 2014, the carrying value of the Group's 50% interests in ANZ was approximately US$17.4 million (equivalent to approximately HK$134.7 million).

The increase in the value of the Group's 50% interests in ANZ from approximately HK$103.1 million as at 30 June 2014 to approximately HK$134.7 million as at 31 August 2014 was mainly due to the net effect of (i) the capital contribution of US$5.0 million (equivalent to approximately HK$38.8 million) to ANZ in July 2014 which was wholly financed by the unsecured loan provided by Distacom Enterprises Limited, a company controlled by Mr. Siemens; and (ii) the operating loss incurred by ANZ in July and August 2014, which amounted to approximately HK$7.2 million.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As disclosed in the announcement of the Company dated 17 October 2014, the Directors have held meetings in the past in respect of the strategic direction of the Group and assessed, among others, the potential long-term value that the Group's holding of ANZ could bring to the Group and the Shareholders against the possible additional capital requirements for ANZ until such time its value can be realised as well as the need for the Group to be capitalised to pursue other business opportunities, in particular, those opportunities in China and other parts of Asia, that may be (a) derived from the existing businesses and operations of the Group and (b) introduced through members of the Board including newly appointed Directors. In light of ANZ's loss making position and the Cloud Business being still in its infancy stage, the Group has encountered difficulties in raising suitable equity or debt funding to finance ANZ's operations. The Target's capital contribution of US$5.0 million (equivalent to approximately HK$38.8 million) to ANZ in July 2014 was wholly financed by the unsecured loan provided by Distacom Enterprises Limited, a company controlled by Mr. Siemens. Under such circumstances, the Company began exploring the possibility of disposing of the Group's interests in ANZ, but did not receive any offer. The Company was thereafter approached by Mr. Siemens, the Chairman of the Board and a substantial Shareholder, in relation to a possible acquisition of the Group's entire interests in ANZ.

The Disposal is consistent with the aforesaid business strategy and enables the Group to generate financial resources and direct its focus to concentrate on the growth of its existing businesses and operations and capturing new business, investment and other opportunities (primarily in Asia) that the Group may encounter.

After Completion, the Group will continue to operate its telecommunication businesses in Singapore and Hong Kong and mass-market distribution of insurance-related products in Hong Kong, Canada and other markets to be developed. Turnover generated from those businesses were approximately HK$76.0 million and HK$1.3 million for the year ended 31 December 2013, respectively.

Please refer to the section headed "Financial and trading prospect of the Company" as set out in appendix I to this circular for more details in connection with the telecommunication business and the insurance distribution business of the Group.

INTENDED USE OF PROCEEDS

The net cash proceeds from the Disposal, after deducting expenses attributable to the Disposal of approximately HK$1.5 million, are estimated to be approximately HK$128.5 million. The Company currently seeks to apply the net proceeds in the following manner:

- approximately HK$35.0 million to be used for the growth and expansion of the Group's existing telecommunication businesses which may include acquisitions of revenue generating assets and / or businesses should the opportunities arise. As at the Latest Practicable Date, no such potential asset and / or business had been identified;

- approximately HK$20.0 million to be used for the growth and expansion of the Group's insurance distribution business through more aggressive roll-out programmes in existing and new markets including Hong Kong, Canada, Thailand and Indonesia;

- approximately HK$33.5 million to be used for making potential investment into new businesses and other opportunities, primarily in Asia. As at the Latest Practicable Date, no such investment opportunity had been identified; and

- approximately HK$40.0 million to be used for general working capital, including repayment of the Group's borrowings and staff recruitment.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, the Company will cease to have any interests in each member of the Target Group. ANZ and its subsidiaries have been regarded as joint ventures of the Group, whose net assets and net results have been accounted for on an equity basis in the Company's consolidated financial statements. This equity accounting will cease upon Completion. Therefore, the financial results and the assets and liabilities of the Target Group will no longer be accounted for in the consolidated financial statements of the Company.

The Company expects that the Group will realise an estimated gain of approximately HK$30.9 million on the Disposal. The estimated gain on the Disposal is calculated by comparing the cash consideration of the Disposal of HK$130,000,000 against the adjusted net asset value of the Target Group as at 31 August 2014 of approximately HK$96.4 million assuming the Disposal took place on 31 August 2014 (the "**Target Group's Adjusted NAV**"), which is calculated by adding:

(i) the carrying value of the Group's 50% interests in ANZ as recorded in the Group's unaudited consolidated management accounts as at 31 August 2014 of approximately HK$134.7 million less the unsecured loan in the principal amount of US$5.0 million (equivalent to approximately HK$38.8 million) provided by Distacom Enterprises Limited, a company controlled by Mr. Siemens, to ZONE USA the proceeds of which were applied towards the capital contribution of the same amount by ZONE USA to ANZ in July 2014, as described above in the section headed "Reasons for and Benefits of The Disposal"; and

(ii) the unaudited net current assets of the Target Group as at 31 August 2014 (other than those relating to conditions precedent (iv) and (v) described above in the sub-section headed "Conditions precedent" above) of approximately HK$0.5 million.

Based on the above, the difference between the consideration in respect of the Disposal and the Target Group's Adjusted NAV amounts to approximately HK$33.6 million. After taking into account the effect of (i) the exchange loss of approximately HK$1.2 million which will be released from the exchange reserve upon Completion; and (ii) the estimated expenses directly related to the Disposal of approximately HK$1.5 million, the Group would realise an estimated gain of approximately HK$30.9 million on the Disposal.

The actual gain or loss arising from the Disposal may be different from the above and shall be subject to audit and determined based on the amount of the consolidated net assets / liabilities (as the case may be) of the Target Group as at the date of Completion and the amount of expenses incidental to the Disposal.

If the Disposal had been completed on 31 August 2014, the Group's unaudited total assets and total liabilities as at 31 August 2014 would have been decreased by approximately HK$9.0 million and HK$41.1 million respectively.

Such estimated decrease in the Group's unaudited total assets had the Disposal been completed on 31 August 2014 is calculated by comparing the cash consideration receivable by the Group arising from the Disposal of HK$130,000,000 against the sum of:

(i) the carrying value of the Group's 50% interests in ANZ as at 31 August 2014 of approximately HK$134.7 million;

(ii) the unaudited current assets of the Target Group as at 31 August 2014 of approximately HK$2.8 million; and

(iii) the estimated expenses directly related to the Disposal of approximately HK$1.5 million.

Such estimated decrease in the Group's unaudited total liabilities had the Disposal been completed on 31 August 2014 is calculated by deducting the unaudited liabilities relating to ANZ including the unsecured loan of approximately HK$38.8 million provided by Distacom Enterprises Limited and other related items.

IMPLICATIONS UNDER THE LISTING RULES

Since one or more of the applicable percentage ratios in respect of the Disposal under Rule 14.07 of the Listing Rules is more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements.

Mr. Siemens, an executive Director, Chairman of the Board and a substantial Shareholder who owns approximately a 24.6% shareholding interest in the Company, is interested in the entire issued share capital of the Purchaser. The Purchaser is an associate of Mr. Siemens and thus a connected person of the Company under the Listing Rules. Accordingly, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, and is subject to approval from the Independent Shareholders at the SGM by way of poll. Mr. Siemens, the Purchaser and their respective associates, having a material interest in the Disposal, shall abstain from voting in respect of the resolution to approve the Disposal Agreement and the transactions contemplated thereunder at the SGM and voting on the board resolution in this regard.

Save for Mr. Siemens, none of the Directors has a material interest in the transactions contemplated under the Disposal Agreement or needs to abstain from voting in respect of the resolution to approve the Disposal Agreement and the transactions contemplated thereunder at the meeting of the Board and the SGM.

SGM

A notice convening the SGM to be held at Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Tuesday, 16 December 2014 at 10:00 a.m. is set out on pages SGM-1 to SGM-2 to this circular. An ordinary resolution will be proposed at the SGM and, if thought fit, passed by the Shareholders by way of poll to approve the Disposal Agreement and the transactions contemplated thereunder.

Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 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 adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that Disposal is in the ordinary and usual course of business of the Group and that the terms of the Disposal Agreement are on normal commercial terms and are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder.

Your attention is drawn to the letter from the Independent Board Committee set out on page 14 of this circular which contains its recommendation to the Independent Shareholders on the Disposal Agreement and the transactions contemplated thereunder.

Your attention is also drawn to the letter of advice received from the Independent Financial Adviser which contains, among other things, its advice to the Independent Board Committee and the Independent Shareholders in relation to the Disposal Agreement and the transactions contemplated thereunder, and the principal factors and reasons taken into account in arriving at its advice. The letter from the Independent Financial Adviser is set out on pages 15 to 30 of this circular.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices and the notice of the SGM set out in this circular.

Yours faithfully,
By Order of the Board
Lau Wai Ming Raymond
Executive Director and
Company Secretary

The following is the text of the letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of inclusion in this circular.

e-Kong Group Limited

(Incorporated in Bermuda with limited liability)

www.e-kong.com

(Stock Code: 524)

28 November 2014

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF ZONE GLOBAL LIMITED

We refer to the circular of e-Kong Group Limited dated 28 November 2014 (the "**Circular**") of which this letter forms part. Capitalised terms used herein have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the Disposal. Altus Capital Limited has been appointed as the Independent Financial Adviser to advise us and you regarding the Disposal. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving its advice, are contained in its letter set out on pages 15 to 30 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Circular.

Having considered the terms of the Disposal Agreement and the advice of the Independent Financial Adviser, we consider that the Disposal is in the ordinary and usual course of business of the Group and that the terms of the Disposal Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of the
Independent Board Committee

John William Crawford J.P.	**Gerald Clive Dobby**	**Thaddeus Thomas Beczak**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the text of a letter of advice from Altus Capital Limited to the Independent Board Committee and the Independent Shareholders in respect of the major and connected transaction which has been prepared for the purpose of incorporation in this circular.

ALTUS CAPITAL LIMITED
21 Wing Wo Street
Central, Hong Kong

28 November 2014

To the Independent Board Committee and the Independent Shareholders

e-Kong Group Limited
3705 Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF ZONE GLOBAL LIMITED

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the disposal of the entire issued share capital of the Target. Details of the Disposal are set out in the "Letter from the Board" contained in the circular of the Company dated 28 November 2014 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 4 November (after trading hours), the Seller, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement pursuant to which the Seller has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Share at a cash consideration of HK$130.0 million. The Sale Share represents the entire issued share capital of the Target, an investment holding company which indirectly owns 50% of the equity interest in ANZ. ANZ is principally engaged in the provision of voice and data telecommunication services and is in the course of investing and executing its plan to roll-out its Cloud Business (as defined below) in the U.S.

As one or more of the relevant percentage ratios in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Rule 14.07 of the Listing Rules.

Mr. Siemens, an executive Director, Chairman of the Board and a substantial Shareholder, is interested in the entire issued share capital of the Purchaser. Accordingly, the Purchaser is a connected person of the Company under the Listing Rules. The Disposal therefore also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, and is subject to the requirements of reporting, announcement and the Independent Shareholders' approval at the SGM by way of poll. Mr. Siemens, the Purchaser and their respective associates shall abstain from voting in respect of the resolution to approve the Disposal Agreement and the transactions contemplated thereunder at the SGM and voting on the board resolution in this regard.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely, Mr. John William Crawford J.P, Mr. Gerald Clive Dobby, and Mr. Thaddeus Thomas Beczak has been established to advise the Independent Shareholders as to (i) whether the Disposal is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the Disposal Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) their recommendation as to how the Independent Shareholders should vote in respect of the ordinary resolution to be proposed at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder.

As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the Disposal is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the Disposal Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) our recommendation as to how the Independent Shareholders should vote in respect of the ordinary resolution to be proposed at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder.

BASIS OF OUR ADVICE

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and / or provided to us by the Company, the Directors and the management of the Group. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and / or provided to us were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion are untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us to be untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and / or provided to us by the Company, the Directors and the management of the Group have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the principal factors and reasons as set out below.

1. Background of the Group

1.1 *Principal activities*

The Group is engaged in the provision of telecommunication services and insurance-related product distribution services. The Group's telecommunication business currently has operations in Singapore and Hong Kong as well as the U.S. through ANZ.

1.2 *Past financial performance*

The following table sets out the audited consolidated financial information of the Group for the two years ended 31 December 2013 as extracted from the annual report for the year ended 31 December 2013 ("**Annual Report 2013**") and the unaudited consolidated financial information of the Group for the six months ended 30 June 2014 ("**Interim Report 2014**"):

	For the year ended 31 December		**For the six months ended 30 June**	
	2012	**2013**	**2013**	**2014**
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover				
— Telecommunication services	77,995	75,992	35,935	37,929
— Other operations	1,181	1,353	666	659
	79,176	77,345	36,601	38,588
Other revenue and income	2,987	1,622	1,123	688
Operating and administrative expenses	(46,213)	(49,500)	(23,484)	(24,771)
Share of results of joint ventures	18,147	(8,180)	(495)	(28,661)
Loss for the year / period	(13,755)	(34,591)	(11,897)	(41,211)

	As at 31 December		As at 30 June
	2012	**2013**	**2014**
	(Audited)	(Audited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*
Interests in joint ventures *(note)*	140,401	131,655	103,064
Cash and bank balances	55,706	32,814	19,980
Total assets	318,374	281,812	239,081
Trade and other payables	17,585	19,606	19,274
Bank borrowings	85,684	82,446	80,996
Net assets	213,522	178,350	137,309

Note: During the period under review, ANZ was the sole joint venture of the Group

Source: Annual Report 2013 and Interim Report 2014

The following gives a brief summary of the financial performance of the Group and a breakdown of its principal activities for the year ended 31 December 2013 and the six months ended 30 June 2014.

1.2.1 *Overall performance*

For the year ended 31 December 2013

For the year ended 31 December 2013, turnover decreased by approximately 2.3% from the previous financial year mainly due to the declining turnover from long distance voice services. The Group recorded a loss after taxation of approximately HK$34.6 million, representing an increase of approximately 1.5 times compared with the loss of approximately HK$13.8 million incurred in the previous year.

The amount of loss for the year ended 31 December 2013 also increased due to the loss of approximately HK$8.2 million recorded in the share of results from the joint ventures i.e. ANZ and its subsidiaries. The drop in net results of the joint ventures was primarily due to the drop in number of long distance call, the declining length and average rate of each long distance call and the increase in the costs for its operations in the U.S.

As at 31 December 2013, the Group recorded interests in the joint ventures amounting to approximately HK$131.7 million and cash and bank balances of approximately HK$32.8 million. The net asset value of the Group decreased from approximately HK$213.5 million as at 31 December 2012 to approximately HK$178.4 million as at 31 December 2013.

For the six months ended 30 June 2014

The Group's turnover for the six months ended 30 June 2014 increased by approximately 5.4% to approximately HK$38.6 million compared to approximately HK$36.6 million for the same period of 2013. The Group recorded a loss of approximately HK$41.2 million for the six months ended 30 June 2014 as compared with a loss of approximately HK$11.9 million in the previous corresponding period mainly due to the increased and continuing losses incurred by its joint ventures. The Group's share of the loss from the joint ventures was approximately HK$28.7 million for the six months ended 30 June 2014, representing an increase of approximately 56.9 times over the approximate HK$0.5 million recorded for the corresponding period in 2013.

The material increase in net loss from the joint ventures for the six months ended 30 June 2014 was primarily a result of a decrease in turnover and margin contributions from ANZ, which is further described below under the section headed "ANZ and its subsidiaries" of this letter.

As at 30 June 2014, the Group reported interests in joint ventures amounted to approximately HK$103.1 million and cash and bank balances of approximately HK$20.0 million. The Group's net asset value further decreased from approximately HK$178.4 million as at 31 December 2013 to approximately HK$137.3 million as at 30 June 2014 as a result of the above net losses.

1.2.2 *Breakdown by principal activities*

Telecommunication business

Turnover derived from the Group's telecommunication business under the name "ZONE" marginally decreased from approximately HK$78.0 million for the year ended 31 December 2012 to approximately HK$76.0 million for the year ended 31 December 2013, which is equivalent to approximately 98.5% and 98.3% of the Group's total turnover, respectively. Turnover derived from this business segment increased slightly from approximately HK$35.9 million for the six months ended 30 June 2013 to approximately HK$37.9 million for the same corresponding period in 2014, which is equivalent to approximately 98.2% and 98.3% of the Group's total turnover, respectively.

The Group's telecommunication business can be divided into two categories: traditional long-distance voice services (the "**Traditional Business**") and data and IT related services (the "**IT Business**").

(i) Traditional Business

The Traditional Business consists of the wholesale purchase of long-distance call minutes from large telecommunication operators and their subsequent sale to primarily corporate customers, and in the U.S. through ANZ, also to independent exchange carriers. As advised by the management of the Company, in recent years, the Group has been recording decreasing turnover from this business segment due to several factors.

The primary factor was the well documented diminishing demand for traditional voice-call services brought about by the increasing popularity of other mediums of communications which are often internet-based. In addition to, and partly as a result of such increasing competition from internet-based communications services providers, the price rate per minute of long-distance calls has been driven downward over the years.

We note that this trend can be observed throughout the industry and the above factors have had an adverse impact on the Group's Traditional Business.

(ii) IT Business

The IT Business is comprised of a wide range of internet-based telecommunications and IT solutions and services which utilise an internet platform rather than traditional phone lines. This is a growing business for the Group, but simultaneously, requires considerable investment and capital expenditure. Through discussions with the management of the Company, we note that the Group intends to focus on the IT Business opportunities within the Asia region. The Group continues to explore the potential opportunities this industry offers within the Asia region and it is expected that this business segment may be expanded in the future. We also note that the new business of providing hosted Unified Communication ("**UC**") solutions and "voice over IP" (VoIP) services, which consists of a range of technologies used for multimedia file transferral, voice communications and other services, have been increasing in popularity over recent years.

Insurance-related product distribution services

The insurance-related product distribution services is another business activity of the Group. However, the amount of contribution to the turnover of the Group is relatively small. Turnover of the Group attributable to the insurance-related product distribution business increased from approximately HK$1.2 million for the year ended 31 December 2012 to approximately HK$1.3 million for the year ended 31

December 2013. However, turnover of the Group attributable to this business segment has remained flat and relatively small at approximately HK$0.7 million for each of the six months ended 30 June 2013 and 2014.

1.3 *Outlook and business strategy*

According to the management of the Company, the Group will stay on its transformative course in pursuing and promoting new services and products that will generate higher margins and recurring turnover for both its telecom and insurance-related businesses.

As described in the Interim Report 2014, the Group will intensify its efforts to drive awareness of ZONE as a dependable IT-telecoms, cloud and hosting service provider for the enterprise market in Asia and to focus on the acquisition of customers with sizable recurring telecom needs and promote higher margin services. In addition, ZONE will be making capital investments in the latest virtualization technologies to build a robust and scalable infrastructure that will enable it to deliver innovative cloud services, being the new business of providing cloud-based applications (the "**Cloud Business**"), to tap into the high growth opportunities as well as to introduce new mobile web services in tandem with the growing use of smart devices.

Also described in the Interim Report 2014, the Group will accelerate its pursuit of different fundraising and asset monetising initiatives to ensure that it is well-resourced to meet its ongoing working capital requirements as well as to invest in new growth opportunities. This was reaffirmed in the Company's announcement dated 17 October 2014, whereby the Group had held meetings in respect of its strategic direction and assessed, among others, the potential long-term value that the Group's holding in ANZ could bring to the Group and its Shareholders against the possible additional capital requirements for ANZ until such time its value could be realised as well as the need for the Group to be capitalised to pursue other business opportunities.

1.4 *Section conclusion*

Taking into account (i) the recent financial performance of the Group, (ii) the recent financial performance of the ANZ Group as further described in paragraph 2.2 below, (iii) the Group's strategy to pursue and promote new services and products that will generate higher margins and recurring turnover in Asia, and (iv) the fact that the Group's IT Business and insurance-related operations in Asia are still in their development stages and require additional capital injections together with the additional capital requirements of ANZ in order to develop its IT Business in the U.S., we believe that the Disposal falls within the stated strategy of the Group and is in the ordinary and usual course of its business.

2. Information on the Target Group

2.1 *The Target Group*

The Target is a wholly-owned subsidiary of the Company incorporated in the BVI with limited liability. It is an investment holding company which, through its direct wholly-owned subsidiary, ZONE USA, holds 50% of the equity interest of ANZ. Both the Target and ZONE USA have not conducted any business operations other than investment holding.

As at 30 June 2014, the unaudited consolidated net liabilities of the Target were approximately HK$251.1 million. The significant liabilities were mainly attributable to the balances and interest payable to the Group of approximately HK$277.4 million and the bank loan to ZONE USA made by Citibank, N.A. of US$10.0 million (equivalent to approximately HK$77.5 million) (the "**Citibank Loan**").

From our discussions with the management of the Company, we note that the Group had generally financed the Target using its internal resources to fund the Target's previous capital contributions to ANZ via intercompany loans. In 2013, in anticipation of the need for a capital injection as mentioned below, ANZ and its equity holders had been actively pursuing various funding options, including the Group's fundraising efforts through a possible reverse merger transaction between a U.S. subsidiary of the Company and a U.S. corporation as announced in May 2013. However, in light of ANZ's financial performance as described in paragraph 1.2.1 above and the fact that the Cloud Business in the U.S., one of ANZ's future sources of turnover, being still in an infancy stage, the Group has encountered difficulties in raising suitable equity or debt funding to finance ANZ's development operations.

An unsecured term loan facility of US$6.0 million (equivalent to approximately HK$46.5 million) was made available in favour of the Target by Distacom Enterprises Limited ("**Distacom Enterprises**"), a company owned and controlled by Mr. Siemens. The unsecured term loan bears interest at 3% per annum and matures on 14 November 2015, when the full principal amount outstanding together with interest accrued thereon will become repayable. A principal amount of US$5.0 million (equivalent to approximately HK$38.8 million) was drawn down under this facility on 17 July 2014 and utilised by a direct wholly-owned subsidiary of the Target for a capital contribution to ANZ. This amount due from a direct wholly-owned subsidiary of the Target is unsecured, interest-free and has no fixed term for repayment.

2.2 *ANZ and its subsidiaries*

ANZ is a limited liability company, incorporated under the laws of the State of Delaware in the U.S., and its equity interest is owned as to 50% by ZONE USA and 50% by ANPI Holding.

Since ZONE USA holds 50% of the voting rights of ANZ in general meetings and the major financing and operational decisions of ANZ are required to be unanimously approved by the Group and its joint venture partner, ANZ and its subsidiaries are accounted for as joint ventures of the Group under Hong Kong GAAP.

ANZ, the sole joint venture of the Company, is an investment holding company and its operating subsidiaries are principally engaged in the provision of voice and data telecommunication service and are also in the process of investing in and executing plans to roll-out their Cloud Business in the U.S. Details of the past financial performance of the Group's interest in the joint ventures are shown in paragraph 1.2 above.

The decline in ANZ's financial performance has been partly due to the deteriorating state of the Traditional Business (which forms the majority of ANZ's turnover), as described in paragraph 1.2.1 above, namely, (i) the declining number of long distance calls made as well as the drop in minutes of use, and (ii) the declining average unit rate of each long distance call. ANZ's financial circumstances have been further adversely impacted by (i) the increasing amount spent on headcount and the technology build-up for the launch of ANZ's IT Business in the U.S.; and (ii) the phasing out of governmental subsidies, which is discussed further below.

We note from research carried out by the Federal Communications Commission, the end-user revenue per average inter-state domestic conversation minute in the U.S. decreased from approximately US$0.11 in 1998 to approximately US$0.07 in 2008. These figures are supported by a study undertaken by the Industry Analysis and Technology Division of the Wireline Competition Bureau. Based on our discussion with the management of the Company, there has been no improvement in the situation of the Traditional Business since 2008 and up to the Latest Practicable Date. In addition, as advised by the management of the Company, subsidies previously provided by the U.S. government to consumers of long-distance call services are now being phased out and transferred to other communication platforms such as those available via broadband and the internet. This assertion is reflected by the Federal Communications Commission incentivising the provision of broadband and shifting away from previous traditional telecommunications subsidies.

Based on our discussions with the management of the Company, although turnover currently contributed by the Cloud Business in the U.S. is minimal compared to the traditional voice business, the Cloud Business in the U.S. is expected to be the main business driver of ANZ in the future.

As described in the Annual Report 2013, the operational transformation and infrastructure development accomplished by the joint venture in order to penetrate the Cloud Business market segment in the U.S. has been mainly financed through the re-investment of internally generated cashflow derived from ANZ's traditional voice business and capital contributions from its owners which in the case of the Group, in turn, has been financed by internal financial resources and the unsecured loan provided by Distacom Enterprises. During the six months ended 30 June 2014, ANZ continued to incur significant costs relating to its UC services and the Cloud Business, and based on its business plans, additional external funding will be needed if the projected turnover and margins are to be achieved in the future.

3. The Disposal Agreement

3.1 *Asset to be disposed of*

Pursuant to the Disposal Agreement, the Seller has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Share free from all liens, charges, encumbrances and third party rights and together with all rights attaching thereto including the right to all dividends paid, declared or made in respect thereof after the Completion Date.

3.2 *Consideration*

The consideration for the Disposal is HK$130.0 million and was determined after arm's length negotiations between the Seller and the Purchaser with reference to, among other things, the carrying value of the Group's 50% equity interest in ANZ of approximately US$17.4 million (equivalent to approximately HK$134.7 million) as at 31 August 2014 and the unsecured loan of US$5.0 million (equivalent to approximately HK$38.8 million) of the Target, which is to remain with the Target after Completion.

The consideration is to be settled in cash. A deposit in the sum of HK$26.0 million was paid upon the signing of the Disposal Agreement with the balance of HK$104.0 million to be paid upon Completion. Completion is conditional upon satisfaction of the conditions precedent set out in the paragraph headed "Conditions precedent" in the "Letter from the Board" of the Circular. Among the conditions precedent of the Disposal Agreement, we note that (i) the intercompany loans between the Target Group and the Group were made as a form of shareholders loan, which in effect, represents the Company's investment in the Target; and (ii) the Citibank Loan drawn down as part of a strategic financial plan by the Target with the Company's cash being set aside for the letter of credit in order to support the Citibank Loan.

To consider the fairness and reasonableness of the consideration for the Disposal, we have taken into account various methods to evaluate the Target Group including the underlying value of the Group's interest in the joint ventures.

3.2.1 *Valuation method for the carrying value of the Group's interest in ANZ*

In order to evaluate the underlying value of the Group's interest in the joint ventures, we have considered the following commonly used valuation models, namely, the price-to-earnings model ("**PE Model**"), the discounted cashflow model ("**DCF Model**"), the average revenue per user model ("**ARPU Model**") and the equity method.

We note that the PE Model requires an operating profit and as the Target Group, including the Group's interest in ANZ, recorded a loss in the most recent year and is not expected to turn around in the near future, it was not appropriate to employ such model in the valuation of the Group's interests in ANZ and thereby the Target Group.

We note that one of the underlying assumptions necessary to build the DCF Model is that capital will continually be injected into ANZ's business. The DCF Model then projects the cashflow to be generated from such additional capital and thereby arrives at a certain value for ANZ. However, as described in paragraph 2.1 above, the Group has encountered difficulties in raising suitable equity or debt funding to finance ANZ's operations. On this premise and not knowing the extent of further capital injections needed, we believe the DCF Model is an inappropriate and inherently flawed model to be employed in the valuation of the Group's interest in ANZ and thereby the Target Group.

We note that the ARPU Model is often used by companies providing goods and services to consumers i.e. the end users. Given that (i) the customers of ANZ's long distance call services business were mainly relatively small rurally-based telecom companies and local telecom companies rather than end-user consumers; and (ii) the development of ANZ's Cloud Business in the U.S. is still in its infancy stage and not sufficiently stable or mature to enable a valuation to be carried out reference to the number of customers at this early stage, we believe such model would be inappropriate to be employed in the valuation of the Group's interests in ANZ and thereby the Target Group.

In view of the abovementioned circumstances, we believe the only valid and most suitable valuation method is to consider the Group's interest in ANZ by using the equity method, which is the accounting process of evaluating the Group's equity investments in its associates and/or joint ventures, being ANZ. Based on this method, the underlying value of the Group's equity interests in ANZ was approximately HK$134.7 million as at 31 August 2014.

3.2.2 *Gain on Disposal*

As described in the "Letter from the Board", we note that the Group expects an estimated gain of approximately HK$30.9 million on the Disposal. The estimated gain on the Disposal is calculated by comparing the Consideration of HK$130.0 million against (i) the carrying value of the Group's 50% interest in ANZ of approximately HK$134.7 million less the unsecured loan of approximately HK$38.8 million; (ii) the unaudited net current assets of the Target Group of approximately HK$0.5 million as at 31 August 2014 (excluding the intercompany loans and balances and the Citibank Loan as described under the paragraph headed "Conditions precedent" under the "Letter from the Board"); (iii) the exchange loss of approximately HK$1.2 million which will be released from the exchange reserve upon Completion; and (iv) the estimated expenses directly related to the Disposal of approximately HK$1.5 million. For illustration purposes, set out below is a table setting out the estimated gain on the Disposal.

	HK$ million
Consideration	130.0
less: Carrying value of the Group's 50% interests in ANZ as at 31 August 2014	(134.7)
add: Unsecured Loan	38.8
less: Unaudited net current assets of the Target Group as at 31 August 2014 (excluding the intercompany loans and balances and the Citibank Loan)	(0.5)
less: Exchange loss (to be released from the exchange reserve upon Completion)	(1.2)
less: Estimated expenses directly related to the Disposal	(1.5)
Estimated gain on Disposal	30.9

3.2.3 *Section conclusion*

The Disposal will allow the Group to record a gain on Disposal of approximately HK30.9 million. It will also allow the Group to realise an amount of cash resources and the flexibility to invest in line with its future business strategies. In addition, the liability to repay the unsecured loan of US$5.0 million (equivalent to approximately HK$38.8 million) made by Distacom Enterprises to the Target will remain with the Target upon Completion without recourse to the Group. As a result, the Group's total liability position will be further reduced upon Completion. We are of the view that it is in the Group's interest to realise a gain on the Disposal of a loss-making investment such as ANZ, for the reasons set out under the section headed "Reasons for and benefits of the Disposal" below. Therefore, the gain on Disposal of approximately HK$30.9 million is favourable to the Group and the Shareholders as a whole. Thus we are of the view that the Consideration of HK$130.0 million is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

4. Reasons for and benefits of the Disposal

4.1 *Difficulties faced by the Group in seeking suitable funding*

As disclosed in paragraph 2.1 above, the Group explored the possibility of raising equity or debt funding to finance ANZ's operations. However, the Group was not successful in its attempts to procure such financing from independent third parties at rates which would be in the interests of the Company and its Shareholders, following which the Group resorted to an internal capital injection of US$5.0 million into ANZ by the Target, funded by an unsecured loan made to the Target by a company controlled by Mr. Siemens.

Given that the principal existing business of ANZ is declining and the IT Business is still at an early stage of development and requires considerable funding, which the Group has been unable to procure, the Directors are of the view, and we concur, that the Disposal is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

4.2 ***Strategic direction of the Group***

Pursuant to discussions with the management of the Company, as reaffirmed in the Company's announcement dated 17 October 2014, we note that the Directors had held meetings in respect of the Group's strategic direction and plans to focus the Group's resources on its business operations in China and other parts of Asia (mainly in Singapore and Hong Kong), which may either be derived from the existing businesses and operations of the Group or introduced through members of the Board including newly appointed Directors; and reduce its involvement in the U.S. in order to consolidate Group resources. Moreover, the Directors are of the view that operating a U.S.-based asset from Hong Kong as part of an international joint venture with U.S. joint venture partners is neither cost-effective nor efficient and carries a higher risk factor. Taking into account the Group's strategic direction plans, we believe the Disposal is justifiable and will enable the Group to exit the U.S. and concentrate its resources on the IT Business, insurance and other related businesses in Asia.

4.3 ***Difficulties in finding a fit and proper purchaser***

In the announcement of the Company dated 17 October 2014, the Company reported that it had commenced negotiations with Mr. Siemens regarding the disposal of ANZ "on a non-exclusive basis", thereby making it clear that ANZ was available for sale and the Group were open to offers from outside third parties. The Group to the date of the Circular had not received any offer for the acquisition of the Target from other parties.

Pursuant to our discussions with the management of the Company, we note that the Directors are of the view that this lack of interest from potential investors may have been due to investors generally preferring to acquire a controlling stake in prospective target companies, and the prospects of acquiring a 50% equity interest in a joint venture with an unfamiliar joint venture partner may have discouraged potential offerors.

It was further noted that according to the joint venture agreement entered into by ANPI Holding and ZONE USA, any transfer of equity interests in ANZ to a party which is not an associate of ZONE USA would require ANPI Holding's consent. Since Mr. Siemens is an associate of ZONE USA, consent from ANPI Holding is therefore not required. Accordingly, we note that the Disposal to Mr. Siemens is more convenient and entails less risk of non-completion than if the Group's interest in ANZ were to be disposed of to an independent third party.

Based on the aforementioned reasons, the management of the Company concluded, and we concur, that it would be fair and reasonable and in the interests of the Company and the Shareholders to dispose of the Target to the Purchaser.

5. Financial effects of the Disposal

5.1 *Cease to have any interest in the Target Group*

Upon Completion, the Company will cease to have any interests in the Target Group. Currently, ANZ and its subsidiaries are regarded as a joint venture of the Group, and accordingly, their net assets and net results have been equity accounted for in the Company's consolidated financial statements. Such equity accounting will cease upon Completion, and therefore, the financial results and the assets and liabilities of the Target Group will no longer be accounted for in the consolidated financial statements of the Company thereafter.

5.2 *Estimated gain on the Disposal*

As stated in the "Letter from the Board", it is estimated that the Group will realise an estimated gain of approximately HK$30.9 million from the Disposal. The estimated gain on the Disposal is calculated by using the equity method, taking into account the directly related expenses, as described in detail under the section headed "Valuation Method" of the letter.

The actual gain or loss arising from the Disposal may be different from the estimated HK$30.9 million and will be subject to audit and be determined based on the consolidated net assets / liabilities of the Target Group as at the date of Completion and the amount of expenses incidental to the Disposal.

5.3 *Decrease in total assets and total liabilities*

As a result of the Disposal, the outstanding unsecured loan of approximately HK$38.8 million due to the Purchaser will remain with the Target. Hence, the Group's total liabilities will be reduced by the same amount upon Completion.

As stated in the "Letter from the Board", if the Disposal had been completed on 31 August 2014, the Group's unaudited total assets and total liabilities as at 31 August 2014 would be decreased by approximately HK$9.0 million and HK$41.1 million, respectively.

6. Future plans and use of proceeds

As a result of the Disposal, the net cash proceeds are estimated to be approximately HK$128.5 million, after deducting expenses attributable to the Disposal of approximately HK1.5 million. The Company intends to apply the net cash proceeds as follows:

- approximately HK$35.0 million to be used for the growth and expansion of the Group's existing telecommunication businesses which may include acquisitions of revenue generating assets and / or businesses should the opportunities arise. As at the Latest Practicable Date, no potential asset and / or such business had been identified;

- approximately HK$20.0 million to be used for the growth and expansion of the Group's insurance distribution business through more aggressive roll-out programmes in existing and new markets including Hong Kong, Canada, Thailand and Indonesia;

- approximately HK$33.5 million to be used for making potential investment into new businesses and other opportunities, primarily in Asia. As at the Latest Practicable Date, no such investment opportunity had been identified; and

- approximately HK$40.0 million to be used for general working capital, including repayment of the Group's borrowings and staff recruitment.

We believe that the abovementioned intended use of proceeds is consistent with the business strategies of the Company.

RECOMMENDATION

In evaluating the Disposal Agreement, we note that (i) ANZ's financial position had been deteriorating in recent years resulting in losses recorded for the Group's share of results of joint ventures for the year ended 31 December 2013 and the six months ended 30 June 2014; (ii) the Traditional Business engaged in by ANZ has been on a declining trend in past years with little indication of recovery; (iii) the IT Business, including the Cloud Business, as engaged in by ANZ requires substantial capital injections for which the Group has been unable to obtain external financing; (iv) such disposal is in line with the Group's new business strategy; (v) the Consideration represents a premium and results in a gain on Disposal of approximately HK$30.9 million, which allows the Group to realise an amount of cash resources and the flexibility to invest in line with its future business strategies; and (vi) the Group has received no offer concerning the acquisition of ANZ from any third parties since announcing its non-exclusive negotiations with Mr. Siemens.

Having considered the above principal factors and reasons, we are of the view that (i) the Disposal is in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Disposal Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolution to be proposed at the SGM to approve the Disposal contemplated under the Disposal Agreement.

Yours faithfully
For and on behalf of
Altus Capital Limited
Chang Sean Pey
Executive Director

Mr. Chang Sean Pey ("Mr. Chang") is a Responsible Officer of Altus Capital Limited licensed to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 15 years of experience in banking, corporate finance and advisory, and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.

Pursuant to Rule 13.84 of the Listing Rules, Altus Capital Limited is independent of the Company. In particular, Altus Capital Limited has not acted as an independent financial adviser of the Company's other transactions in the last two years from the date of the Circular.

1. FINANCIAL INFORMATION OF THE GROUP

The consolidated financial information of the Group for each of the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 are disclosed in the annual reports of the Group for the years ended 31 December 2011 (pages 29 to 83), 2012 (pages 31 to 92) and 2013 (pages 31 to 87), and the interim report of the Group for the six months ended 30 June 2014 (pages 3 to 19), respectively.

The aforementioned financial information of the Group can be accessed on the website of the Company (www.e-kong.com) and the website of the Stock Exchange (www.hkex.com.hk), and can also be accessed by the direct hyperlinks below:

(a) the annual report of the Group for the financial year ended 31 December 2011:
http://www.hkexnews.hk/listedco/listconews/SEHK/2012/0412/LTN20120412593.pdf

(b) the annual report of the Group for the financial year ended 31 December 2012:
http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0417/LTN20130417197.pdf

(c) the annual report of the Group for the financial year ended 31 December 2013:
http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0410/LTN20140410671.pdf

(d) the interim report of the Group for the six months ended 30 June 2014:
http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0910/LTN20140910236.pdf

2. INDEBTEDNESS STATEMENT

Borrowings

At the close of business on 31 October 2014, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Group had the following indebtedness:

(a) total interest-bearing bank borrowings of the Group amounted to approximately HK$79.9 million, of which US$10.0 million (equivalent to approximately HK$77.5 million) is in respect of a banking facility extended to the Target Group. The remaining balance of the bank borrowings of approximately HK$2.4 million was utilised for the acquisition of assets in Singapore in 2012 and was secured by net assets of subsidiaries of the Company in Singapore; and

(b) other interest-bearing borrowings of the Group amounted to US$6.0 million (equivalent to approximately HK$46.5 million). The principal amount of US$5.0 million (equivalent to approximately HK$38.8 million) was utilised for a capital contribution to ANZ and the remaining balance was utilised for working capital of the Group.

Guarantees

As at 31 October 2014, the Group had pledged bank deposits amounting to approximately HK$79.0 million, among which US$10.0 million (equivalent to approximately HK$77.5 million) was pledged in support of the banking facility extended to the Target Group as described above.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, as at 31 October 2014 the Group did not have any mortgages, charges, debentures, debt securities issued and outstanding, authorised or otherwise created but unissued, outstanding borrowings or indebtedness in the nature of borrowing including term loans, bank overdrafts, liabilities under acceptances, acceptance credits, hire purchase commitments or other similar indebtedness, or any guarantees or other contingent liabilities.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, being the date on which the latest published audited consolidated financial statements of the Group were made up.

4. WORKING CAPITAL

Taking into account the effects of completion of the Disposal and the financial resources available to the Group, including internally generated funds and available banking facilities of the Group, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular, in the absence of unforeseeable circumstances.

5. FINANCIAL AND TRADING PROSPECT OF THE COMPANY

After Completion, the Group will continue to operate its telecommunication businesses in Singapore and Hong Kong and its insurance distribution business in Hong Kong, Canada and other markets to be developed.

The Group will continue its efforts to transform its telecommunication business in Asia into an integrated telecom service provider offering a wide range of both voice and data-related solutions and services. The Group will intensify its sales and marketing efforts in promoting higher margin and recurring revenue-type sales in IT-telecoms, cloud and hosting services targeting the enterprise market. The Group will make further capital investments in appropriate technologies to build scalable infrastructures that will enable it to deliver various cloud services as well as to introduce new mobile web services in tandem with the growing use of smart devices. The Group's telecommunication business over the coming few years is expected to generate sufficient cashflow to fund the anticipated organic growth but, if opportunities do arise, the Group will consider injecting additional funding into its operations in order to accelerate its revenue growth or for making potential acquisitions.

In respect of the business of mass-market distribution of insurance-related products, the Group will continue with its current development and roll-out of its strategy to serve as the intermediary for or agent of insurance companies to bridge and facilitate retailers and service providers with large customer bases and extensive distribution networks to promote and distribute life and non-life insurance products through an innovative customer acquisition and cross-selling / up-selling process. In Hong Kong, the Group is expected to capitalise on its current relationship with the largest local telecom company in progressively introducing new insurance products to its large customer base and the Group will duplicate this business model in Canada in partnership with one of the largest supermarket chains. Concurrently the Group will advance its business development efforts in other countries, including in Thailand and Indonesia.

While the Group to date is committed to support and, if necessary, fund its Asian businesses, it will from time to time diligently scrutinise the operating performance, growth potential and funding requirement of each of its business units and prioritise the allocation of its resources in order to enhance the financial position of the Group and to optimise the potential returns on Shareholders' investments.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Interests of the directors and the chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares and underlying Shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept under section 352 of the SFO, or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as otherwise notified to the Company or the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules are set out below.

Name of Director	Capacity	Number of Shares held	Approximately percentage of shareholding
Richard John Siemens	Held by controlled corporations	128,010,200 *(Note)*	24.6%
Lim Shyang Guey	Personal	3,930,000	0.8%

Note: 28,010,000 Shares are beneficially owned by Siemens Enterprises Limited and 100,000,200 Shares are beneficially owned by Goldstone Trading Limited, both companies controlled by Mr. Siemens.

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company (including their spouses and children under the age of 18) had any interests or short positions 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) as recorded in the register required to be kept pursuant to section 352 of the SFO or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company and according to the register of interest kept by the Company under section 336 of the SFO, the parties (other than the Directors or the chief executive of the Company) which had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under 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 share capital carrying rights to vote in all circumstances at general meeting of any members of the Group were as follows:

Name of Shareholders	Number of Shares held	Approximate percentage of shareholding
Costrade Group Limited	140,012,342 *(Note 1)*	26.9%
Goldstone Trading Limited	100,000,200 *(Note 2)*	19.2%

Notes:

1. 140,012,342 Shares are beneficially owned by Costrade Group Limited which is controlled by Mr. Chan Hing Ping.

2. These interests represent the same interests as the corporate interests of Mr. Siemens (being held through Goldstone Trading Limited) as disclosed to the note under the heading of "Interests of the directors and the chief executive of the Company" above.

All interests disclosed above represent long positions in the Shares.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register required to be kept by the Company under section 336 of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any members of the Group.

3. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, to the best knowledge and belief of the Directors after having made all reasonable enquiries, none of the Directors and their respective associates were considered to have any interests in businesses which competed or were likely, either directly or indirectly, with the businesses of the Group that need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

4. MATERIAL CONTRACT

As at the Latest Practicable Date, save for the Disposal Agreement, no material contracts (being contracts entered into otherwise than in the ordinary course of business of the Company) have been entered into by members of the Group within the two years preceding the issue of this circular.

5. LITIGATION

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

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, any service contract with the Company or any other member(s) of the Group (excluding contracts expiring or which may be terminated by the Company within a year without payment of any compensation (other than statutory compensation)).

7. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

(a) Save for the Disposal Agreement in which Mr. Siemens is materially interested, there was no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group as a whole.

(b) As at the Latest Practicable Date, save for the Disposal, none of the Directors or their respective associates had any interest, direct or indirect, in any assets which had been, since 31 December 2013, being the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. EXPERT AND CONSENT

(a) The following is the qualification of the expert who has given opinion, which is contained or referred to in this circular:

Name	Qualification
Altus Capital Limited	A licensed corporation permitted to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

(b) As at the Latest Practicable Date, Altus Capital Limited did not have any direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(c) Altus Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it respectively appears.

(d) Altus Capital Limited does not have any interest, direct or indirect, in any assets which have been acquired, disposed of or leased to, or which are proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. GENERAL

(a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company in Hong Kong is situated at 3705 Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong.

(b) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

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

(d) The English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at 3705 Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal office hours on any weekday, except Saturdays, Sundays and public holidays, from the date of this circular up to and including 16 December 2014:

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

(b) the material contract referred to in the section headed "Material contract" in this appendix;

(c) the annual reports of the Company for each of the two financial years ended 31 December 2013;

(d) the interim report of the Company for the six months ended 30 June 2014;

(e) the letter from the Independent Board Committee, the text of which is set out on page 14 of this circular;

(f) the letter from the Independent Financial Adviser, the text of which is set out on pages 15 to 30 of this circular;

(g) the written consent referred to in the section headed "Expert and consent" in this appendix; and

(h) this circular.

e-Kong Group Limited

(Incorporated in Bermuda with limited liability)

www.e-kong.com

(Stock Code: 524)

NOTICE IS HEREBY GIVEN THAT the special general meeting of e-Kong Group Limited (the "**Company**") will be held at Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Tuesday, 16 December 2014 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the conditional sale and purchase agreement dated 4 November 2014 (the "**Agreement**") entered into between Cyberman Limited, an indirect wholly owned subsidiary of the Company (the "**Seller**"), and Distacom International Limited, a company wholly owned by Mr. Richard John Siemens (the "**Purchaser**") in relation to the acquisition by the Purchaser of the entire issued share capital of ZONE Global Limited for an aggregate consideration of HK$130,000,000, a copy of which has been produced to the meeting, marked "A" and initialled by the chairman of the meeting for the purpose of identification, be and is hereby approved, confirmed and ratified;

(b) the directors of the Company be and are hereby authorised to exercise all powers of the Company and to take such actions, do such things, agree to such amendments, variations or extension to the Agreement and execute such documents or deeds as in their opinion may be necessary, desirable or expedient for the purpose of giving effect to and / or to implement the Agreement and the transactions contemplated thereunder."

By Order of the Board
Lau Wai Ming Raymond
Executive Director and
Company Secretary

Hong Kong, 28 November 2014

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 need 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 certified copy thereof, must be deposited at the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 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 the case of joint holders of a share, any one of such joint holders may vote at the meeting either in person or by proxy in respect of such share, but if more than one of such joint holder is present at the meeting personally or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the other joint holder(s) and for this purpose, seniority will be determined by the order in which the names stand in the register of members in respect of the joint holders.