

Chairman's Statement

In 2001, amidst exceptionally difficult market conditions, e-Kong Group Limited (the "Company", together with its subsidiaries collectively referred to as the "Group") continued to develop its service businesses with significant growth mainly generated from the ZONE telecom business. However, our investments in technology and Internet-related companies, were particularly affected by the general economic downturn and the continuing negative sentiment towards the technology sector.

Total turnover for the year 2001 was over HK\$264 million, a 164% increase over that of the previous year. ZONE businesses in the US, Hong Kong and Singapore accounted for 85% of this year's revenue. The majority of the future revenue growth for the Group is expected to derive from its ZONE business.

The Group reported a net loss of HK\$681 million for the year. The operating loss of HK\$253 million was predominantly due to costs incurred during the growth and expansion phase of the Group's businesses. This year's loss was mainly attributable to non-recurring losses of HK\$427 million which included HK\$312 million resulting from a decrease in the valuation of the Group's investments and HK\$115 million from write-offs of intangible assets and goodwill. The Group has taken a prudent approach to provision for devaluation of its investments in order to reflect their fair market value.

In 2001, the Company underwent certain changes to its shareholding structure and Board composition. In December 2001, the Company successfully completed a two-for-one rights issue and raised net proceeds of approximately HK\$128 million. Following the rights issue, Mr. Kuldeep Saran and Mr. William Bruce Hicks, who are also directors of SUNDAY Communications Limited, increased their stake in the Company to about 4.0% and 4.5% respectively and were subsequently invited to join the Board. Also, after completion of the rights issue, I became a substantial shareholder and the single largest shareholder of the Company.

During 2001, Messrs. Mokhzani Mahathir, Ong Soon Kiat, Peng Chian Chua, Fung Che Kwong, Ngan Chor Man and Johnson Chan resigned from the Board. Messrs. Shane Frederick Weir, Matthew Brian Rosenberg, Chong Ching Lai (who subsequently resigned in January 2002), Kuldeep Saran and William Bruce Hicks were appointed to the Board. I am confident that the new board members will make considerable contributions toward achieving our business and corporate goals and in formulating the strategic direction for the Group.

For 2002, the Group anticipates that ZONE1511 in Hong Kong and Singapore will collectively contribute towards the positive cashflow of the Group. The Group aims to allocate a substantial portion of its available resources toward growing the ZONE business in the US as it believes that this market offers the most potential opportunity for growth.

Finally, on behalf of the board of directors, I wish to thank our business associates, shareholders and customers for their continuous support and also acknowledge our appreciation for the contribution and dedication of the Group's employees.

Richard John Siemens
Chairman

Hong Kong, 3 April 2002