e-KONG Group Limited

Stock Code: 524

We are together

Annual Report 2016

Contents

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Yeung Chun Wai Anthony
(Chairman, Chief Executive Officer)
Chan Chi Yuen
Wong Xiang Hong
Yeung Chun Sing Standly

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chan Chiu Hung Alex
Fung Chan Man Alex
Chan Fong Kong Francis

COMPANY SECRETARY

Liu Xiaoting

AUDITOR

Mazars CPA Limited
Certified Public Accountants

LEGAL ADVISERS

Michael Li & Co.
Conyers Dill & Pearman

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd. Hong Kong Branch
The Bank of East Asia, Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Suites 3401–3413, 34/F
Two Pacific Place
88 Queensway
Admiralty, Hong Kong
Tel: + 852 2807 8288
Fax: + 852 2807 8299

STOCK CODES

Hong Kong Stock Exchange:	524
CUSIP Reference Number:	26856N109

WEBSITE

www.e-kong.com

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

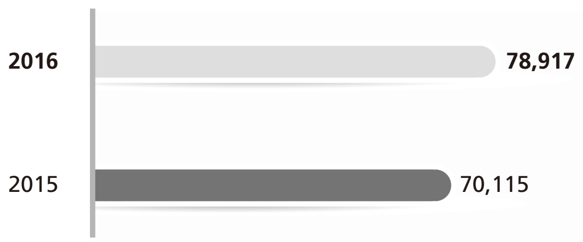
BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Secretaries Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

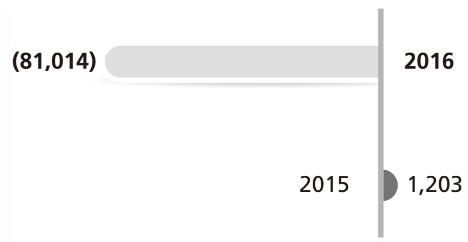
Financial Highlights

	2016 **HK$'000**	2015 HK$'000
Revenue	**78,917**	70,115
(Loss)/Profit for the Year	**(81,014)**	1,203
Net Assets	**206,253**	228,088
Cash and Bank Balances	**45,239**	94,116

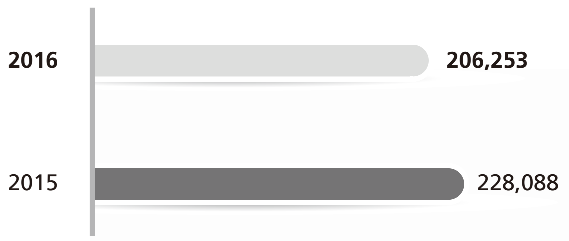
Revenue
(HK$'000)



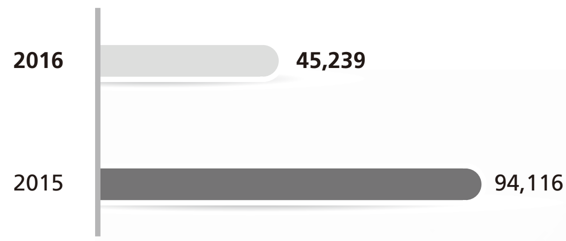
(Loss)/Profit for the Year
(HK$'000)



Net Assets
(HK$'000)



Cash and Bank Balances
(HK$'000)



e-Kong Group currently has a portfolio of business interests in the telecommunications, information technology, financial solution, advertising, software development and distribution sectors in Hong Kong, Singapore and People's Republic of China ("PRC") and is actively pursuing other opportunities that are complementary to its existing operations or have high growth potential, ability to generate healthy cashflows and capabilities to produce optimum return on capital. The Company is listed on the main board of the Hong Kong Stock Exchange (SEHK: 524).

Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors") of e-Kong Group Limited (the "Company" together with its subsidiaries, the "Group"), I am pleased to present the Group's annual report for the year ended 31 December 2016.

During the year under review, the Group's telecom business in Asia ("ZONE Asia") comprises the Group's telecom operations in Singapore ("ZONE Singapore") and Hong Kong ("ZONE Hong Kong"), ZONE Hong Kong continues its efforts in adapting to the current difficult market environment, which include exploring different avenues to rationalise its infrastructure and operating cost base relating to the voice business, and enhancing its sales channels and creativity for project-related businesses. ZONE Singapore endeavours to defend its market position by more targeted marketing and sales efforts. Cybersite Services Pte Ltd, a member of ZONE Singapore, further enhanced its Cloud service offerings to capitalise on the growth in the Cloud industry.

Meanwhile, the Group has also been actively pursuing other investment opportunities in the region, in particularly in Greater China. On 15 February 2016, the Company and Thunder Power Hong Kong Limited ("TPHK") entered into a legally binding term sheet (the "Term Sheet") in relation to a proposed investment by the Company and/or its designee(s) (collectively, the "Investor") in TPHK, subject to reorganisation, its holding company or subsidiary (collectively the "Target Group"). On 19 February 2016, the Group completed the First Tranche Investment with a subscription for new ordinary shares of TPHK for USD1 million and is now interested in 0.20% of the enlarged issued shares of TPHK. Further, as disclosed in the Company's announcement dated 24 June 2016, the Company has acquired all the issued shares of Diamond Frontier Investments Limited, which, through its subsidiaries, is engaged in the business of provision of financial solution, advertising and software development services by using e-commerce platform to facilitate businesses.

Going forward to the year 2017, for the telecommunication business, the Group will make further progress in expanding its cloud services in Singapore and around the neighboring regions. For the financial solution, advertising and software development services business under Diamond Frontier Investments Limited, the Company is also actively exploring potential acquisition opportunities to acquire businesses or companies in the same industry in order to expand the market share of the Company and increase the profitability of the Company. Commercial negotiations are still ongoing and the Company will make further announcements in accordance with the Listing Rules as such negotiations materialize. In addition, the Group is actively pursuing other opportunities that are complementary to its existing operations, in particular in the technology related business which have high optimum return on capital. The Board is optimistic that the Group will deliver business diversification, enhance shareholder value and contribute sustainable growth.

On behalf of the Board, I would like to express our appreciation to all the fellow directors, employees and business partners for their great support, hard work, dedication and commitment to the Group.

Yeung Chun Wai Anthony
Chairman

30 March 2017

Business Review

OVERVIEW

The Group's turnover for the year under review increased by 12.6% to approximately HK$78.9 million compared to approximately HK$70.1 million for the prior year. The Group's telecom business in Asia ("Zone Asia"), comprising the Group's telecom operations in Singapore ("Zone Singapore") and Hong Kong ("Zone HK"), remained the major revenue contributor in 2016. Hangzhou Susong Technology Company Limited ("Hangzhou Susong"), comprising the financial solution, advertising and software development services and distribution business in mainland China, became the second revenue contributor since July 2016. The overall gross margin of the Group (as a percentage of its revenue) increased to 55.7% compared to 51.4% for the prior year. Loss attributable to equity holders of the Company of approximately HK$79.3 million was recorded for the year as compared with a profit of approximately HK$3.9 million in the previous year, mainly due to the substantial increase in legal and professional fees for the various acquisitions and attempted acquisitions of investments and businesses, increase in office rental expenses and substantial decrease in fair value of financial assets at fair value through profit or loss. The Group's net asset decreased from approximately HK$228.1 million as at 31 December 2015 to approximately HK$206.3 million as at 31 December 2016.

ZONE ASIA

Total revenue recorded by ZONE Asia, which comprises the Group's telecom-related service operations in Hong Kong and Singapore, was approximately HK$58.5 million, representing a 14.6% decrease as compared to approximately HK$68.5 million for the prior year. The legacy voice business in both operations recorded further decline in revenue and margin, more significantly in Hong Kong due to the loss of some key customers. ZONE Hong Kong continues its efforts in adapting to the current difficult market environment, which includes exploring different avenues to rationalise its infrastructure and operating cost-base relating to the voice business, and enhancing its sales channels and creativity for project-related businesses.

2016 has also been a taxing year for ZONE Singapore. The telecom industry in Singapore witnessed a surge in the level of competition especially in the corporate market. While the contribution from the voice business continued to decrease, the competitive pressure in the data connectivity business intensified with the sizable ISPs raising their competitive stakes. In particular those industry players having mature infrastructure with large data capacity were competing for a larger market share by lowering subscription fee levels and offering higher bandwidth services. ZONE Singapore endeavours to defend its market position by more targeted marketing and sales efforts, but if ZONE Asia is to remain its competitiveness, it will require significant investments in its infrastructure in order to reach the required capacity and bandwidth so that it can offer comparable services at similar price levels.

Cybersite Services Pte Ltd, a member of ZONE Singapore, further enhanced its Cloud service offerings to capitalise on the growth in the Cloud industry. The rate of revenue growth however was not in line with the expected pace to offset the drop in the legacy voice and data connectivity business segments as the Cloud industry in Singapore has not received as wide as acceptance as generally anticipated. The situation is further exacerbated by the influx of international and regional Cloud service providers into the Singapore market which has intensified the competitive landscape as compared with the last few years.

HANGZHOU SUSONG

During the year, the Group has acquired all the issued shares of an investment holding company, Diamond Frontier Investments Limited ("Diamond Frontier"), which holds 90% equity interests of Hangzhou Susong. Hangzhou Susong is engaged in the business of provision of financial solution, advertising and software development services by using e-commerce platform to facilitate businesses and distribution business. Hangzhou Susong is a comprehensive payment support operation business partner with China Unicom, China Mobile and China UnionPay, focusing on providing integrated financial payment processing solutions. Hangzhou Susong owns 50% equity interests in the registered capital of Hangzhou Fusu, a company established in 2015 which conducts the business of research and development relating to information technology. The total revenue recorded relating to financial payment processing solution and software development services and distribution business is approximately HK$16.4 million.

OUTLOOK

The Group finds that, similar to other developed countries like the United States, telecom markets in Hong Kong and Singapore have matured to the stage where capacity and scale have become the only critical factors. A business focusing on high service levels and close customer relationships, which ZONE Asia has always been proud of, does not guarantee generating enough traction. In 2017, ZONE Asia will continue its cost rationalising efforts to realign its business margin. ZONE in Singapore will also focus on growing its Cloud business with promoting ease-of-use service offerings and overseas marketing efforts. For the financial solution, advertising and software development services business under Diamond Frontier, the Company is also actively exploring potential acquisition opportunities to acquire businesses or companies in the same industry in order to expand the market share and increase the profitability of the Company. The Group strives to find the right balance in deploying its resources between maintaining the ZONE Asia businesses to be sustainable and relevant in the competitive market, and building its new businesses and investments which offer a more promising return to the Group and its shareholders as a whole.

Financial Review

TURNOVER AND RESULTS

The Group turnover for the year amounted to approximately HK$78.9 million, representing an increase of 12.6% compared to the prior year, mainly due to the increase in revenue from Hangzhou Susong operations.

The overall gross margin of the Group was 55.7%, compared to 51.4% for the prior year. The gross profit for the year increased by 22.0% to approximately HK$43.9 million, compared to approximately HK$36.0 million for the previous year.

Total operating expenses of the Group amounted to approximately HK$113.5 million, compared to approximately HK$72.6 million for the previous year.

The operating loss of the Group amounted to approximately HK$57.0 million, compared to a loss of approximately HK$35.4 million for the previous year.

The consolidated loss attributable to the equity holders of the Company amounts to approximately HK$79.3 million, compared to a profit of approximately HK$3.9 million for the previous year.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCING

As at 31 December 2016, the net assets of the Group amounted to approximately HK$206.3 million compared to approximately HK$228.1 million as at 31 December 2015, equivalent to a net asset value per share of approximately HK$0.236 as at 31 December 2016 (2015: approximately HK$0.313).

Capital expenditures for the year amounted to approximately HK$9.3 million mainly in respect of network and general office equipment enhancements in Singapore and Hong Kong.

As at 31 December 2016, the number of issued shares had increased from 729,400,000 to 875,280,000. All shares issued during the year rank pari passu with the existing shares in all respects. On 18 November 2016, the Company allotted and issued an aggregate of 145,880,000 ordinary shares of HK$0.01 each for cash to six independent investors at a placing price of approximately HK$0.38 per share under the general mandate granted by the shareholders at the annual general meeting of the Company held on 13 May 2016. The net proceeds were approximately HK$55.16 million.

The Company intends to use the net proceeds from the Placing to strengthen the financial position of the Group's business operation and provide additional funding to further develop the Group's business.

Cash and bank balances together with cash held by a securities broker (excluding pledged bank deposits) amounted to approximately HK$48.5 million as at 31 December 2016 (2015: approximately HK$120.9 million). On the same date, total pledged bank deposits amounted to approximately HK$1.4 million (2015: approximately HK$1.4 million). Bank guarantees of approximately HK$1.4 million (2015: approximately HK$1.4 million) were issued to suppliers for operation requirements.

As at 31 December 2016, the Group had no bank or other borrowings (2015: Nil). As at 31 December 2016, the Group had total obligations under finance leases amounting to approximately HK$200,000 (2015: Nil).

As at 31 December 2016, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets was 0.1% (2015: 0%).

SIGNIFICANT INVESTMENTS HELD AND PERFORMANCE

As at 31 December 2016, the Group held for trading investments in securities in Hong Kong (collectively, the "Investments") with a market value of approximately HK$63.2 million (31 December 2015: approximately HK$51.1 million), representing an investment portfolio of seven (31 December 2015: seven) listed equities in Hong Kong. The Group recorded unrealised fair value loss and a realised loss on disposal of approximately HK$14.5 million and approximately HK$8.9 million (31 December 2015: approximately HK$6.9 million of unrealised fair value losses and approximately HK$5.2 million of realized loss on disposal) in respect of investment in listed securities held for trading as at 31 December 2016. The significant loss is caused by the performance of the Group's securities trading and investment and was impacted by the continuous unfavorable stock market condition in Hong Kong for these securities. The details of the Investments as at 31 December 2016 are as follows:

	Company name	Stock code	Number of shares held	% of shareholdings in equity investment	Realised gain (loss) for the year HK$'000	Unrealised gain (loss) on fair value change for the year HK$'000	Cost of acquisition HK$'000	Fair value as at 31 December 2016 HK$'000	% of net assets	Principal activities
1	China Baoli Technologies Holdings Ltd	00164	73,150,000	0.22%	581	23	16,802	16,825	8.16%	Entertainment and cruise ship business, property business, gamma ray irradiation services, resources business and securities trading and investment.
2	Sincere Watch (Hong Kong) Ltd.	00444	30,450,000	0.61%	–	(18,879)	24,969	6,090	2.95%.	Distribution of branded luxury watches, timepieces and accessories in Hong Kong, Macau, Taiwan and the PRC, dining business and property investment.
3	Noble Century Investment Holdings Ltd.	02322	10,320,000	0.28%	–	1,253	8,035	9,288	4.50%	Vessel chartering, trading, money lending and finance leasing.
4	BEP International Holdings Ltd.	02326	1,000,000	0.00%	(196)	(200)	650	450	0.22%	Sourcing and sale of metal minerals and related industrial materials, production and sale of industrial products, sale of electrical and electronic consumer products, provision of logistics services and production and sale of utilities.
5	Casablanca Group Ltd.	02223	1,544,000	0.60%	(302)	(3,134)	5,064	1,930	0.94%	Manufacture and trading of home textile products and accessories.
6	Beijing Gas Blue Sky Holdings Limited	06828	26,256,000	0.27%	–	1,135	14,881	16,016	7.77%	Sales and distribution of natural gas and other related products; sales of book products; sales of specialised products.

	Company name	Stock code	Number of shares held	% of shareholdings in equity investment	Realised gain (loss) for the year HK$'000	Unrealised gain (loss) on fair value change for the year HK$'000	Cost of acquisition HK$'000	Fair value as at 31 December 2016 HK$'000	% of net assets	Principal activities
7	SingAsia Holdings Ltd.	08293	3,000,000	1.20%	–	5,290	7,310	12,600	6.11%	Provide manpower outsourcing services, manpower recruitment services and manpower training services based in Singapore.
	Other equity disposed during the year									
	Beijing Enterprises Clean Energy Group Ltd.	01250			9					
	Modern Land (China) Co., Ltd.	01107			(1,335)					
	Tech Pro Technology Development Ltd.	03823			(7,205)					
	King Stone Energy Group Ltd.	00663			(7)					
	Other fee and commission expenses				(400)					
					(8,938)					
					(8,855)	(14,512)	77,711	63,199		

During the year, the Group received approximately HK$0.1 million of dividends from the securities held.

The Board acknowledges that the performance of the equities may be affected by the degree of volatility in the Hong Kong stock market and are susceptible to other external factors that may affect their values. Accordingly, in order to mitigate possible financial risks related to the equities, the Board maintains a diversified investment portfolio across various segments of the market and also closely monitors the performance of its investment portfolio.

FOREIGN EXCHANGE EXPOSURE

Since most of the Group's assets and liabilities are denominated in Hong Kong dollars, the Group considers there are no significant exposures to foreign exchange fluctuations. Moreover, certain revenue and payments of the Group are denominated in Singapore dollars and Renminbi. The Group continues to closely monitor the Singapore-Hong Kong dollar and Renminbi-Hong Kong dollar exchange rates and will, whenever appropriate, take appropriate action to mitigate such exchange risks. As at 31 December 2016, no related currency hedges had been undertaken by the Group.

CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 December 2016, other than disclosed elsewhere in this report, there were no material contingent liabilities or commitments.

Board of Directors and Company Secretary

BOARD OF DIRECTORS

Yeung Chun Wai Anthony ("Mr. Yeung"), aged 41, is currently an executive director of China Baoli Technologies Holdings Limited (formerly known as REX Global Entertainment Holdings Limited) (Stock Code: 164), and the vice chairman of the board and an executive director of Huarong Investment Stock Corporation Limited (formerly known as Chun Sing Engineering Holdings Limited) (Stock Code: 2277), the shares of all of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Yeung was the chairman of the board, the chief executive officer and an executive director of China Minsheng Drawin Technology Group Limited (Stock Code: 726) from December 2014 to September 2015, a vice chairman of the board and an executive director of Leyou Technologies Holdings Limited (Stock Code: 1089) from June 2014 to July 2015, the shares of all of which are listed on the Main Board of the Stock Exchange. Also, Mr. Yeung had served as the managing director and a senior executive of J.P. Morgan, Bank of America Merrill Lynch, UBS AG and Normura, mainly responsible for initiation and execution of financial products, debt & risk management, asset management and securities sales, and other related transactions in the Greater China Region during April 2006 to May 2013. Further, he had worked with China COSCO Holdings Company Limited (Stock Code: 1919), the shares of which is listed on the Main Board of the Stock Exchange, as a member of its senior management as well as the deputy chief financial officer and the company secretary during March 2005 to April 2006. Mr. Yeung was previously an independent non-executive director of Global Energy Resources International Group Limited (Stock Code: 8192), the shares of which are listed on the Growth Enterprise Market of the Stock Exchange, from February 2014 to June 2015.

Mr. Yeung has proven track records and extensive experience in corporate restructuring and rescuing, consulting, corporate finance and business negotiation with well-versed business and people network in the Greater China Region. Mr. Yeung graduated from The University of Hong Kong with a Bachelor Degree in Business Administration (Accounting and Finance) in 1998. He is a fellow member of Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and a fellow member of The Hong Kong Institute of Directors. Mr. Yeung is highly dedicated to community services. He has been serving as an honorary court member of The Hong Kong Baptist University, a member of the Admissions, Budgets and Allocation Committee of the Community Chest of Hong Kong, a founding board member and an honorary treasurer of the Child Development Matching Fund and Quality Mentorship Network Limited, a director of Opera Hong Kong and a council member of the Hong Kong Institute of Directors and so on.

Chan Chi Yuen, aged 50, holds a Bachelor degree with honours in Business Administration and a Master of Science degree with distinction in Corporate Governance and Directorship. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and The Institute of Chartered Accountants in England and Wales. Mr. Chan is a practising certified public accountant and has extensive experience in financial management, corporate development, corporate finance and corporate governance.

Mr. Chan is currently an executive director of Noble Century Investment Holdings Limited (Stock Code: 2322), Royal Century Resources Holdings Limited (formerly known as Kate China Holdings Limited) (Stock Code: 8125) and an independent non-executive director of Asia Energy Logistics Group Limited (Stock Code: 351), China Baoli Technologies Holdings Limited (Stock Code:164), Jun Yang Financial Holdings Limited (Stock Code: 397), Leyou Technologies Holdings Limited (Stock Code:1089), Media Asia Group Holdings Limited (Stock Code: 8075), New Times Energy Corporation Limited (Stock Code:166), U-RIGHT International Holdings Limited (Stock Code: 627) and Affluent Partners Holdings Limited (formerly known as Man Sang Jewellery Holdings Limited) (Stock Code: 1466). Mr. Chan was an executive director of South East Group Limited (now known as China Minsheng Drawin Technology Group Limited) from December 2013 to July 2015 (Stock Code: 726), Co-Prosperity Holdings Limited from December 2014 to October 2015 (Stock Code: 707) and the chairman of Kong Sun Holdings Limited from December 2011 to September 2013 (Stock Code: 295) and an independent non-executive director of China Sandi Holdings Limited from September 2009 to July 2014 (Stock Code: 910). The issued shares of all the aforesaid companies are listed and traded on the Stock Exchange.

Wong Xiang Hong, aged 46. He is currently a partner of China Economic International Asset Management Co., Ltd, responsible for its investment banking and private equity business. Before joining China Economic International Asset Management Co., Ltd, Mr. Wong worked in J.P. Morgan as a Managing Director and Head of China Corporate Sales Team in the Credit & Rates Department. During his stay in J.P. Morgan, Mr. Wong was responsible to build and manage the sales teams for the origination, advisory and execution of structured financing, risk management, balance sheet management solutions for Greater China corporate clients. In the past ten years, Mr. Wong has successfully executed various innovative risk management and structured financing transactions for corporates in Hong Kong and Mainland China. Mr. Wong has also worked in the Asia Debt Capital Markets Team where he participated in many landmark capital markets transactions raising over USD10 Billions for clients in Asia including People's Republic of China, Parkson Retail, Hutchison Whampoa, Hongkong Land, Chinatrust Commercial Bank, Cathay United Banks, Wing Hang Bank and Bank of East Asia, Republic of Malaysia and Republic of the Philippines. Mr. Wong has also worked in the Financial Advisory Unit in Hong Kong advising clients in the telecom and power industry on debt restructuring during the Asian financial crisis. Prior to relocating to Hong Kong in 1999, he had been working with Global Mergers & Acquisitions and Global Syndicated Finance Group with J.P. Morgan in New York. He has worked on a number of U.S. domestic landmark merger and acquisition transactions in the power and utility sector totaling USD5 Billion and leveraged financing transaction in various industries. Mr. Wong joined J.P. Morgan in 1998 after graduating with an MBA degree with Dean's Honor from the University of Texas at Austin.

Yeung Chun Sing Standly, aged 37, obtained a Postgraduate Diploma of Professional Accountancy in Lingnan University and a Bachelor Degree of Accounting & Banking in Chu Hai University. He is a student member of The Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Directors. Mr. Standly Yeung has extensive experience in financial management and corporate finance. Mr. Standly Yeung joined the Group in August 2015 and he is currently the head of the Finance department in the Group. Prior to joining the Group, he was the financial controller of Leyou Technologies Holdings Limited from June 2014 to July 2015 (Stock Code: 1089), the issued shares of which are listed on the Main Board of the Stock Exchange.

Chan Chiu Hung Alex, aged 50, is an associate member of The Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales, and a fellow member of The Association of Chartered Certified Accountants, The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators, having served in senior financial and company secretarial positions in a number of public companies listed in Hong Kong and Singapore for 18 years. Mr. Chan holds a Bachelor of Business Administration degree (major in finance) from Hong Kong Baptist University and professional diplomas in Hong Kong tax and China tax from The Hong Kong Institute of Certified Public Accountants.

Mr. Chan is currently an independent non-executive director of Feishang Non-metal Materials Technology Limited (Stock Code: 8331), Cinderella Media Group Limited (Stock Code: 550) and Royal Century Resources Holdings Limited (formerly known as Kate China Holdings Limited) (Stock Code: 8125). Mr. Chan was appointed as independent non-executive director of Co-Prosperity Holdings Limited (Stock Code: 707) from March 2015 to October 2015.

Fung Chan Man Alex, aged 54, obtained a BSc (Hons) degree in Electrical Engineering from University of Bath (UK) in 1986 and subsequently an MBA degree from Heriot Watt University (UK). He has over 15 years working experience in financial market and corporate finance activities in both Hong Kong and China. Mr. Fung serves as an independent non-executive director of Luxey International (Holdings) Limited (Stock Code: 8041), a company listed in Hong Kong.

Chan Fong Kong Francis, aged 41, has over 14 years of experience in capital investment, assurance and consultancy services industry. Mr. Francis Chan obtained a Bachelor's Degree in Commerce, majoring in Accounting and Finance from Deakin University (Melbourne, Australia). He attained Certified Practicing Accountant status with CPA Australia. Mr. Francis Chan is currently a director of New Territories General Chamber of Commerce and an independent non-executive director of Kwoon Chung Bus Holdings Limited (Stock Code: 306). He was an independent non-executive director of China Best Group Holding Limited from September 2014 to October 2016 (Stock Code: 370), Heng Xin China Holdings Limited from June 2016 to August 2016 (Stock Code: 8046) and Leyou Technologies Holdings Limited (Stock Code: 1089) from January 2015 to July 2015.

COMPANY SECRETARY

Ms. Liu Xiaoting, aged 32, Company Secretary, was appointed in July 2015. She is currently employed as the Financial Controller of the Company. Before joining the Company, Ms. Liu was working in PricewaterhouseCoopers Hong Kong as an external auditor for about four and half years. Ms. Liu is a Certified Practising Accountant (Australia). Ms. Liu graduated with a Master of Financial analysis from University of New South Wales in 2010.

Corporate Governance Report

INTRODUCTION

The Directors are committed to maintaining high standards of corporate governance in performing their obligations to act in the best interests of shareholders of the Company and enhance long term shareholder value.

The Board, prior to 2005, established written corporate policies that provide a framework and guidelines for its members so they are able to perform their respective duties in an efficient and consistent manner, whereby corporate governance practices of the Company are strengthened, the corporate image is improved and the confidence of shareholders, regulators and the public can be assured.

The Board has amended the written corporate policies of the Company and taken other necessary steps to align with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as well as all code provisions and certain recommended best practices in the Corporate Governance Code and Corporate Governance Report ("Corporate Governance Code") as set out in Appendix 14 to the Listing Rules. The Board reviews these written corporate policies regularly and is committed to continuously improving the Company's practices and ensuring an ethical corporate culture is maintained.

BOARD OF DIRECTORS

The Board is collectively responsible for all businesses and affairs of the Company. Pursuant to the Bye-laws of the Company, the Board has delegated the day-to-day management of the Company's business to executive Directors and focuses its attention on overall strategic matters relating to policies, finance and shareholding issues, while matters such as determining mechanisms for setting the Group's remuneration structure and policies and approving the annual remuneration and incentive plans of the Group are delegated to the Remuneration Committee.

During the year under review and up to the date of this report, the Board was comprised of the following individuals:

Yeung Chun Wai Anthony *Note 1*
Chan Chi Yuen *Note 2*
Wong Xiang Hong *Note 3*
Yeung Chun Sing Standly *Note 4*
Chan Chiu Hung Alex *Note 5*
Fung Chan Man Alex *Note 5*
Chan Fong Kong Francis *Note 2*

Except for the deviations described below, no Director is aware of any information which would reasonably indicate that the Company is not, or was not at any time during the year ended 31 December 2016, acting in compliance with code provisions of the Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") as set out in Appendix 14 to the Listing Rules.

Code Provision A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual so that the responsibilities are not concentrated with any one person. The Company has, as part of its written corporate policies, established and recorded in writing the respective responsibilities of the Chairman and the chief executive officer of the Company, in which it is specified that the Chairman is responsible for providing leadership to and effective running of the Board, while the chief executive, the role being undertaken by the managing director of the Company, is delegated with the authority and responsibility for overseeing the realisation of the budgets and objectives set by the Board.

Note 1 Appointed on 25 June 2015
Note 2 Appointed on 8 June 2015
Note 3 Appointed on 13 July 2015
Note 4 Appointed on 11 January 2016
Note 5 Appointed on 25 February 2015

The positions of both chairman and chief executive officer of the Company have been held by Mr. Yeung Chun Wai Anthony during the year. The Board from time to time re-assesses the possible negative impact of the Company deviating from Code Provision A.2.1 of the Corporate Governance Code, and believes that vesting the roles of both chairman and chief executive in the same person enables corporate planning and directing execution of business plans and growth strategies to be more effective. In addition, the Board believes that the balance of power and authority is adequately ensured by an effective Board which comprises of experienced and high calibre individuals with three of the seven directors thereof being independent non-executive Directors ("INED").

As the Chairman of the Board, Mr. Yeung is responsible for (among other things), the following:

- ensuring, with the assistance of the management of the Group, that the Directors receive adequate, accurate, clear, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings;

- providing leadership for the Board;

- ensuring that the Board works effectively, performs its responsibilities, discusses all key and appropriate issues in a timely manner, with good corporate governance practices and procedures;

- drawing up, approving and considering whether to include the matters proposed by other Directors into the agenda for each Board meeting. This responsibility have been delegated to the Company Secretary and a designated Director;

- encouraging all Directors to fully and actively contribute to the Board's affairs and express different views and discuss issues in sufficient depth before reaching any consensus in Board's decisions;

- facilitating the effective contribution of Directors, in particular, non-executive Directors, and promote the constructive relations between executive and non-executive Directors; and

- ensuring the effective communication between the Board and Shareholders as a whole through different channels, including (i) printed or electronic copies (as elected by Shareholders) of corporate communications required by the Listing Rules; (ii) the annual general meeting which provides a forum for Shareholders to raise comments and exchange views with the Board; (iii) the Company's website which allows Shareholders to acquire the updated and key information on the Group and to provide feedback for the Company; and (iv) handling of enquiries from Shareholders and investors generally.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Newly appointed Directors receive induction after appointment so as to ensure that they have appropriate understanding of the business and operations of the Company and that they are fully aware of their responsibilities and obligations under the Listing Rules, the Corporate Governance Code and other applicable regulatory requirements.

There are also arrangements in place in respect of providing continuing professional development to Directors as necessary in order to facilitate the performance of their duties. During the year, Directors are provided with monthly updates on the Group's business developments and its financial performance and position to enable them to effectively discharge their duties in an informed manner. The Company Secretary of the Company organises in-house training for Directors on the applicable Listing Rules. Furthermore, the Company Secretary also distributes various reading materials to Directors from time to time to update them on amendments to the relevant laws, rules and regulations to develop and refresh their professional skills. All Directors are also encouraged to attend external training courses at the Company's expense.

The training record of each Director as at 31 December 2016 is set out below.

Name of Director	Attending Seminar or Briefings / Perusal of Materials in relation to Business or Directors' Duties
Yeung Chun Wai Anthony	Yes
Chan Chi Yuen	Yes
Wong Xiang Hong	Yes
Yeung Chun Sing Standly	Yes
Chan Chiu Hung Alex	Yes
Fung Chan Man Alex	Yes
Chan Fong Kong Francis	Yes

COMPANY SECRETARY

The Company Secretary reports directly to the Chairman of the Company and supports the Board and each committee to ensure proper policies and procedures are followed. The Company Secretary also provides Directors with updates on the Listing Rules and other applicable regulatory requirements to refresh and reinforce Director's awareness of developments in maintaining strong corporate governance. The Company Secretary is also the Financial Controller of the Company. She has confirmed that for the year ended 31 December 2016, she has complied with Rule 3.29 of the Listing Rules to undertake no less than 15 hours of relevant professional training.

BOARD MEETINGS

The Board meets regularly and on those occasions when a Board decision is required for major issues. Members of the Board are provided with adequate and timely information prior to Board meetings to ensure that the Directors can make informed decisions when fulfilling their responsibilities. During the year under review, the Board held 14 meetings and the average attendance rate at the meetings in 2016 was 86% as set out below.

Name of Director	Attendance / Number of Board Meetings in 2016	Attendance Rate
Yeung Chun Wai Anthony	10/14	71%
Chan Chi Yuen	10/14	71%
Wong Xiang Hong	11/14	86%
Yeung Chun Sing Standly (appointed on 11 January 2016)	13/14	93%
Chan Chiu Hung Alex	12/14	86%
Fung Chan Man Alex	13/14	93%
Chan Fong Kong Francis	14/14	100%

Please refer also to the "Board of Directors" section of this report for details of Director changes during the year and subsequent to the end of the year.

On those occasions where it was not practical to convene physical meetings, in lieu thereof, written resolutions of the Board together with full copies of related documents were circulated to all Directors for consideration and approval. All such written resolutions were approved by all Directors unanimously.

Minutes of meetings and written resolutions of the Board as well as its committees are kept by the Company Secretary and such records are available for inspection by Directors at all reasonable times.

APPOINTMENT AND RE-ELECTION

All INEDs are appointed for specific terms and, upon expiry thereof, the terms are renewable for fixed terms of three years provided that either party may terminate such appointment by giving to the other party not less than one month's notice in writing. All Directors, including executive Directors and INEDs, retire from office by rotation and are eligible for re-election at annual general meetings.

In accordance with the Bye-laws of the Company, not less than one-third of the Directors for the time being will retire from office by rotation, provided that every Director shall be subject to retirement by rotation at least once every three years at each annual general meeting. Any Director appointed to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, Mr. Yeung Chun Sing Standly, Mr. Chan Chiu Hung Alex and Mr. Chan Fong Kong Francis will retire by rotation at the forthcoming annual general meeting and are eligible for re-election.

BOARD COMMITTEES

The Board has delegated certain powers, authorities and discretion to a number of Board committees consisting of such Directors and members of senior management as it deems appropriate. Such committees act in conformity with the guidelines and regulations (where applicable) as provided in the code provisions in the Corporate Governance Code and the written corporate policies as promulgated by the Board, and in fulfilment of the purposes for which the committees were appointed.

AUDIT COMMITTEE

The Audit Committee was established on 29 September 1999 by the Board and during the year 2016 was comprised of all INEDs. As at the date of this report, the committee comprised all three INEDs with Mr. Chan Fong Kong Francis as Chairman. Mr. Chan Chiu Hung Alex and Mr. Fung Chan Man Alex are also members of the committee. The written terms of reference were amended in accordance with the requirements under Code Provision C.2.3 of the Corporation Governance Code and adopted by the Board on 16 December 2015. The terms of reference and related written corporate policies of the Company are under regular review by the committee and the Board to ensure alignment with the Corporate Governance Code and best market practices.

The committee's principal role is to review the effectiveness of the financial reporting practices, quality and integrity of the financial reports of the Company, internal control and risk management systems, audit functions of the Company, and review the nature and scope of the external audit and internal audit, the results of their examinations as well as their evaluations of the system of risk management and internal control. The committee is responsible for nominating external auditors, including the approval of their audit fees and is granted the authority to investigate any activities within its terms of reference.

In 2016, two meetings were held to review and make recommendations to the Board on the consolidated financial statements of the Group for the interim and annual results, and, in particular, assess any changes in accounting policies and practices, major judgmental areas and compliance with applicable legal and accounting requirements and standards, and other matters such as assessing the effectiveness of the internal control and risk management systems. The committee also reviewed, with management, the external auditor and the internal auditor of the Company, the accounting principles and practices adopted by the Group and discussed/assessed all key auditing, the adequacy and effectiveness of financial reporting procedures and the risk management and internal control system, including a review of the audited consolidated financial statements of the Group for the year ended 31 December 2015 and the interim consolidated financial statements of the Group for the six months ended 30 June 2016.

The attendance rate at the meetings in 2016 was 100% as set out below. As deemed necessary by the committee, the external auditor and executive officers of the Company attended the meetings to answer any questions raised. Full minutes of the meetings were recorded and submitted to the Board for its information and review. In addition, several ad hoc meetings were held during the year with management of the Company to discuss accounting, reporting and other issues.

Name of Director	Attendance / Number of Audit Committee Meetings in 2016	Attendance Rate
Chan Chiu Hung Alex	2/2	100%
Fung Chan Man Alex	2/2	100%
Chan Fong Kong Francis	2/2	100%

Please refer also to the "Board of Directors" section of this report for details of Director changes during the year and subsequent to the end of the year.

The Company's external auditor carried out, in the course of the statutory audit process, a review of the effectiveness of the Company's material internal financial controls to the scope laid out in their audit plans. Any non-compliance matters and internal control weaknesses noted during the audit and the auditor's recommendations thereon were reported to and dealt with by the committee.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 18 December 2001 and the composition thereof was changed on 27 March 2012 in compliance with Rule 3.25 of the Listing Rules that requires the committee to be chaired by an INED. As at the date of this report, the Remuneration Committee was comprised of Mr. Fung Chan Man Alex, an INED, as the Chairman of the committee, and Mr. Chan Fong Kong Francis and Mr. Yeung are also members of the committee. A set of written terms of reference which describes the authority and duties of the committee, as well as proceedings of its meetings, was adopted by the Board in accordance with the Corporate Governance Code, which terms of reference are incorporated in the written corporate policies of the Company. Such terms of reference and related written corporate policies of the Company are under regular review by the Board to ensure alignment with the Corporate Governance Code and best market practices.

The committee is responsible for determining mechanisms for setting the Group's remuneration structure and policies with reference to fair and objective standards, approving the annual remuneration and incentive plans of the Group and, in particular, determining with delegated responsibility, the remuneration packages of individual executive Directors and senior management, reviewing and approving management's remuneration proposals with reference to corporate goals and objectives and dealing with such other matters relating to remuneration issues as directed by the Board. During 2016, two meetings were held and the average attendance rate was 100% as set out below.

Name of Director	Attendance / Number of Remuneration Committee Meetings in 2016	Attendance Rate
Fung Chan Man Alex	2/2	100%
Chan Fong Kong Francis	2/2	100%
Yeung Chun Wai Anthony	2/2	100%

Please refer also to the "Board of Directors" section of this report for details of Director changes during the year and subsequent to the end of the year.

NOMINATION COMMITTEE

The Nomination Committee was formulated on 9 December 2011 by the Board. As at the date of this report, the committee comprised Mr. Yeung Chun Wai Anthony as the Chairman, and Mr. Fung Chan Man Alex and Mr. Chan Fong Kong Francis are also members of the committee. A set of terms of reference, which describes the authority and duties of the committee as well as proceedings of its meetings, was adopted by the Board in accordance with the Corporate Governance Code, which terms of reference are incorporated in the written corporate policies of the Company. Such terms of reference and related written corporate policies of the Company are under regular review by the Board to ensure alignment with the Corporate Governance Code and best market practices.

The committee is responsible for identifying, recruiting and evaluating new nominees to the Board and the assessment of the qualifications of all Directors. The criteria adopted to select and recommend candidates for directorship include the candidate's experience, professional knowledge, integrity, time commitment and other statutory or regulatory requirements, together with addressing and dealing with such other matters relating to nominations as directed by the Board from time to time. During the year under review, 1 meeting was held and the average attendance rate was 100% as set out below.

Name of Director	Attendance / Number of Nomination Committee Meetings in 2016	Attendance Rate
Yeung Chun Wai Anthony	1/1	100%
Fung Chan Man Alex	1/1	100%
Chan Fong Kong Francis	1/1	100%

Please refer also to the "Board of Directors" section of this report for details of Director changes during the year and subsequent to the end of the year.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing corporate governance duties including to (a) develop and review the Company's policies and practices on corporate governance; (b) review and monitor the training and continuous professional development of Directors and senior management; (c) review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) develop, review and monitor the code of conduct applicable to employees and Directors; and (e) review the Company's compliance with the Corporate Governance Code and disclosures in the Corporate Governance Report.

ANNUAL GENERAL MEETING

The 2016 Annual General Meeting of the Company was held on 13 May 2016. All Directors and the auditor of the Company attended the meeting. In 2011, the Board adopted a shareholders communication policy to ensure that shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company and to allow shareholders and investors to engage actively with the Company.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Group for the year ended 31 December 2016 that give a true and fair view of the state of affairs of the Group in accordance with the statutory requirements and applicable reporting standards.

The statement of the auditor of the Company about their reporting responsibilities on the consolidated financial statements of the Group is set out on page 33 under the section titled "Independent Auditor's Report".

BOARD DIVERSITY POLICY

The Company recognises the benefits of a Board that possesses a balance of skills, expertise, experience and diversity of perspectives appropriate to the requirements of the businesses of the Group. The Board adopted a board diversity policy in 2013 and discussed all measurable objectives set for implementing the policy. The Company embraces the practice of seeking to ensure diversity of Board members, which can be achieved through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. Board appointments will continue to be on a merit basis, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibility for maintaining the Group's internal control systems and risk management and reviewing their effectiveness. The internal control systems of the Group are designed to provide reasonable assurance against material misstatements or losses, to manage the risks of system failures, and to assist in the achievement of the Group's goals. The systems are also structured to safeguard the Group's assets, to ensure the maintenance of proper accounting records, adequacy of resources, qualifications and experience of staff for the Company's accounting and financial reporting functions and compliance with applicable laws, rules and regulations, as well as risk management functions. The Company has also appointed SHINEWING Risk Services Limited to examine and evaluate the effectiveness of internal control and risk management system of the Group for the year. Main features of the risk management and internal control systems are described in the sections below:

RISK MANAGEMENT SYSTEM

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- Identification: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
- Evaluation: Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.
- Management: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Based on the risk assessments conducted in 2016, no significant risk was identified.

INTERNAL CONTROL SYSTEM

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follow:

- Control Environment: A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.
- Risk Assessment: A dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.
- Control Activities: Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.
- Information and Communication: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.
- Monitoring: Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality agreements are in place when the Group enters into significant negotiations.

- The executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted in 2016, no significant control deficiency was identified.

INTERNAL AUDITORS

The Group has an Internal Audit ("IA") function, which consists of professional staff with relevant expertise (such as Certified Public Accountants). The IA function is independent of the Group's daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

An IA plan has been approved by the Board. According to the established plan, a review of the risk management and internal control systems is conducted semi-annually and the results are reported to the Board via Audit Committee afterwards.

The Board considers that it is a continuous process for the Group to review and improve its risk management and internal control systems in order to ensure that they can meet with the dynamic and ever-changing business environment and regulatory framework. A review of the effectiveness of the Group's risk management and internal control systems is conducted annually by the Audit Committee. Several areas have been considered during the Board's reviews, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems. As part of an on-going process for identifying, evaluating and managing material risks faced by the Group, the Company conducts regular reviews of material business processes and procedures in the Group's operations. The Board considers that the Group's risk management and internal control systems are reasonably implemented. Nevertheless, the Group will continue the process of reviewing the effectiveness of the risk management and internal control systems, focusing on specific business processes.

PERMITTED INDEMNITY PROVISION

The bye-laws provides that the Directors shall be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

The Company has arranged for appropriate liability insurance to indemnify Directors and officers of the Group against their liabilities in respect of, among others, legal actions against them and arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), as set out in Appendix 10 to the Listing Rules, as its own securities code. All Directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standards set out in the Model Code throughout the year ended 31 December 2016.

AUDITORS' REMUNERATION

For the year ended 31 December 2016, the remuneration payable to the auditors of the Group amounted to approximately HK$1,970,000, of which approximately HK$1,504,000 related to audit services and approximately HK$466,000 to professional services for special engagements, taxation and other non-audit services including approximately HK$410,000 associated with the transaction for proposed acquisitions of investments and businesses.

SHAREHOLDERS' RIGHTS

The Company endeavours to ensure equality among all shareholders, especially minority shareholders so that they can fully exercise their rights and undertake their obligations, and to ensure that shareholders are informed and able to participate in the important matters of the Company by establishing effective channels for the Company to communicate with its shareholders. The Company complies strictly with the relevant requirements in respect of voting matters and voting procedures so as to safeguard the legal interests of the Company and its shareholders. The Company encourages its shareholders to participate in general meetings and express their opinions at such meetings.

Shareholders holding not less than one-tenth of the paid-up capital of the Company carrying the right to vote at general meetings may deposit a written requisition to convene an extraordinary general meeting ("EGM") with the Company at its principal place of business at Suites 3401-13, 34/F, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong and marked for the attention of the Board of Directors or the Company Secretary. The written requisition must state the objects of the meeting, signed by the shareholder(s) concerned and may consist of one or more documents in like form, each signed by one or more of those shareholders. The written requisition will be verified by the Company's share registrar and upon confirmation that it is proper and in order, the Company Secretary will request the Board to convene an EGM by serving a proper meeting notice in compliance with all applicable legal and regulatory requirements to all registered shareholders.

PROCEDURES FOR A SHAREHOLDER TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

In accordance with the Bye-laws of the Company, a shareholder may propose a person for election as a Director of the Company at any general meeting by lodging the following documents at the principal place of business of the Company at Suites 3401-13, 34/F, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong and marked for the attention of the Board of Directors or the Company Secretary of the Company, or at its Branch Share Registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong:

1. A notice in writing signed by a shareholder (other than the person to be proposed) of the intention to propose that person for election as a Director; and

2. A notice in writing signed by that person of his willingness to be elected as a Director including that person's biographical details as required by Rule 13.51(2) of the Listing Rules.

The period available for lodgement of the aforesaid notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

Report of Directors

The board (the "Board") of directors (the "Directors") of the Company herein presents its report and the audited financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The Group currently has a portfolio of business interests in the telecommunications, information technology, financial solution, advertising, software development and distribution sectors in Hong Kong, Singapore and PRC. The Group's revenue during the financial year consisted primarily of revenue generated from these operations. Contemporaneously, the Group is actively pursuing other opportunities that are complementary to its existing operations or have high growth potential, ability to generate healthy cashflows and capabilities to produce optimum returns on capital.

In Hong Kong, ZONE Limited ("ZONE Hong Kong"), a wholly-owned subsidiary of the Company, is a telecommunication service provider licensed by the Communications Authority of Hong Kong. ZONE Hong Kong specialises in offering telecom and IT-related services and solutions. Founded in 1999, ZONE Hong Kong has evolved over the years from an International Long Distance (IDD) service provider (www.zone1511.com) into a technology partner servicing both SMEs and large corporations as well as carriers (www.zonetel.com). ZONE Hong Kong also offers to customers, in addition to IDD services and a range of value-added services, an array of products and services including IP telephone (consultancy, implementation, Hong Kong call origination and international termination), IT hardware, a customer relationship management system (ZONE CRM) and various enterprise grade telecommunications facilities.

In Singapore, ZONE Telecom Pte Ltd ("ZONE Singapore"), a wholly-owned subsidiary of the Company, is an info-communication service provider licensed by the Infocomm Development Authority of Singapore. ZONE Singapore offers, in addition to IDD and other value-added services (www.zone1511.com.sg), broadband connectivity, and a comprehensive suite of data services and solutions to business organisations and residential customers (www.zonetel.com.sg) as well as domain name registration, Cloud VPS, web design and other Cloud hosting services through its subsidiary Cybersite Services Pte Ltd (www.cybersite.com.sg).

Descriptions of the activities of other principal subsidiaries of the Company are set out in note 16 to the consolidated financial statements.

SEGMENTAL INFORMATION

Analyses of the Group's segmental information by business and geographical segments for the year ended 31 December 2016 are set out in note 36 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss on page 38.

The Board does not recommend the payment of a dividend for the year ended 31 December 2016 (2015: Nil).

GROUP FINANCIAL SUMMARY

A summary of results, assets and liabilities of the Group for the last five financial years is set out on page 96.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the aggregate turnover attributable to the five largest customers of the Group accounted for approximately 21.43% of total turnover for the year, and sales to the largest customer included therein amounted to approximately 7.21%.

The aggregate purchases attributable to the five largest suppliers of the Group accounted for approximately 21.82% of total purchases of the Group for the year, and purchases from the largest supplier included therein amounted to approximately 5.39%.

MAJOR CUSTOMERS AND SUPPLIERS *(continued)*

At no time during the year have the Directors of the Company, their associates or those shareholders which, to the knowledge of the directors of the Company, owned more than 5% of the Company's share capital, had any interests in any of the five largest customers or suppliers of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 38(a) and note 26 to the consolidated financial statements respectively.

BOARD OF DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

EXECUTIVE DIRECTORS:

Yeung Chun Wai Anthony *Note 1*
Chan Chi Yuen *Note 2*
Wong Xiang Hong *Note 3*
Yeung Chun Sing Standly *Note 4*

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Chan Fong Kong Francis *Note 2*
Chan Chiu Hung Alex *Note 5*
Fung Chan Man Alex *Note 5*

Note 1 Appointed on 25 June 2015
Note 2 Appointed on 8 June 2015
Note 3 Appointed on 13 July 2015
Note 4 Appointed on 11 January 2016
Note 5 Appointed on 25 February 2015

Biographical details of Directors of the Company are set out on page 10 under the section titled "Board of Directors and Company Secretary".

The Company has received from each of the INEDs an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Company considers such Directors to be independent.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2016, 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 Securities and Futures Ordinance, the "SFO") as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company or The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules are set out below.

Name of director	Capacity	Number of Shares held	Approximate percentage of shareholding
Yeung Chun Wai Anthony	Beneficial Owner	50,800,000	5.80%
	Interest of spouse	172,020,000 *(Note 1)*	19.65%
Yeung Chun Sing Standly	Beneficial Owner	520,000	0.06%
	Interest of spouse	80,000 *(Note 2)*	0.01%

* *"Shares" means ordinary shares of HK$0.01 each in the share capital of the Company*

Notes:

(1) 172,020,000 Shares are beneficially owned by Ms. Lui Lai Yan, the spouse of Mr. Yeung. Mr. Yeung is deemed to be interested in the 172,020,000 Shares held by Ms. Lui Lai Yan pursuant to Part XV of SFO.

(2) 80,000 Shares are beneficially owned by the spouse of Mr. Yeung Chun Sing Standly. Mr. Yeung Chun Sing Standly is deemed to be interested in the 80,000 Shares held by his spouse pursuant to Part XV of SFO.

All interests disclosed above represent long positions in the Shares and there were no underlying shares held by the Directors as at 31 December 2016.

Save as disclosed above, as at 31 December 2016, 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 required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of the SFO (including interests or short positions which the Directors and Chief Executive are taken or deemed to have under the provision of SFO) or recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENT TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable any Director or the chief executive of the Company to acquire benefits, by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors, the chief executive of the Company nor any of their spouses or children under the age of 18 had any interests in, or had been granted, any rights to subscribe for shares in or debentures of the Company or its associated corporations, or had exercised any such rights during the year.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2016, none of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, the interests and short positions of the persons, other than the Directors or the chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company, are set out below.

Name of shareholder	Capacity	Number of Shares held	Approximate percentage of shareholding
Ms. Lui Lai Yan	Beneficial Owner	172,020,000	19.65%
	Interest of Spouse	50,800,000 *(Note)*	5.80%
Mr. Sie Winston	Beneficial Owner	51,250,000	5.86%

* *"Shares" means ordinary shares of HK$0.01 each in the share capital of the Company*

Note: 50,800,000 Shares are beneficially owned by Mr. Yeung Chun Wai Anthony. Ms. Lui Lai Yan, the spouse of Mr. Yeung, is deemed to be interested in the 50,800,000 Shares held by Mr. Yeung under Part XV of the SFO.

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

Save as disclosed above, as at 31 December 2016, the Company was not notified of any persons, other than the Directors and the chief executive of the Company, having any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company.

SHARE ISSUED IN THE YEAR

Details of movements in the Company's share capital during the year are set out in note 24 to the consolidated financial statements. During the year, the Company completed a placement of 145,880,000 shares under general mandate on 18 November 2016. The gross proceeds from the placing were approximately HK$55.43 million and the net proceeds were approximately HK$55.16 million. The Company intends to use the net proceeds from the placing to strengthen the financial position of the Group's business operation and provide additional funding to further develop the Group's business.

The Directors are of the view that the placing provided an opportunity to raise additional funds to further strengthen the financial position and to broaden the shareholder base and capital base of the Group to facilitate its future growth and development. The placing also increased the liquidity of the Shares with the addition of more professional and institutional shareholders of the Company.

PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars regarding the principal subsidiaries of the Company are set out in note 16 to the consolidated financial statements.

LIQUIDITY

As at 31 December 2016, the Group managed to maintain stable liquidity with cash and cash equivalents (including cash held by a securities broker and pledged bank deposits) of approximately HK$49.9 million (2015: approximately HK$122.4 million).

BANK AND OTHER BORROWINGS

As at 31 December 2016, the Group had no bank or other borrowings (2015: Nil). As at 31 December 2016, the Group had total obligations under finance leases amounted to approximately HK$200,000 (2015: Nil).

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes operated by the Group are set out in note 2 to the consolidated financial statements.

REMUNERATION POLICIES AND EMPLOYEE RELATIONS

As at 31 December 2016, the Group had 118 (2015: 82) employees in China, Hong Kong and Singapore and its total staff costs for 2016 were approximately HK$47.1 million (2015: approximately HK$32.6 million).

The Group's remuneration policies are formulated on the basis of the performance and experience of individual employees and are in line with local market practices where the Group operates. The Group has established incentive bonus schemes to motivate and reward employees at all levels to achieve its objectives. In addition to salary and bonus payments, the Group also offers other fringe benefits, including provident fund and medical benefits, to employees.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws of the Company or the laws of Bermuda although there are no restrictions against such rights under such laws.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge and belief of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued share capital as required under the Listing Rules.

AUDITOR

The financial statements of the Company for the year ended 31 December 2016 have been audited by Mazars CPA Limited, *Certified Public Accountants*.

A resolution will be submitted to the annual general meeting to re-appoint Mazars CPA Limited as auditor of the Company.

SHAREHOLDERS MATTER

As of 31 December 2016, Mr. Yeung held 222,820,000 Shares representing 25.46% of the entire issued share capital of the Company, among which 50,800,000 Shares were held by Mr. Yeung in person and 172,020,000 Shares were held by his Spouse. As of the date of this report ("Latest Practicable Date"), to the best knowledge and belief of the Directors, save as the interest of disclosure disclosed above, 70,950,000 shares were held by Mr. Zeng Zhaoxing.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 20 May 2015 and shall be valid and effective for a period of 10 years commencing on the date of adoption of the Share Option Scheme. A summary of the principal terms and conditions of the Share Option Scheme is set out as follows:

The purpose of the scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits, to the Participants and to serve such other purposes as the Board may approve from time to time.

SHARE OPTION SCHEME *(continued)*

The participants of the scheme means any director (or any persons proposed to be appointed as such, whether executive or non-executive), officer or employee (whether full-time or part-time) of each member of the Eligible Group[1].

Under the Share Option Scheme, the total number of shares which may be issued upon exercise of all options to be granted and any other share option schemes of the Company shall not in aggregate exceed 52,100,000 shares representing 10% of the total number of issued shares as at the date on which the resolution regarding the refreshment of the scheme mandate limit under the Share Option Scheme was passed at the annual general meeting held on 20 May 2015, being 521,000,000 shares. The maximum entitlement of each participant under the Share Option Scheme in any 12-month period up to the date of grant must not exceed 1% of the Shares in issue (as for connected persons, not exceed 0.1% of the Shares in issue or the value of HK$5 million), unless prior approval is obtained from the Shareholders.

An option may be exercised in accordance with the terms of the Share Option Scheme, in whole or in part at any time during the option period (a period to be determined by the Board in its absolute discretion as being the period during which an option may be exercised, such period to expire not later than 10 years from the date of grant of the option).

The minimum period, if any, for which an option must be held before it may be exercised will be determined by the Board in its absolute discretion. Upon acceptance of the option, the grantee shall pay HK$1.00 to our Company by way of consideration for the grant.

The exercise price of a Share shall be a price solely determined by the Board and shall not be less than the highest of

(i) The closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of the Option which must be a Business Day;

(ii) The average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 consecutive Business Days immediately preceding the date of grant of the Option; and

(iii) The nominal value of a Share on the date of grant of the Option.

Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years up to 19 May 2025.

During the year, no option has been granted and there has been no movement of any options granted (if any) under the share option scheme adopted by the Company for the year ended 31 December 2016.

1 the Company and each of its substantial shareholders; and (ii) each associate or substantial shareholder or direct or indirect Subsidiary, associated company or joint venture of the Company or any substantial shareholder referred to in (i) above, and (iii) each associate or substantial shareholder or direct or indirect Subsidiary, associated company or joint venture of any of the foregoing entities referred to in (ii) above; and (iv) each associate or substantial shareholder or direct or indirect Subsidiary, associated company or joint venture of any of the foregoing entities referred to in (iii) above; and (v) each associate or substantial shareholder or direct or indirect Subsidiary, associated company or joint venture of any of the foregoing entities referred to in (iv) above.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's business in which the Company, any of its subsidiaries or its fellow subsidiaries was a party and in which any Director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year or at any time during the year.

RELATED PARTY TRANSACTION

With respect to the related party transactions as disclosed in note 31 to the consolidated financial statements, the transactions which also constitute connected transactions or continuing connected transactions are fully exempted connected transactions or continuing connected transactions of the Company as all the applicable percentage ratios are less than 0.1%. The company has complied with the applicable disclosure requirements under Chapter 14A of the Listing Rules in relation to any connected transactions and continuing connected transactions.

CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2016 and 31 December 2015, there were no connected transactions or continuing connected transactions of the Company which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

1. INTRODUCTION AND REPORTING SCOPE

The Group is committed to achieving high standards of environmental, social and governance (ESG) performance and meeting all applicable legal requirements in the markets where we operate. This is an important foundation for the Group to engage with our stakeholders and grow our business responsibly and sustainably.

The scope of our reporting covers e-KONG Group Limited and its subsidiaries, ZONE Telecom in Hong Kong and Singapore, Cybersite Services, a member of the ZONE Singapore operations providing cloud services in Singapore and its neighbouring regions, and RMI, the Group's insurance marketing and distribution operations that are based in Hong Kong with business development initiatives in other countries in the Asian region. Hangzhou Susong in Mainland China, will be included in future reporting as the company is integrated into the Group's reporting scope. In preparing this report, an independent sustainability review was conducted of the Group's operations to assess how the Group addresses the ESG reporting elements of the Hong Kong Exchanges and Clearing Limited (HKEx)'s ESG Reporting Guide, including the mandatory and recommended general disclosure items and the recommended key performance indicators.

2. GOVERNANCE

Honesty, integrity and fair play are important assets in business and we expect all staff to adopt responsible and professional behaviour. The Group's commitment to respect human and labour rights and to ethical business conduct are outlined in the Group's Code of Conduct, with more detailed expectations and related procedures in the Group's Employee Handbook for staff, and the Handbooks of its subsidiaries. With regard to ethical conduct and anti-corruption, the Group's zero tolerance approach to all forms of bribery, extortion, fraud and money laundering are explicitly addressed in the handbooks, orientation and other internal training with compliance assessed through internal and external audits. Further details on these matters can be found in the Corporate Governance Report of this Annual Report.

We have identified the local laws and regulations that apply to our businesses in Hong Kong and Singapore and we implement systems and audit performance to ensure that we operate in compliance with all local laws, regulations and standards related to corporate governance, business operations, employment, health and safety and the environment. Customer and employee data is managed in compliance with relevant privacy regulations of our markets. Measures are also taken to ensure the safe management and disposal of documents, included physical security for document storage, transportation and shredding, with records maintained to confirm storage and destruction. In 2016, the Group operated in compliance with all applicable legal requirements relating to our services and the products that we procure through vendors for our customers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE *(continued)*

3. STAKEHOLDER ENGAGEMENT

The success of our business is contingent upon our relationships with our key stakeholders. Regular communication with regulatory authorities, our shareholders and investors and our business partners, customers and suppliers is essential to ensure that we are aware of and meet the evolving requirements and expectations of these stakeholders in the delivery of our products and services. Further information on our key customers and suppliers is provided on page 23 of this Annual Report, and on our engagement with our employees, suppliers and communities below.

4. EMPLOYEES

As a responsible corporate citizen, the Group maintains workplaces that are respectful, fair and safe free from discrimination and harassment, and that provide equal opportunities to all and support people to grow and develop. The Group's workforce of 110 people across Asia[1] comprises:

- 17 people employed with the Company, 21 in Hong Kong and 35 in Singapore with ZONE, and 37 with RMI;
- 58% female and 42% male employees;
- 24% in senior and middle management, 10% who are IT consultants, and 66% providing administrative or other support;
- 14% under 30 years old, 64% between the ages of 30 and 50, and 22% over the age of 50; and
- 98% employed in full-time positions with 2% in part-time or temporary positions and, in compliance with labour laws, no persons under the age of 16 are employed.

In 2016, the Group had a combined turnover rate of 16%[2] and no fatalities.

The Group's policies and procedures are outlined in its Employee Handbook, including approaches and expectations related to the governance, financial management, administration of the company and human resources, employee contract terms and benefits, company regulations and the Code of Conduct, training and development, performance review and discipline, and other employment-related matters. Orientation and refresher training are provided to all staff on the Employee Handbook and other aspects of working for the Group. All terms and conditions of employment are in compliance with relevant labour regulations with a variety of benefits provided (e.g. marriage, parental, study and exam leave, medical and life insurance, and, depending on position and performance, up to 21 days of annual leave and discretionary bonuses). Data protection and privacy is also addressed by the Employee Handbook and terms in employment contracts meet the requirements of relevant requirements for personal data management and privacy. While any disputes would be submitted to independent arbitration; no cases arose in 2016.

Health and safety in the office environment is an important aspect of caring for the wellbeing of our people. Within the Group, we raise the awareness of staff on the importance of healthy ergonomics and provide healthy living tips and wellness programmes. Office building management conducts risk assessments to reduce workplace incidents and improve the overall safety, health and wellbeing of everyone in the workplace, and provides fire drill evacuation exercises.

1 As noted above, employee data in 2016 does not include Hangzhou Susong.
2 18 out of 110 employees in 2016

ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE *(continued)*

4. EMPLOYEES *(continued)*

Engaging with our employees enables us to share and discuss the priorities and performance of our business, to keep abreast of their ideas, concerns and needs, and to integrate feedback into our operations to enhance our business and the working environment for our people. We conduct regular surveys and maintain a variety of two-way communication channels including: an open-door policy for employees to speak with supervisors; quarterly briefings, notice boards, email announcements; and general, monthly meetings to share company information and performance results and gather feedback from employees. Biannual, annual or more frequent performance appraisals are conducted with all employees, following a structured process that includes self-assessment followed by discussions to identify areas of strength and for improvement, as outlined in our Employee Handbook. To further support a collaborative atmosphere at work and to recognize the contribution of our people to the team, we hold regular team and celebratory lunches, celebrate birthdays and festivals, and organize yoga, jogging and other sporting events.

Supporting the professional development of our teams, and enabling our people to improve their knowledge and skills, is essential to the success of our business. The Group supports employees to join up to two professional bodies and qualifying full-time employees can access study allowances and study leave opportunities. Internal training ranges from lunch seminars on topics such as new listing rule requirements to team discussions on specific topics related to industry trends or job skills. Funding support is available for external training or education, and professional training from external experts (e.g. CPA training, regulatory updates and listing rules, ESG reporting). The Group also offers to employees up to four days of paid, sabbatical leave to study and take exams for a professional qualification.

5. ENVIRONMENT

The Group's commitment to raising environmental awareness and reducing impacts is communicated widely at company meetings, on notice boards and through regular communications. Offices also engage with building management to integrate environmental elements into property management and renovation, including energy-efficient lighting, water-efficient faucets and fixtures, use of non-VOC paint, and other environmentally-responsible features.

Since 2008, the Company has participated in the "Wastewi$e Scheme" under the Hong Kong Awards for Environmental Excellence. It was established by, among others, the Environmental Protection Department and the Environmental Campaign Committee to encourage Hong Kong businesses and organizations to adopt structured measures to reduce the amount of waste generated within their establishments or generated through the services and products they provide. Through our involvement in this scheme, we have raised the importance of not only reducing waste, reusing materials and increasing the capture of recyclable items in our workplaces, but also of reducing energy and water consumption and other environmental impacts. Examples of how we manage resources in compliance with local laws, including the proper disposal of hazardous waste by building management, and adopt initiatives to reduce our impact, are outlined below.

- Energy and greenhouse gas emission reduction initiatives adopted include:
    - retrofitting or installing energy-efficient lighting (e.g. LED, CFL, T5);
    - using energy-efficient equipment and servers;
    - turning off equipment and air-conditioning during non-working hours;
    - maximising natural lighting;
    - using fans and open space in server rooms to facilitate air flow and reduce air conditioning need;
    - using teleconferencing to reduce travel; and
    - encouraging the use of public transportation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE *(continued)*

5. ENVIRONMENT *(continued)*

- Tips to conserve water are shared internally to raise awareness and encourage employees to reduce consumption.

- To reduce paper consumption, the Group actively engages in paperless meetings, double-sided printing and defaults, and soft-copy filing and distribution of documents to Company Directors.

- A variety of other activities are also adopted to reduce waste (e.g. reusable, bulk water coolers, cups, crockery and utensils) and to capture materials for reuse, recycling and/or proper disposal (e.g. aluminium cans, glass, plastic and paper, textiles, mooncake tins and electronic waste).

- The collection and separation of solid waste and recyclables, as well as hazardous waste arising from spent fluorescent tubes, cleaning materials, etc., is managed by property management companies in each of our premises.

- Office cleaners are encouraged to buy environmentally-responsible, liquid detergent refills and reuse empty bottles.

6. SUPPLY CHAIN

The Group's supply chain primarily comprises a variety telecom equipment and service providers and vendors of office equipment and travel-related services. Compliance with all relevant legal requirements is required in all contracts that the Group enters into with suppliers and other business partners. The Group also seeks to procure goods and services from suppliers and business partners that are committed to best practices in corporate governance, environmental performance and the respect of human and labour rights in their operations and in the supply chain. In 2016, no product recalls for health and safety reasons occurred.

7. COMMUNITIES

Investing in communities and supporting our people to contribute to charitable activities enables us to connect with and support the communities where we live and work. In 2016, over HK$600,000 was invested in supporting community needs and development through the following organisations: the Hong Kong Philharmonic Society Ltd; the Shun Tak Fraternal Association; the Child Development Matching Fund Ltd (CDMF) and St. Stephen's College Preparatory School in Hong Kong; and the Chinese Development Assistance Council (CDAC) in Singapore. Our people spend time volunteering with seniors and those who are intellectually challenged to enhance their wellbeing. Furthermore, the Group also provides pro bono Company secretary, accounting and reporting advice to the CDMF, with three people from the Group on call to help as needed and desk spaces provided onsite to support CDMF employees.

8. GOING FORWARD

Enhancing the sustainability performance of our business and considering the views of our stakeholders are important priorities of the Group as we develop our business. In 2017, the Group will implement initiatives based on the results of the independent sustainability review to further enhance our ESG performance, including extending the Group's training policies to part-time employees and the formalized grievance process, currently established by ZONE Singapore, to the whole Group.

By Order of the Board

Yeung Chun Wai Anthony
Chairman

30 March 2017

Independent Auditor's Report

MAZARS CPA LIMITED
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To the members of

e-Kong Group Limited
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of e-Kong Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 38 to 95, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

ACQUISITION ACCOUNTING FOR DIAMOND FRONTIER INVESTMENTS LIMITED ("DIAMOND FRONTIER")

Refer to principal accounting policies in note 2 and the disclosure of acquisition of subsidiaries in note 30 to the consolidated financial statements.

Key Audit Matter	How our audit addressed the Key Audit Matter
On 24 June 2016, the Group acquired Diamond Frontier at a cash consideration of approximately HK$94,172,000 (the "Diamond Frontier Acquisition"). Initial accounting for the Diamond Frontier Acquisition requires the Group to determine the fair value of the assets acquired and liabilities assumed together with non-controlling interests as part of the Diamond Frontier Acquisition. We considered this matter to be a Key Audit Matter because of the significant impact of the Diamond Frontier Acquisition on the consolidated financial statements, and the inherent judgement involved in estimating the fair value of the assets acquired and liabilities assumed.	Our audit procedures in relation to the accounting for the Diamond Frontier Acquisition included: • Evaluated management's assessment of the terms of the acquisition agreements; • Assessed the reasonableness of the key assumptions used by management of the Group to determine the fair value of identifiable assets acquired and liabilities assumed from the Diamond Frontier Acquisition as at the date of acquisition; • Checked the arithmetical accuracy of the calculations and computations of purchase price allocation and correctness of the application of the assumptions to the calculations; • Assessed the appropriateness of the significant fair value adjustments, including those in the measurement period with reference to the applicable HKFRSs; and • Assessed the adequacy of the presentation and disclosures in the consolidated financial statements in respect of the Diamond Frontier Acquisition. We found that the initial recognition of the Diamond Frontier Acquisition had been properly accounted for and disclosed in the consolidated financial statements.

KEY AUDIT MATTERS *(continued)*

ASSESSMENT OF THE IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS IN THE FINANCIAL PAYMENT PROCESSING SOLUTION AND SOFTWARE DEVELOPMENT SERVICES BUSINESS AND THE DISTRIBUTION BUSINESS (THE "NEW BUSINESSES")

Refer to significant accounting policies and critical accounting estimates and judgements in note 2 and the disclosures of goodwill and intangible assets in notes 10 and 14 to the consolidated financial statements.

Key Audit Matter	How our audit addressed the Key Audit Matter
As at 31 December 2016, the Group has goodwill of approximately HK$33.5 million and intangible assets including technical know-how, customer relationships and software of approximately HK$17.6 million, approximately HK$57.4 million and approximately HK$13.1 million respectively, relating to the New Businesses. For the purpose of assessing impairment, these assets were allocated to cash generating units ("CGUs"), and the recoverable amount of each CGU was determined by management based on value-in-use calculations using cash flow projections. In carrying out the impairment assessments, significant management judgement was used to identify CGUs and to determine the key assumptions underlying the value-in-use calculations, including the average growth rate, long-term growth rate and discount rate. The above-mentioned significant management judgement is considered a Key Audit Matter. Management has concluded that there is no impairment in respect of the goodwill and intangible assets in the New Businesses.	Our procedures in relation to management's assessment of the impairment of goodwill and intangible assets in the New Businesses included: • Assessed the value-in-use calculations assumptions and methodologies adopted by management; • Assessed the key assumptions (including average growth rate, long-term growth rate and discount rate) against economic and market data; • Reviewed the sensitivity analysis performed by management on the key assumptions and tested independently those assumptions to which the outcome of the impairment assessment is more sensitive; and • Tested the Group's procedures regarding the preparation of the projected discounted cash flows, upon which the value-in-use model is based, to assess whether the projected discounted cash flow is reasonable. We found that management's conclusion that there was no impairment in respect of the goodwill and intangible assets in the New Businesses was supported by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the Other Information. The Other Information comprises the information included in this annual report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda (as amended), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors and those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the Key Audit Matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Mazars CPA Limited
Certified Public Accountants

Hong Kong, 30 March 2017

The engagement director on the audit resulting in this independent auditor's report is:
Weatherseed, Stephen Peter Stuart
Practising Certificate number: P05588

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	3	**78,917**	70,115
Cost of sales		**(34,975)**	(34,096)
Gross profit		**43,942**	36,019
Other revenue and income	4	**12,634**	1,271
		56,576	37,290
Selling and distribution expenses		**(4,806)**	(6,130)
Business promotion and marketing expenses		**(2,610)**	(3,248)
Operating and administrative expenses		**(86,259)**	(57,411)
Other operating expenses		**(19,851)**	(5,860)
Loss from operations		**(56,950)**	(35,359)
Finance costs	5(a)	**(3)**	(135)
Share of results of an associate	11	**7**	–
Share of results of a joint venture	12	**(25)**	–
Net loss on disposal of financial assets at fair value through profit or loss		**(8,855)**	(5,245)
Net decrease in fair value of financial assets at fair value through profit or loss		**(14,512)**	(6,859)
Gain on disposal of subsidiaries classified as held for sale		**–**	44,808
(Loss)/Gain on disposal of property, plant and equipment		**(42)**	3,967
Gain/(Loss) on disposal of a subsidiary	28	**821**	(67)
(Loss)/Profit before taxation	5	**(79,559)**	1,110
Taxation (charges)/credits	7		
Current tax		**(3,157)**	(5)
Deferred tax		**1,702**	98
		(1,455)	93
(Loss)/Profit for the year		**(81,014)**	1,203

	Note	**2016** **HK$'000**	2015 HK$'000
(Loss)/Profit for the year attributable to:			
Equity holders of the Company		**(79,264)**	3,882
Non-controlling interests		**(1,750)**	(2,679)
(Loss)/Profit for the year		**(81,014)**	1,203
		HK cents	HK cents
(Loss)/Earnings per share	*9*		
Basic and diluted		**(10.6)**	0.6

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
(Loss)/Profit for the year	**(81,014)**	1,203
Other comprehensive loss for the year		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign subsidiaries	**(3,706)**	(915)
Share of other comprehensive loss of a joint venture		
– Exchange difference on translation	**(19)**	–
Total comprehensive (loss)/income for the year	**(84,739)**	288
Total comprehensive (loss)/income for the year attributable to:		
Equity holders of the Company	**(82,624)**	2,967
Non-controlling interests	**(2,115)**	(2,679)
Total comprehensive (loss)/income for the year	**(84,739)**	288

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Goodwill	*10*	**33,464**	1,019
Interest in an associate	*11*	**507**	–
Interest in a joint venture	*12*	**318**	–
Property, plant and equipment	*13*	**14,358**	12,084
Intangible assets	*14*	**82,360**	8,329
Available-for-sale financial asset	*15*	**7,800**	–
Deferred tax assets	*23*	**45**	45
		138,852	21,477
Current assets			
Financial assets at fair value through profit or loss	*17*	**63,199**	51,054
Trade and other receivables	*18*	**57,389**	58,038
Pledged bank deposits	*19*	**1,407**	1,427
Cash held by a securities broker	*20(a)*	**3,221**	26,817
Cash and bank balances	*20(b)*	**45,239**	94,116
		170,455	231,452
Current liabilities			
Trade and other payables	*21*	**81,772**	23,824
Obligations under finance leases	*22*	**72**	–
Taxation payable		**4,271**	–
		86,115	23,824
Net current assets		**84,340**	207,628
Total assets less current liabilities		**223,192**	229,105
Non-current liabilities			
Deferred revenue		**557**	787
Deferred tax liabilities	*23*	**16,272**	230
Obligations under finance leases	*22*	**110**	–
		16,939	1,017
NET ASSETS		**206,253**	228,088
Capital and reserves			
Share capital	*24*	**8,753**	7,294
Reserves	*26*	**202,365**	231,125
Equity attributable to equity holders of the Company		**211,118**	238,419
Non-controlling interests	*26*	**(4,865)**	(10,331)
TOTAL EQUITY		**206,253**	228,088

Approved and authorised for issue by the Board of Directors on 30 March 2017 and signed on behalf by

Yeung Chun Wai Anthony
Director

Yeung Chun Sing Standly
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Accumulated profits/ (losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 January 2015	5,210	67,093	2,414	25	2,077	83,489	(48,695)	111,613	(7,652)	103,961
Profit for the year	–	–	–	–	–	–	3,882	3,882	(2,679)	1,203
Other comprehensive loss for the year										
Item that may be subsequently reclassified to profit or loss:										
Exchange differences on translation of foreign subsidiaries	–	–	(915)	–	–	–	–	(915)	–	(915)
Total comprehensive (loss)/income for the year	–	–	(915)	–	–	–	3,882	2,967	(2,679)	288
Transaction with equity holders of the Company										
Contributions and distributions:										
Shares issued upon placing in May 2015	1,042	68,900	–	–	–	–	–	69,942	–	69,942
Shares issued upon placing in October 2015	1,042	51,637	–	–	–	–	–	52,679	–	52,679
Change in ownership interests:										
Disposal of subsidiaries classified as held for sale	–	–	1,218	–	–	–	–	1,218	–	1,218
Total transactions with equity holders of the Company	2,084	120,537	1,218	–	–	–	–	123,839	–	123,839
As at 31 December 2015	**7,294**	**187,630**	**2,717**	**25**	**2,077**	**83,489**	**(44,813)**	**238,419**	**(10,331)**	**228,088**

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Accumulated profits/ (losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 31 December 2015	7,294	187,630	2,717	25	2,077	83,489	(44,813)	238,419	(10,331)	228,088
Loss for the year	–	–	–	–	–	–	(79,264)	(79,264)	(1,750)	(81,014)
Other comprehensive loss for the year										
Items that may be subsequently reclassified to profit or loss:										
Exchange differences on translation of foreign subsidiaries	–	–	(3,343)	–	–	–	–	(3,343)	(363)	(3,706)
Share of other comprehensive loss of a joint venture – Exchange difference in translation	–	–	(17)	–	–	–	–	(17)	(2)	(19)
Total comprehensive loss for the year	–	–	(3,360)	–	–	–	(79,264)	(82,624)	(2,115)	(84,739)
Transaction with equity holders of the Company										
Contributions and distributions:										
Shares issued upon placing in November 2016 *(note 24)*	1,459	53,699	–	–	–	–	–	55,158	–	55,158
Change in ownership interests:										
Disposal of equity interest in a subsidiary *(note 29)*	–	–	–	–	165	–	–	165	835	1,000
Non-controlling interests arising from business combination *(note 30)*	–	–	–	–	–	–	–	–	6,746	6,746
Total transactions with equity holders of the Company	1,459	53,699	–	–	165	–	–	55,323	7,581	62,904
As at 31 December 2016	8,753	241,329	(643)	25	2,242	83,489	(124,077)	211,118	(4,865)	206,253

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES			
Cash used in operations	*27*	**(95,745)**	(102,607)
Income taxes paid		**(267)**	–
Interest received		**11**	31
Interest paid		**(3)**	(31)
Net cash used in operating activities		**(96,004)**	(102,607)
INVESTING ACTIVITIES			
Acquisition of subsidiaries	*30*	**(47,593)**	(1,000)
Disposal of a subsidiary	*28*	**1,695**	(18)
Disposal of subsidiaries classified as held for sale		**–**	103,405
Proceeds from disposal of ownership interests in a subsidiary that does not result in loss of control	*29*	**500**	–
Purchase of available-for-sale financial asset	*15*	**(7,800)**	–
Purchase of property, plant and equipment	*13*	**(9,078)**	(10,784)
Proceeds from disposal of property, plant and equipment		**8**	191
Deposit refund/(paid) for acquisition of investments		**31,250**	(31,250)
Net cash (used in)/generated from investing activities		**(31,018)**	60,544
FINANCING ACTIVITIES			
Proceeds from shares issued upon placings		**55,158**	122,621
Repayment of bank borrowings		**–**	(1,763)
Repayment of obligations under finance leases		**(35)**	–
Net cash generated from financing activities		**55,123**	120,858
Net (decrease)/increase in cash and cash equivalents		**(71,899)**	78,795
Cash and cash equivalents as at 1 January		**120,933**	42,684
Exchange losses on cash and cash equivalents		**(574)**	(546)
Cash and cash equivalents as at 31 December		**48,460**	120,933
Analysis of the balances of cash and cash equivalents:			
Cash and bank balances	*20(b)*	**45,239**	94,116
Cash held by a securities broker	*20(a)*	**3,221**	26,817
		48,460	120,933

1. CORPORATE INFORMATION

e-Kong Group Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its ordinary shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's principal place of business is located at Suites 3401–3413, Level 34, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong. The principal activity of the Company is investment holding. Details of the principal subsidiaries of the Company and their principal activities are disclosed in note 16 to the consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable HKFRS, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements under the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2015 consolidated financial statements. The adoption of the new and revised HKFRSs that are relevant to the Group and effective from the current year had no significant effects on the results and financial position of the Group for the current and prior years. A summary of the principal accounting policies adopted by the Group is set out below.

BASIS OF MEASUREMENT

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for financial assets at fair value through profit or loss, which are measured at fair value as explained in the accounting policy set out below.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests are presented, separately from equity holders of the Company, in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by HKFRS.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

BASIS OF CONSOLIDATION *(continued)*

Allocation of total comprehensive income

Total comprehensive income is attributed to the equity holders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in ownership interests

Changes in the Group's ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, an associate, a joint venture or others, as appropriate, from the date when control is lost.

SUBSIDIARIES

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position which is presented within these notes, investments in subsidiaries are stated at cost less impairment losses. The carrying amounts of the investments are reduced to their respective recoverable amounts on an individual basis if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

ASSOCIATES AND JOINT VENTURES

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group reassesses whether it has joint control of an arrangement and whether the type of joint arrangement in which it is involved has changed, if facts and circumstances change.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

ASSOCIATES AND JOINT VENTURES *(continued)*

The Group's investment in associate or joint venture is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognising its share of further losses when the Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interests that, in substance, form part of the Group's net investment in the investee.

Goodwill arising on an acquisition of an associate or a joint venture is measured as the excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the acquired associate or joint venture. Such goodwill is included in interests in associates or joint ventures. On the other hand, any excess of the Group's share of its net fair value of identifiable assets and liabilities over the cost of investment is recognised immediately in profit or loss as an income.

Unrealised profits and losses resulting from transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the investees, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

GOODWILL

Goodwill arising on an acquisition of a business is measured as the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree (if applicable) and the fair value of any previously held equity interest in the acquiree (if applicable) over the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired business.

Goodwill on acquisition of business is recognised as a separate asset and is carried at cost less accumulated impairment losses, which is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment test and determination of gain or loss on disposal, goodwill is allocated to cash-generating units. An impairment loss on goodwill is not reversed.

On the other hand, any excess of the acquisition date amounts of identifiable assets acquired and the liabilities assumed of the acquired business over the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree (if applicable) and the fair value of the acquirer's previously held interest in the acquiree, if any, after reassessment, is recognised immediately in profit or loss as an income from bargain purchase.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

PROPERTY, PLANT AND EQUIPMENT

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

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

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

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

Assets held under finance leases are depreciated over the shorter of their expected useful lives or the terms of the leases.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on the straight-line basis over the estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Research and development costs

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The capitalised expenditure includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised as expenses in profit or loss as incurred. When the asset is available for use, the capitalised development costs are amortised and subject to impairment review on the same basis as intangible assets acquired separately.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is expensed in the statement of profit or loss when incurred.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

INTANGIBLE ASSETS *(continued)*

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

FINANCIAL INSTRUMENTS

Recognition and derecognition

Financial assets and financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a settlement date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) the Group transfers substantially all the risks and rewards of ownership of the financial asset, or (b) the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. They are carried at fair value, with any resultant gain and loss recognised in profit or loss.

Financial assets are classified as held for trading if they are (i) acquired principally for the purpose of selling in the near future; (ii) part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) derivatives that are not financial guarantee contracts or not designated and effective hedging instruments.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets at fair value through profit or loss *(continued)*

Financial assets are designated at initial recognition as at fair value through profit or loss only if (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or (ii) they are part of a group of financial assets and/or financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy.

Loans and receivables

Loans and receivables including trade and other receivables, pledged bank deposits, cash held by a securities broker and cash and bank balances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment terms or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less any impairment loss. Amortised cost is calculated by taking into account any discounts or premiums on acquisitions, over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated at this category or not classified in any of the other categories of financial assets. They are measured at fair value with changes in value recognised as a separate component of equity until the assets are sold, collected or otherwise disposed of, or until the assets are determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income shall be reclassified to profit or loss as a reclassification adjustment.

Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment loss.

Financial liabilities

The Group's financial liabilities include trade and other payables, bank and other borrowings and obligations under finance leases. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of a financial asset carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Impairment of financial assets *(continued)*

For an available-for-sale financial asset that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

IMPAIRMENT OF NON-FINANCIAL ASSETS, OTHER THAN GOODWILL

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, intangible assets and interests in an associate and a joint venture to determine whether there are any indications that such assets have suffered impairment losses or that impairment losses previously recognised no longer exist or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit). If the recoverable amount of an asset is estimated to be less than its carrying amount, the latter is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

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

The accounting policy for recognition and reversal of the impairment loss for goodwill is stated in the accounting policy for goodwill in the earlier part of this note.

REVENUE RECOGNITION

Consolidated revenue comprises revenue of the Group and excludes sales taxes and discounts.

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

Income in respect of telecommunication services, insurance-related product distribution services and consultancy services, and financial payment processing solution and software development services and distribution services and management services provided to customers is recognised when the services are rendered.

Interest income is accrued on a time proportion basis by reference to the principal outstanding at the effective interest rate applicable.

Net gain or loss from the sale of financial assets at fair value through profit or loss are recognised on the transaction date when the relevant sale and purchase contract is settled.

Dividend income from investments is recognised when the Group’s rights to receive payment have been established.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

LEASES

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

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

Rentals payable under operating leases are recognised as an expense in profit or loss on the straight-line basis over the term of the relevant leases.

Lease incentives are recognised in profit or loss as an integral part of the net consideration agreed for the use of the leased asset.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

SHARE CAPITAL

Ordinary shares are classified as equity. Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental transaction costs (net of income taxes, if applicable), is deducted from equity attributable to the equity holders of the Company until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the equity holders of the Company.

FOREIGN CURRENCY TRANSLATIONS

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

On consolidation, the financial position of group entities denominated in a currency other than Hong Kong dollars, being the presentation currency, are translated at the approximate rates of exchange ruling at the end of the reporting period while profit or loss are translated at average rates for the year. All exchange differences arising from the translation of an entity are recognised in other comprehensive income and accumulated separately in the exchange reserve in equity. On disposal of such entity, the related cumulative amount of the exchange differences is transferred from equity to profit or loss when the gain or loss on disposal is recognised.

TAXATION

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and joint ventures except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

EMPLOYEE BENEFITS

Short-term employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

Retirement benefit schemes

The Group, other than overseas subsidiaries (including Mainland China), operates Mandatory Provident Fund ("MPF") schemes to provide retirement benefits for its full time permanent employees in Hong Kong. The obligations for contributions to retirement benefit schemes are recognised as expenses in profit or loss as incurred. The assets of the schemes are held separately from those of the Group with independent trustees.

Under the MPF schemes, both the Group and each eligible employee are required to contribute 5% of the employee's basic monthly income, as mandatory contributions, up to a maximum of HK$1,500, and they may choose to make additional or voluntary contributions.

Under the MPF schemes, employees are entitled to the Group's mandatory contributions in accordance with the provisions in the Hong Kong Mandatory Provident Fund Schemes Ordinance.

Overseas subsidiaries (including Mainland China) also operate pension schemes or similar arrangements for their employees in accordance with the statutory requirements prescribed by the relevant legal authorities.

At the end of the reporting period, the Group had no significant forfeited voluntary contributions which arose as a result of employees leaving the MPF schemes and which are available to reduce the contributions payable by the Group in future years.

SHARE BASED PAYMENTS

The fair value of share options granted to employees and others as stipulated in the share option scheme as detailed in note 25 (if any) is recognised as an expense with a corresponding increase in a reserve within equity. The fair value is measured at the grant date, taking into account the terms and conditions upon which the options were granted. Where employees have to meet vesting conditions before becoming unconditionally entitled to share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior periods is charged / credited to profit or loss for the year of the review, with a corresponding adjustment to a reserve within equity. On the vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest with a corresponding adjustment to a reserve within equity.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

RELATED PARTIES

A related party is a person or entity that is related to the Group as set out below:

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) The entity is controlled or jointly-controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in those cases where the revision also affects future periods.

Allowance for doubtful debts

The provisioning policy for doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of the trade receivables and on management judgements. A considerable amount of judgement is required in assessing the ultimate realisation of receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of property, plant and equipment and intangible assets with finite useful lives

In determining the recoverable amounts of these assets, expected cash flows to be generated by the assets are discounted to their present value, which involves significant levels of estimates relating to sales volume, selling prices and other operating costs. When a decline in an asset's recoverable amount has occurred, the carrying amount is reduced to its estimated recoverable amount.

Impairment of investments and receivables

The Group assesses annually if investments in subsidiaries/an associate/a joint venture have suffered any impairment in accordance with HKAS 36 and follows the guidance of HKAS 39 in determining whether amounts due from these entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

For available-for-sale financial assets measured at cost less accumulated impairment, a significant or prolonged decline in recoverable amount below cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the historical data on market volatility as well as the price of the specific investment are taken into account. The Group also takes into account financial information regarding the investee.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

Useful lives of intangible assets

The Group assesses whether the intangible assets have finite useful lives at the end of each reporting period. In determining useful lives of intangible assets, the Group considers various factors, such as expected usage of the asset, forecasted customer attrition pattern, expected period of future economic benefit and legal or similar limits on the use of the asset. The estimation of the useful lives of intangible assets is based on the experience of the Group with similar intangible assets that generate similar future economic benefits.

FUTURE CHANGES IN HKFRSS

At the date of approval of these consolidated financial statements, the Group has not early adopted the following new and revised HKFRSs issued by the HKICPA that are not yet effective for the current year.

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Annual Improvements to HKFRSs	2014-2016 Cycle[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[3]
HKFRS 15	Revenue from Contracts with Customers[3]
HKFRS 9 (2014)	Financial Instruments[3]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[3]
HKFRS 16	Leases[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2017 or 2018 where applicable.
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for annual periods beginning on or after 1 January 2019
5 The effective date of the amendments which was originally intended to be effective for annual periods beginning on or after 1 January 2016 has been deferred/removed

The directors are in the process of assessing the possible impact of the future adoption of the new and revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

3. REVENUE

	2016 HK$'000	2015 HK$'000
Telecommunication services income	**58,475**	68,508
Financial payment processing solution and software development income	**10,722**	–
Distribution business income	**5,691**	–
Other	**4,029**	1,607
	78,917	70,115

4. OTHER REVENUE AND INCOME

	2016 HK$'000	2015 HK$'000
Interest income on bank deposits	**11**	31
Dividend income from financial assets at fair value through profit or loss	**142**	–
Management fee income	**6,277**	–
Reimbursement of expenses from customers	**5,432**	505
Other	**772**	735
	12,634	1,271

5. (LOSS)/PROFIT BEFORE TAXATION

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

	2016 HK$'000	2015 HK$'000
(a) Finance costs		
Interest on bank loans	**–**	31
Interest on other loan from a related company	**–**	104
Interest on obligations under finance leases	**3**	–
	3	135

5. (LOSS)/PROFIT BEFORE TAXATION *(continued)*

		2016 HK$'000	2015 HK$'000
(b)	**Other items**		
	Employee salaries and other benefits (including directors' emoluments)	**44,534**	30,857
	Retirement benefit scheme contributions	**2,568**	1,761
	Total staff costs	**47,102**	32,618
	Auditors' remuneration	**1,504**	1,216
	Cost of services provided	**34,975**	34,096
	Depreciation of property, plant and equipment	**6,972**	2,784
	Amortisation of intangible assets (included in other operating expenses)	**9,282**	1,904
	Allowance for doubtful debts	**372**	110
	Operating lease charges on premises	**25,476**	12,301
	Exchange losses/(gains), net	**1,663**	(8)
	Loss/(Gain) on disposals of property, plant and equipment	**42**	(3,967)

6. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION

(a) INFORMATION ABOUT THE BENEFITS OF DIRECTORS

i) Directors' remuneration

The aggregate amounts of remuneration received and receivable by the Company's directors pursuant to the Listing Rules and disclosure requirements of the Hong Kong Companies Ordinance (Cap.622) are as follows:

	2016			
	Director fees HK$'000	Salaries and other emoluments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors				
Chan Chi Yuen	–	1,200	18	1,218
Yeung Chun Wai Anthony	–	3,800	18	3,818
Wong Xiang Hong	–	600	18	618
Yeung Chun Sing Standly *(appointed on 11 January 2016)*	–	969	18	987
Independent non-executive directors				
Chan Chiu Hung Alex	150	–	–	150
Fung Chan Man Alex	150	–	–	150
Chan Fong Kong Francis	250	–	–	250
	550	6,569	72	7,191

6. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION *(continued)*

(a) INFORMATION ABOUT THE BENEFITS OF DIRECTORS *(continued)*

i) Directors' remuneration *(continued)*

	2015			
	Director fees HK$'000	Salaries and other emoluments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors				
Chan Chi Yuen *(appointed on 8 June 2015)*	–	676	8	684
Yeung Chun Wai Anthony *(appointed on 25 June 2015)*	–	744	8	752
Wong Xiang Hong *(appointed on 13 July 2015)*	–	281	6	287
Richard John Siemens *(resigned on 10 February 2015)*	–	279	3	282
Lim Shyang Guey *(resigned on 13 July 2015)*	–	1,480	21	1,501
Lau Wai Ming Raymond *(resigned on 13 July 2015)*	–	1,096	21	1,117
Chi Chi Hung Kenneth *(resigned on 31 July 2015)*	–	560	11	571
Independent non-executive directors				
Chan Chiu Hung Alex *(appointed on 25 February 2015)*	127	–	–	127
Fung Chan Man Alex *(appointed on 25 February 2015)*	127	–	–	127
Chan Fong Kong Francis *(appointed on 8 June 2015)*	141	–	–	141
Thaddeus Thomas Beczak *(resigned on 25 February 2015)*	38	–	–	38
Gerald Clive Dobby *(resigned on 20 May 2015)*	75	–	–	75
John William Crawford J.P. *(resigned on 8 June 2015)*	75	50	–	125
	583	5,166	78	5,827

There were no arrangements under which a director waived or agreed to waive any emoluments for the year *(2015: Nil)*. In addition, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as a compensation for loss of office for the year *(2015: Nil)*.

6. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION *(continued)*

(a) INFORMATION ABOUT THE BENEFITS OF DIRECTORS *(continued)*

ii) Loans, quasi-loans and other dealings in favour of directors

There are no loans, quasi-loans or other dealings in favour of the directors of the Company that were entered into or subsisted during the years ended 31 December 2016 and 2015.

iii) Directors' material interests in transactions, arrangements or contracts

After consideration, other than disclosed in notes 28 and 31 to the consolidated financial statements, the directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 December 2016 and 2015.

(b) INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two are directors whose emoluments are disclosed above *(2015: two are directors who resigned in 2015 but continued to be employed as employees of the Group)*. The aggregate of the emoluments in respect of the five individuals are as follows:

	2016 HK$'000	2015 HK$'000
Salaries and other emoluments	**10,282**	8,107
Retirement benefit scheme contributions	**189**	190
	10,471	8,297

The emoluments of the five individuals with the highest emoluments are within the following bands:

	2016 Number of individuals	2015 Number of individuals
Below HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**1**	2
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**–**	–
Above HK$3,000,000	**1**	–
	5	5

The directors of the Company, together with the above-mentioned highest paid individuals, are regarded as the key management personnel of the Group for related parties disclosure purpose.

During the year, no remuneration was paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office *(2015: Nil)*. There were no arrangements under which any of the five highest paid individuals waived or agreed to waive any remuneration during the year *(2015: Nil)*.

The remuneration of directors and key management personnel is determined by the remuneration committee having regard to the performance of the individuals and market trends.

7. TAXATION (CHARGES)/CREDITS

During the year, Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purpose. In 2015, Hong Kong Profits Tax has not been provided as the Group's assessable profits for the year were wholly absorbed by unrelieved tax losses brought forward from previous years.

Overseas taxation represents income tax provisions in respect of certain subsidiaries, calculated at the tax rates prevailing in the countries in which the subsidiaries operate.

	2016 HK$'000	2015 HK$'000
Current tax		
Hong Kong Profits Tax	**–**	–
Overseas income taxes	**(3,157)**	(5)
	(3,157)	(5)
Deferred tax		
Depreciation allowances	**1,702**	98
	1,702	98
Taxation (charges)/credits	**(1,455)**	93

Further details of the deferred taxation status are set out in note 23.

RECONCILIATION OF EFFECTIVE TAX RATE

	2016 %	2015 %
Applicable tax rate	**(16)**	14
Non-deductible expenses	**4**	420
Tax exempt revenue	**(1)**	(744)
Unrecognised tax losses	**11**	157
Unrecognised temporary differences	**4**	161
Utilisation of previously unrecognised tax losses	**–**	(8)
Other	**–**	(8)
Effective tax rate for the year	**2**	(8)

The applicable rate is the weighted-average of the tax rates prevailing in the territories in which the Group operates. The tax rates adopted in various territories range from 16.5% to 25% *(2015: from 16.5% to 25%)*.

8. DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2016 *(2015: Nil)*.

9. (LOSS)/EARNINGS PER SHARE

The calculation of the loss per share for the year ended 31 December 2016 is based on the consolidated loss attributable to equity holders of the Company of approximately HK$79,264,000 *(2015: consolidated profit of approximately HK$3,882,000)* and the weighted average number of 746,937,486 *(2015: 607,500,274)* shares in issue during the year.

The Group has no dilutive potential ordinary shares in issue during the current and prior years and, therefore, the diluted (loss)/earnings per share is the same as basic (loss)/earnings per share for the years presented.

10. GOODWILL

	2016 HK$'000	2015 HK$'000
As at 1 January	**1,019**	–
Additions *(note 30)*	**33,464**	1,019
Disposal *(note 28)*	**(1,019)**	–
As at 31 December	**33,464**	1,019

Goodwill acquired through business combinations is allocated to the Group's cash-generating units ("CGUs") for impairment test as follows:

	Notes	**2016 HK$'000**	2015 HK$'000
CGU			
Money lending business	*(i)*	**–**	1,019
Financial payment processing solution and software development services business	*(ii)*	**7,945**	–
Distribution business	*(ii)*	**25,519**	–
Cost		**33,464**	1,019

(i) MONEY LENDING BUSINESS

Upon the disposal of Goldyard Finance Limited as detailed in note 28 to the consolidated financial statements, the goodwill with carrying amount of approximately HK$1,019,000 was derecognised and included in the determination of gain on disposal of subsidiaries.

10. GOODWILL *(continued)*

(ii) FINANCIAL PAYMENT PROCESSING SOLUTION AND SOFTWARE DEVELOPMENT SERVICES BUSINESS AND DISTRIBUTION BUSINESS

On 24 June 2016, the Group acquired 100% equity interest in Diamond Frontier Investments Limited ("Diamond Frontier"), at a consideration of Renminbi ("RMB") 80,000,000 (equivalent to approximately HK$94,172,000). Diamond Frontier, through its subsidiary, 杭州蘇頌科技有限公司 (Hangzhou Susong Technology Company Limited) ("Hangzhou Susong"), is engaged in the financial payment processing solution and software development services and distribution business. The excess of the consideration transferred and the amount of non-controlling interests over the acquisition-date fair values of the identifiable assets acquired and liabilities assumed amounted to approximately HK$33,464,000. This has been allocated to the financial payment processing solution and software development services business of approximately HK$7,945,000 and the distribution business of approximately HK$25,519,000 respectively, and recognised as goodwill.

At 31 December 2016, the Group assessed the recoverable amount of the financial payment processing solution and software development services business CGU and the distribution business CGU with reference to value-in-use calculations based on cash flow projections.

The calculation uses cash flow projections based on financial budgets approved by the Directors covering a 4-year period. Cash flows beyond the 4-year period have been extrapolated using a 3% long-term growth rate. This growth rate is based on the relevant growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

The recoverable amount of both the financial payment processing solution and software development services business CGU and the distribution business CGU, based on the value-in-use calculations, exceeded its carrying amounts. Accordingly, goodwill was not impaired.

Key assumptions used for the value-in-use calculation are as follows:

	Financial payment processing solution and software development services business %	Distribution business %
Average growth rate for the 4-year budget period (per annum)	**23**	**24**
Long-term growth rate (per annum)	**3**	**3**
Discount rate (per annum)	**20**	**30**

Management determined the budgeted gross profit margin based on past performance and its expectation of market development. The discount rate used is pre-tax and reflects specific risks relating to the financial payment processing solution and software development services business CGU and the distribution business CGU.

Apart from the considerations described above in determining the recoverable amounts of both the financial payment processing solution and software development services business CGU and the distribution business CGU, the Company's management is not aware of any other probable changes that would necessitate changes in the key assumptions.

11. INTEREST IN AN ASSOCIATE

	2016 HK$'000	2015 HK$'000
Share of net assets	**7**	–
Goodwill	**500**	–
	507	–

On 1 November 2016, the Group obtained 25% issued share capital of AD MediLink Limited ("AD MediLink") as partial consideration received from the disposal of the Group's 24.99% equity interest in Cyber Insurance Brokers Limited ("Cyber Insurance"), a non-wholly owned subsidiary of the Company.

The Group only holds 25% of total voting rights, while a valid shareholders' meeting resolution requires more than half of the total votes. Therefore, the Group has significant influence over AD MediLink and accounted for the investment as an associate from 1 November 2016.

The principal place of business and place of incorporation of AD MediLink is in Hong Kong. The principal activity of AD MediLink is to provide expatriates and business with health-related assistance and consulting services.

AD MediLink is not individually material to the Group.

FINANCIAL INFORMATION OF INDIVIDUALLY IMMATERIAL ASSOCIATE

The table below shows the carrying amount and the Group's share of results of an associate that is not individually material and accounted for using the equity method.

	Year ended 31 December 2016 HK$'000	Year ended 31 December 2015 HK$'000
Group's share of profit and total comprehensive income	**7**	–

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
Carrying amount of interests	**507**	–

12. INTEREST IN A JOINT VENTURE

	2016 HK$'000	2015 HK$'000
Share of net assets	**318**	–

On 24 June 2016, as a result of acquisition of 100% equity interest in Diamond Frontier as set out in note 30 to the Consolidated Financial Statements, the Group obtained 50% issued share capital of 杭州芙蘇科技有限公司 (Hangzhou Fusu Technology Company Limited) ("Hangzhou Fusu").

The Group only holds 50% of total voting rights, while a valid shareholders' meeting resolution requires more than half of the total votes. Therefore, the Group has joint control over Hangzhou Fusu and accounted for the investment as a joint venture from 24 June 2016.

The principal place of business and place of incorporation of Hangzhou Fusu is in the People's Republic of China (the "PRC"). The principal activity of Hangzhou Fusu is conducting the business of research and development of technology information.

Hangzhou Fusu is not individually material to the Group.

FINANCIAL INFORMATION OF INDIVIDUALLY IMMATERIAL JOINT VENTURE

The table below shows the carrying amount and the Group's share of results of a joint venture that is not individually material and accounted for using the equity method.

	Year ended 31 December 2016 HK$'000	Year ended 31 December 2015 HK$'000
Group's share of		
– Loss from operations	**(25)**	–
– Other comprehensive loss	**(19)**	–
Group's share of total comprehensive loss	**(44)**	–

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
Carrying amount of interests	**318**	–

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Office equipment, furniture and fittings HK$'000	Motor vehicles HK$'000	Total HK$'000
As at 1 January 2015	166	13	6,287	–	6,466
Additions	283	164	2,269	8,068	10,784
Disposals	(1,631)	–	(4,293)	–	(5,924)
Write-back of accumulated depreciation on disposals	1,631	–	2,069	–	3,700
Depreciation	(264)	(50)	(2,149)	(321)	(2,784)
Exchange adjustments	–	–	(158)	–	(158)
As at 31 December 2015	185	127	4,025	7,747	12,084
As at 1 January 2016	185	127	4,025	7,747	12,084
Additions	7,487	158	1,650	–	9,295
Disposals	(283)	–	(7)	–	(290)
Write-back of accumulated depreciation on disposals	233	–	7	–	240
Depreciation	(3,167)	(72)	(2,120)	(1,613)	(6,972)
Exchange adjustments	–	–	1	–	1
As at 31 December 2016	**4,455**	**213**	**3,556**	**6,134**	**14,358**
Representing:					
Cost	589	27,643	24,963	9,468	62,663
Accumulated depreciation	(404)	(27,516)	(20,938)	(1,721)	(50,579)
As at 1 January 2016	185	127	4,025	7,747	12,084
Cost	7,793	27,673	26,175	9,468	71,109
Accumulated depreciation	(3,338)	(27,460)	(22,619)	(3,334)	(56,751)
As at 31 December 2016	**4,455**	**213**	**3,556**	**6,134**	**14,358**

The net book value of the Group's property, plant and equipment includes an amount of approximately HK$200,000 *(2015: Nil)* in respect of assets held under finance leases.

14. INTANGIBLE ASSETS

	Development costs HK$'000	Customer contracts HK$'000	Software HK$'000	Customer relationships HK$'000	Technical know-how HK$'000	Total HK$'000
As at 1 January 2015	–	10,887	–	–	–	10,887
Amortisation	–	(1,904)	–	–	–	(1,904)
Exchange adjustments	–	(654)	–	–	–	(654)
As at 31 December 2015	–	8,329	–	–	–	8,329
As at 1 January 2016	–	8,329	–	–	–	8,329
Acquisition of subsidiary	–	–	13,090	57,363	17,579	88,032
Amortisation	–	(1,901)	(701)	(5,480)	(1,200)	(9,282)
Exchange adjustments	–	(80)	(694)	(3,016)	(929)	(4,719)
As at 31 December 2016	**–**	**6,348**	**11,695**	**48,867**	**15,450**	**82,360**
Representing:						
Cost	3,597	14,807	–	–	–	18,404
Accumulated amortisation and impairment losses	(3,597)	(6,478)	–	–	–	(10,075)
As at 1 January 2016	–	8,329	–	–	–	8,329
Cost	3,597	14,510	12,390	54,296	16,639	101,432
Accumulated amortisation and impairment losses	(3,597)	(8,162)	(695)	(5,429)	(1,189)	(19,072)
As at 31 December 2016	**–**	**6,348**	**11,695**	**48,867**	**15,450**	**82,360**

As a result of the acquisition of Diamond Frontier, as set out in note 30 to the consolidated financial statements, the Group recognised intangible assets including technical know-how of approximately HK$17,579,000, customer relationships of approximately HK$57,363,000 and software of approximately HK$13,090,000, respectively, which were recognised at their fair value at the date of acquisition.

Technical know-how represented the know-how of operating a financial payment processing solution business, including but not limited to technical skills on mature e-commerce payment platform developed for the financial payment processing solution services. Technical know-how has a finite useful life and is amortised on a straight-line basis over its estimated economic useful life of 7 years.

Customer relationships represent the existing business relationships with the users of an e-commerce platform maintained by the Group. The customer relationships have a finite useful life and are amortised on a straight-line basis over the estimated economic useful lives of 5 years.

Software represented an e-commerce platform exclusively used for the purpose of provision of financial payment processing solution and software development services. The software has a finite useful life and is amortised on a straight-line basis over 9 years.

14. INTANGIBLE ASSETS *(continued)*

Intangible assets related to development costs and customer contracts in respect of domain name registration, web/data hosting and other services. Development costs and customer contracts have a finite useful life and are amortised on a straight-line basis over their estimated economic useful life of 8 years.

All intangible assets are tested for impairment when an indicator of impairment appears.

15. AVAILABLE-FOR-SALE FINANCIAL ASSET

On 19 February 2016, the Group completed a subscription for new ordinary share capital of Thunder Power Hong Kong Limited ("TPHK") for USD1 million (equivalent to HK$7,800,000) and is interested in 0.20% of the issued shares of TPHK and the unlisted investment is accounted for as an available-for-sale financial asset of the Group.

The asset is measured at cost less impairment loss at the end of each reporting period because the directors are of the opinion that the fair value cannot be measured reliably given that the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

16. SUBSIDIARIES

Details of the principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation/ operation	Particulars of issued share capital	Effective ownership interest held by the Company		Principal activities
			Directly	*Indirectly*	
ZONE Telecom Pte Ltd	Singapore	S$100,000	–	100%	Provision of telecommunication services
ZONE Enterprises Limited	Hong Kong	HK$1	–	100%	Provision of consultancy services
ZONE Limited	Hong Kong	HK$2	–	100%	Provision of telecommunication services
ZONE Asia Holdings Limited	British Virgin Islands	US$1	–	100%	Investment holding
speedinsure Global Limited	British Virgin Islands	US$10,102	–	100%	Investment holding
RMI Group International Limited *(iii)*	Hong Kong	HK$100	–	50.1%	Investment holding
Relevant Marketing IP Holding Limited *(iii)*	British Virgin Islands	US$1	–	50.1%	Holding of intellectual property
Relevant Marketing (HK) Limited *(iii)*	Hong Kong	HK$10,000	–	50.1%	Provision of sales and fulfilment services
Relevant Marketing Group Limited *(iii)*	British Virgin Islands	US$10	–	50.1%	Investment holding

16. SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ operation	Particulars of issued share capital	Effective ownership interest held by the Company		Principal activities
			Directly	*Indirectly*	
Relevant Marketing (Canada) Limited *(iii)*	Canada	C$1	–	50.1%	Provision of sales and fulfilment services
Relevant Marketing (Singapore) Pte. Limited *(iii)*	Singapore	S$100	–	50.1%	Provision of sales and fulfilment services
i-GUARD Insurance Agency Limited *(iii)*	Hong Kong	HK$1	–	50.1%	Insurance agency
i-Guard Direct Limited *(iii)*	Hong Kong	HK$1	–	50.1%	Provision of marketing services
e-Kong Pillars Holdings Limited	British Virgin Islands	US$1	100%	–	Investment holding
Cybersite Services Pte Limited	Singapore	S$100,000	–	100%	Provision of domain name registration and hosting services
Cyber Insurance Brokers Limited ("Cyber Insurance") *(iii)*	Hong Kong	HK$5,000,000	–	25.6%	Insurance brokerage
China Portal Limited ("China Portal")	British Virgin Islands	US$1	–	100%	Provision of consultancy services
深圳盈港科技有限公司 *(i) & (ii)*	The PRC	RMB1,000,000 Registered capital	–	100%	Provision of technical consultancy services
杭州蘇頌科技有限公司 (Hangzhou Susong Technology Company Limited) ("Hangzhou Susong") *(iv)*	The PRC	RMB2,000,000 Registered capital	–	90%	Provision of financial payment processing solution and software development services, and distribution business through e-commerce platform

(i) *Companies not audited by Mazars.*
(ii) *A wholly foreign-owned enterprise established in the PRC.*
(iii) *Companies collectively referred to as the RMI Group.*
(iv) *A limited liability enterprise established in the PRC.*

The above summary includes those subsidiaries which, in the opinion of the Company's directors, principally affect the results or form a substantial portion of the net assets of the Group. The classes of shares held are ordinary shares unless otherwise stated. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. None of the subsidiaries had any debt securities in issue at any time during the years ended 31 December 2016 and 2015.

16. SUBSIDIARIES *(continued)*

FINANCIAL INFORMATION OF SUBSIDIARIES WITH INDIVIDUALLY MATERIAL NCI

The following table shows the information relating to each of the non-wholly owned subsidiaries that has material non-controlling interests ("NCI"). The summarised financial information represents amounts before inter-company eliminations.

	Hangzhou Susong	RMI Group
As at 31 December 2016		
Proportion of NCI's ownership interests	10.0%	49.9%
	HK$'000	HK$'000
Non-current assets	76,331	1,535
Current assets	27,390	2,000
Current liabilities	(35,511)	(28,389)
Net assets/(liabilities)	68,210	(24,854)
NCI	6,821	(12,402)
NCI of Cyber Insurance, non-wholly own subsidiary of RMI Group	–	716
Carrying amount of NCI	6,821	(11,686)
	HK$'000	HK$'000
Year ended 31 December 2016		
Revenue	16,413	3,563
Expenses	(12,010)	(8,045)
Profit/(Loss) for the year	4,403	(4,482)
Other comprehensive loss for the year	(3,647)	–
Total comprehensive income/(loss) for the year	756	(4,482)
NCI	76	(2,237)
NCI of Cyber Insurance	–	46
Total comprehensive income/(loss) for the year attributable to NCI	76	(2,191)
Dividend to NCI	–	–
	Hangzhou Susong	RMI Group
Net cash flows (used in)/generated from operating activities	(7,998)	4,176
Net cash flows used in investing activities	–	(670)
Net cash flows used in financing activities	–	(4,137)
Net decrease in cash and cash equivalents	(7,998)	(631)

16. SUBSIDIARIES *(continued)*

FINANCIAL INFORMATION OF SUBSIDIARIES WITH INDIVIDUALLY MATERIAL NCI *(continued)*

	RMI Group
As at 31 December 2015	
Proportion of NCI's ownership interests	49.9%

	HK$'000
Non-current assets	274
Current assets	1,176
Current liabilities	(22,152)
Net liabilities	(20,702)
Carrying amount of NCI	(10,331)

	HK$'000
Year ended 31 December 2015	
Revenue	1,607
Expenses	(6,975)
Loss for the year	(5,368)
Other comprehensive income for the year	–
Total comprehensive loss for the year	(5,368)
Total comprehensive loss for the year attributable to NCI	(2,679)
Dividend to NCI	–

	RMI Group HK$'000
Net cash flows used in operating activities	(1,321)
Net cash flows used in investing activities	(92)
Net cash flows generated from financing activities	2,149
Net increase in cash and cash equivalents	736

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$'000	2015 HK$'000
Held for trading		
Equity investments listed in Hong Kong	**63,199**	51,054

The fair values of the listed investments are determined on the basis of quoted market price at the end of the reporting period.

18. TRADE AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	**31,351**	10,059
Allowance for doubtful debts	**(2,369)**	(2,006)
	28,982	8,053
Other receivables		
Deposits, prepayments and other debtors	**28,407**	18,735
Refundable deposits paid for acquisition of investments	**–**	31,250
	57,389	58,038

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

	2016 HK$'000	2015 HK$'000
Less than 1 month	**13,678**	4,661
1 to 3 months	**9,177**	2,462
More than 3 months but less than 12 months	**6,127**	930
	28,982	8,053

The Group's credit policy is set out in note 32.

The movements in allowance for doubtful debts are as follows:

	2016 HK$'000	2015 HK$'000
As at 1 January	**2,006**	2,008
Increase in allowance	**372**	110
Amounts written off as uncollectible	**–**	(76)
Exchange adjustments	**(9)**	(36)
As at 31 December	**2,369**	2,006

The ageing analysis of trade debtors by past due date that is neither individually nor collectively considered to be impaired is as follows:

	2016 HK$'000	2015 HK$'000
Less than 3 months past due	**10,680**	3,979
More than 3 months but less than 12 months past due	**5,899**	834
Amounts past due	**16,579**	4,813
Neither past due nor impaired	**12,403**	3,240
	28,982	8,053

18. TRADE AND OTHER RECEIVABLES *(continued)*

The Group has not provided for any impairment losses on the above past due trade debtors as there have not been significant changes in credit quality and the directors believe that the amounts are recoverable. The Group does not hold any collateral over the balances.

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there has been no history of defaults.

19. PLEDGED BANK DEPOSITS

At the end of the reporting period, the Group had pledged bank deposits amounting to approximately HK$1,407,000 *(2015: approximately HK$1,427,000)*. At the end of the reporting period, bank guarantees of approximately HK$1,407,000 *(2015: approximately HK$1,427,000)* were issued to suppliers for operational requirements. The directors do not consider it is probable that a claim will be made against the Group under these guarantees. The amounts utilised by the Group at the end of the reporting period under these guarantees were approximately HK$794,000 *(2015: approximately HK$798,000)*, representing the outstanding amounts payable to these suppliers.

20. CASH HELD BY A SECURITIES BROKER/CASH AND BANK BALANCES

(a) CASH HELD BY A SECURITIES BROKER

Cash held by a securities broker is a short term deposit which carries interest rate of 0.001% *(2015: 0.001%)* per annum.

(b) CASH AND BANK BALANCES

	2016	2015
	HK$'000	HK$'000
Cash at bank and in hand	**45,239**	94,116

Cash at bank earns interest at floating rates based on daily bank deposit rates.

21. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	HK$'000
Trade payables	**9,443**	2,855
Other payables		
Deferred revenue	**2,675**	3,384
Cash consideration payable for acquisition of a subsidiary *(note 30)*	**37,172**	–
Accrued charges and other creditors	**32,482**	17,585
	81,772	23,824

21. TRADE AND OTHER PAYABLES *(continued)*

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

	2016 HK$'000	2015 HK$'000
Less than 1 month	**5,284**	2,681
1 to 3 months	**1,737**	56
More than 3 months but less than 12 months	**2,422**	118
	9,443	2,855

22. OBLIGATIONS UNDER FINANCE LEASES

The Group's leased certain of its office equipment under finance leases. The lease terms are ranged between 2 to 3 years. Interest rates underlying the obligations under finance leases are fixed at respective contract dates 3% per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Amount payable				
Within one year	**79**	–	**72**	–
One to two years	**79**	–	**72**	–
Two to three years	**41**	–	**38**	–
	199	–	**182**	–
Future finance charges	**(17)**	–		
Present value of lease obligations	**182**	–		
Less: Amount due for settlement within 12 months			**(72)**	–
Amount due for settlement after 12 months			**110**	–

The Group's obligations under finance leases are secured by the lessor's title to the leased assets.

Finance lease obligations are denominated in Singapore dollars ("SGD").

23. DEFERRED TAX

The movements for the year in the recognised deferred tax assets and liabilities were as follows:

	Tax losses HK$'000	Depreciation allowances HK$'000	Total HK$'000
As at 1 January 2015	41	(347)	(306)
Credit to income statement	–	98	98
Exchange adjustments	–	23	23
As at 31 December 2015	41	(226)	(185)
Acquisition of subsidiaries *(note 30)*	–	(18,735)	(18,735)
Credit to income statement	–	1,702	1,702
Exchange adjustments	–	991	991
As at 31 December 2016	**41**	**(16,268)**	**(16,227)**

The analysis of recognised deferred tax assets and liabilities, determined after appropriate offsetting, is as follows:

	2016 HK$'000	2015 HK$'000
Deferred tax assets to be recovered:		
Within 12 months	**41**	41
After 12 months	**4**	4
	45	45
Deferred tax liabilities to be settled:		
Within 12 months	**(3,398)**	(186)
After 12 months	**(12,874)**	(44)
	(16,272)	(230)
As at 31 December	**(16,227)**	(185)

UNRECOGNISED DEFERRED TAX ASSETS

	2016 HK$'000	2015 HK$'000
Tax losses	**37,414**	28,777
Deductible temporary differences	**3,050**	849
As at 31 December	**40,464**	29,626

The unrecognised tax losses of approximately HK$226,740,000 *(2015: approximately HK$174,389,000)* and deductible temporary difference of approximately HK$18,490,000 *(2015: approximately HK$5,143,000)* have no expiry dates under current tax legislation *(2015: no expiry dates under current tax legislation)*.

24. SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

	2016		2015	
	Number of shares	**Amount HK$'000**	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each				
Authorised:				
As at 1 January and **31 December**	**12,000,000,000**	**120,000**	12,000,000,000	120,000
Issued and fully paid:				
As at 1 January	**729,400,000**	**7,294**	521,000,000	5,210
Shares issued upon placing in May 2015	**–**	**–**	104,200,000	1,042
Shares issued upon placing in October 2015	**–**	**–**	104,200,000	1,042
Shares issued upon placing in November 2016 *(Note)*	**145,880,000**	**1,459**	–	–
As at 31 December	**875,280,000**	**8,753**	729,400,000	7,294

Note: On 18 November 2016, the Company allotted and issued an aggregate of 145,880,000 ordinary shares of HK$0.01 each for cash to not less than six independent investors at a placing price of approximately HK$0.38 per share under the general mandate granted by the shareholders at the annual general meeting of the Company held on 13 May 2016. The net proceeds of approximately HK$55,158,000 were used to strengthen the financial position of the Group's business operation and provide additional funding to further develop the Group's business. The net proceeds raised per share issued were approximately HK$0.378 per share. The closing market price of the Company's shares as at issue date was HK$0.48. All shares issued under the placing rank pari passu with the existing shares in all respects.

25. SHARE OPTIONS

On 20 May 2015, the Company adopted a share option scheme. Under the share option scheme, the directors of the Company may at their discretion grant share options to (i) any director, employee, consultant, customer, supplier, business introduction agent, or legal, financial or marketing adviser of or contractor to any company in the Group or any affiliate and/or (ii) any discretionary trust the discretionary objects of which include any of the foregoing, under the terms and conditions stipulated therein. No share options have been granted by the Company under the share option scheme since adoption.

During the year, no share options were granted/forfeited/exercised and there were no share options outstanding/ exercisable at the end of the reporting period.

25. SHARE OPTIONS *(continued)*

SUMMARY OF PRINCIPAL TERMS

A summary of the principal terms of the share option scheme of the Company and Procedures is as follows:

(i) Purpose

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

(ii) Maximum number of shares

The total number of shares in respect of which share options may be granted (together with share options exercised and then outstanding) under the scheme shall not in aggregate exceed 10% of the shares in issue as at the date of approval of the schemes unless shareholder approval has been obtained. As at 31 December 2016 and 2015, there were no outstanding share options under the share option scheme adopted by the Company.

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

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

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

A share option shall be deemed to have been granted and accepted and to have taken effect when the duplicate letter comprising acceptance of the offer of the grant of a share option duly signed by the grantee together with a remittance in favour of the Company of HK$1.00 in consideration of the grant thereof is received by the Company on a business day not later than 14 days from the offer date.

(iv) Basis of determining the subscription price

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

(v) Remaining life of the scheme

The scheme is valid and effective, at the discretion of the board of directors, subject to a maximum period of 10 years from the date of its adoption, that is, up to 19 May 2025.

26. RESERVES

	Attributable to equity holders of the Company								
	Share premium HK$'000	Exchange reserve HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Accumulated profits/(losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 January 2015	67,093	2,414	25	2,077	83,489	(48,695)	106,403	(7,652)	98,751
Profit for the year	–	–	–	–	–	3,882	3,882	(2,679)	1,203
Other comprehensive (loss)/income for the year									
Item that may be subsequently reclassified to profit or loss:									
Exchange differences on translation of foreign subsidiaries	–	(915)	–	–	–	–	(915)	–	(915)
Total comprehensive (loss)/income for the year	–	(915)	–	–	–	3,882	2,967	(2,679)	288
Transactions with equity holders of the Company									
Contributions and distributions:									
Shares issued upon placing in May 2015	68,900	–	–	–	–	–	68,900	–	68,900
Shares issued upon placing in October 2015	51,637	–	–	–	–	–	51,637	–	51,637
Change in ownership interests:									
Disposal of subsidiaries classified as held for sale	–	1,218	–	–	–	–	1,218	–	1,218
Total transactions with equity holders of the Company	120,537	1,218	–	–	–	–	121,755	–	121,755
As at 31 December 2015	187,630	2,717	25	2,077	83,489	(44,813)	231,125	(10,331)	220,794

26. RESERVES *(continued)*

	Attributable to equity holders of the Company								
	Share premium HK$'000	Exchange reserve HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Accumulated profits/ (losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 January 2016	187,630	2,717	25	2,077	83,489	(44,813)	231,125	(10,331)	220,794
Loss for the year	–	–	–	–	–	(79,264)	(79,264)	(1,750)	(81,014)
Other comprehensive loss for the year									
Items that may be subsequently reclassified to profit or loss:									
Exchange differences on translation of foreign subsidiaries	–	(3,343)	–	–	–	–	(3,343)	(363)	(3,706)
Share of other comprehensive loss of a joint venture – Exchange difference in translation	–	(17)	–	–	–	–	(17)	(2)	(19)
Total comprehensive loss for the year	–	(3,360)	–	–	–	(79,264)	(82,624)	(2,115)	(84,739)
Transactions with equity holders of the Company									
Contributions and distributions:									
Shares issued upon placing in November 2016 *(note 24)*	53,699	–	–	–	–	–	53,699	–	53,699
Change in ownership interests:									
Disposal of subsidiaries equity interest in a subsidiary *(note 29)*	–	–	–	165	–	–	165	835	1,000
Non-controlling interests arising from business combination *(note 30)*	–	–	–	–	–	–	–	6,746	6,746
Total transactions with equity holders of the Company	53,699	–	–	165	–	–	53,864	7,581	61,445
As at 31 December 2016	241,329	(643)	25	2,242	83,489	(124,077)	202,365	(4,865)	197,500

26. RESERVES *(continued)*

The following provides a description of the nature and purpose of each reserve within equity:

SHARE PREMIUM

The application of share premium is governed by the Companies Act 1981 of Bermuda (as amended).

EXCHANGE RESERVE

The exchange reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations.

CAPITAL RESERVE

Capital reserve represents the difference between the fair value of consideration paid or received and the change in the carrying value of non-controlling interests of a subsidiary in circumstances where changes in the Group's ownership interests in the subsidiary do not result in a loss of control.

CONTRIBUTED SURPLUS

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

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

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

As at 31 December 2016 and 2015, there were no reserves available for distribution to the equity holders of the Company.

27. CASH USED IN OPERATIONS

	2016 **HK$'000**	2015 HK$'000
(Loss)/Profit before taxation	**(79,559)**	1,110
Interest income	**(11)**	(31)
Interest expenses	**3**	135
Depreciation of property, plant and equipment	**6,972**	2,784
Net decrease in fair value of financial assets at fair value through profit or loss	**14,512**	6,859
Amortisation of intangible assets	**9,282**	1,904
Share of result of an associate	**(7)**	–
Share of result of a joint venture	**25**	–
Exchange differences	**(323)**	(49)
Gain on disposal of subsidiaries classified as held for sale	**–**	(44,808)
Loss/(Gain) on disposal of property, plant and equipment	**42**	(3,967)
Gain/(Loss) on disposal of a subsidiary	**(821)**	67
Allowance for doubtful debts	**372**	110
Changes in working capital:		
Financial assets at fair value through profit or loss	**(26,657)**	(57,913)
Trade and other receivables	**(19,186)**	(14,626)
Trade and other payables	**(389)**	5,818
Cash used in operations	**(95,745)**	(102,607)

28. DISPOSAL OF A SUBSIDIARY

On 30 June 2016, the Group disposed of 100% of its equity interest in Goldyard Finance Limited to a company, which has a common director, for a cash consideration of HK$1,700,000. The details are as follows:

	HK$'000
Net assets disposed of:	
Other receivables	**15**
Cash and bank balances	**5**
Other payable	**(160)**
Net liabilities upon disposal	**(140)**
Goodwill derecognised *(note 10)*	**1,019**
Gain on disposal of a subsidiary	**821**
Consideration, satisfied by cash	**1,700**

Analysis of net inflow of cash and cash equivalents in respect of disposal of the subsidiary is as follows:

	HK$'000
Cash consideration	**1,700**
Cash and cash equivalents disposed	**(5)**
Net inflow of cash and cash equivalents	**1,695**

29. CHANGE IN OWNERSHIP INTERESTS IN A SUBSIDIARY THAT DOES NOT RESULT IN A LOSS OF CONTROL

On 16 June 2016, the Group completed the disposal of the Group's 24.99% equity interest in Cyber Insurance, a non wholly-owned subsidiary of the Group, for an aggregate consideration of HK$1,000,000 (the "Cyber Insurance Disposal"). Upon the completion of the Cyber Insurance Disposal, Cyber Insurance continues to be a non wholly-owned subsidiary of the Group and its financial position and results continue to be consolidated by the Group.

	HK$'000
Consideration received from non-controlling interests	**1,000**
Carrying amount of non-controlling interests disposed of	**(835)**
Difference recognised directly in capital reserve	**165**

The consideration was settled by cash of HK$500,000 on 15 June 2016 and the remaining HK$500,000 was settled by transferring 25% issued share capital of AD MediLink, which is controlled by the beneficial owner of the purchaser, to the Group on 1 November 2016.

30. ACQUISITION OF SUBSIDIARIES

On 24 June 2016, Stage Charm Limited ("Stage Charm"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Summer Beach International Limited, an independent third party. Pursuant to the sale and purchase agreement, Stage Charm agreed to purchase the entire issued share capital of Diamond Frontier, at a consideration of RMB80,000,000 (equivalent to approximately HK$94,172,000) (the "Diamond Frontier Acquisition").

The principal activity of Diamond Frontier is investment holding, and it owns 90% equity interests of Hangzhou Susong. Hangzhou Susong is principally engaged in the business of the provision of financial payment processing solution and software development services and distribution business through e-commerce platform. Hangzhou Susong holds a 50% equity interest in the registered capital of Hangzhou Fusu, which is engaged in the business of research and development of technology information, and this has been recorded as investment in a joint venture in the consolidated financial statements.

As a result of the Diamond Frontier Acquisition, the Group is expected to expand its core business into the operation of provision of financial payment processing solution and software development services and distribution business through e-commerce platform.

The following summarises the consideration paid/payable and the values of the assets acquired and liabilities assumed at the date of acquisition:

	HK$'000
Consideration:	
Cash paid/payable	**94,172**

	HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Interests in a joint venture	**2,371**
Intangible assets *(note 14)*	**88,032**
Trade and other receivables	**10,384**
Bank and cash balances	**9,407**
Trade and other payables	**(22,515)**
Taxation payable	**(1,490)**
Deferred tax liabilities *(note 23)*	**(18,735)**
Total identifiable net assets	**67,454**
Non-controlling interests recognised	**(6,746)**
Goodwill arising on acquisition *(note 10)*	**33,464**
	94,172

	HK$'000
Net cash flow on acquisition of subsidiaries:	
Net cash acquired from the subsidiaries	**9,407**
Cash consideration paid	**(57,000)**
	(47,593)

30. ACQUISITION OF SUBSIDIARIES *(continued)*

At 31 December 2016, the unpaid portion of cash consideration for the Diamond Frontier Acquisition amounted to approximately RMB31,578,000 (equivalent to approximately HK$37,172,000), which is included in other payables and is unsecured, interest-free and payable on 30 June 2017.

In respect of the acquired subsidiaries, the fair value of trade and other receivables acquired included trade receivables with a fair value of approximately HK$8,649,000. The total gross contractual amount of the trade receivables is approximately HK$8,649,000, of which no balance is expected to be uncollectible.

The goodwill arising from the acquisition is attributable to the growth and profit potential as a result of benefiting from the growing demand in financial payment processing solution and software development services, and distribution business through e-commerce platform. None of the goodwill recognised is expected to be deductible for income tax purposes.

Since acquisition, the acquired business contributed revenue of approximately HK$16,413,000 and profit of approximately HK$4,387,000 to the Group. If the business combination effected during the year had been taken up at the beginning of the year, the consolidated revenue and loss of the Group would have been approximately HK$88,029,000 and approximately HK$76,325,000 respectively.

The Group has chosen to measure the non-controlling interests at its proportionate interests in the identifiable assets and liabilities of the acquiree.

31. RELATED PARTY AND CONNECTED TRANSACTIONS

In addition to the transactions detailed elsewhere in these consolidated financial statements, during the year, the Group had the following transactions with related parties:

	2016 HK$'000	2015 HK$'000
Nature of transactions		
Management fee income from a related company	**2,006**	–
Interest expenses on loan from a related company	**–**	104

	2016 HK$'000	2015 HK$'000
Outstanding balances		
Amount due to an associate	**80**	–

In 2016, the related company represented a company with a director, Yeung Chun Wai Anthony, who is also a substantial shareholder of the Group. In 2015, the related company represented company which had a common director.

The related party transaction in respect of management fee income from a related company constitute connected transactions or continuing connected transactions as defined in Chapter 14 of the Listing Rules, but is exempted from the disclosure requirement in Chapter 14A of the Listing Rules.

Apart from management fee income from a related company, the above transactions do not fall under the definition of connected transactions or continuing connected transactions under the Listing Rules.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise financial assets at fair value through profit or loss, cash and bank balances, cash held by a securities broker and pledged bank deposits. The main purpose of these financial instruments is to raise or maintain financial resources for the Group's operations. The Group has various other financial instruments such as trade and other receivables and trade and other payables which arise directly from its business activities.

Exposures to price, currency, credit and liquidity risks arise in the normal course of the Group's business. Management of the Group monitors and manages these exposures to ensure appropriate measures are implemented on a timely and effective manner. The key policies on monitoring and controlling these risks are set out below.

PRICE RISK

The Group is exposed to price risks arising from listed equity investments held under financial assets at fair value through profit or loss in the consolidated financial statements.

The sensitivity analysis has been determined based on the exposure to price risk. At the end of the reporting period, if the market price had been 9% (*2015: 16%*) higher/lower while all other variables were held constant, the Group's net loss (*2015: net profit*) would be decreased/increased by approximately HK$5,688,000 (*2015: increased/decreased by approximately HK$8,169,000*) due to change in the fair value of financial assets at fair value through profit or loss.

CURRENCY RISK

Since most of the Group's assets and liabilities are denominated in Hong Kong dollars, the Group considers there are no significant exposures to foreign exchange fluctuations. Moreover, certain revenue and payments of the Group are denominated in RMB and SGD. The Group continues to closely monitor the Singapore-Hong Kong dollar and Renminbi-Hong Kong dollar exchange rates and will, whenever appropriate, take appropriate action to mitigate such exchange risks.

CREDIT RISK

The Group's credit risks are primarily attributable to trade and other receivables. Management of the Group has a credit limit policy in place and exposures to credit risks are monitored on an ongoing basis. The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge obligations by counterparties arises to the extent of the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. In order to minimise credit risk, management of the Group has established credit limits, credit approvals and other monitoring procedures to ensure appropriate actions are taken to recover overdue debts.

The credit risk on liquid funds is limited because the counterparties are banks and financial institutions in the Asia Pacific Region with good reputation.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

LIQUIDITY RISK

Individual operating units within the Group are responsible for their own cash management. To minimise liquidity risks, management of the Group regularly reviews the current and expected liquidity requirements of operating units to ensure they maintain sufficient reserves of cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet their liquidity requirements in the short and longer terms.

The maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted payments is summarised below.

	On demand	**Less than 3 months**	**3 to 12 months**	**After 1 year but within 5 years**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2016					
Obligations under finance leases	**–**	**18**	**54**	**110**	**182**
Trade and other payables	**31,919**	**7,114**	**39,950**	**–**	**78,983**
Bank guarantee commitments	**614**	**–**	**–**	**–**	**614**
	32,533	**7,132**	**40,004**	**110**	**79,779**
As at 31 December 2015					
Trade and other payables	16,099	4,185	156	–	20,440
Bank guarantee commitments	629	–	–	–	629
	16,728	4,185	156	–	21,069

33. FAIR VALUE MEASUREMENTS

The following presents the Group's financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy as defined in HKFRS 13, Fair Value Measurement, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

- Level 3 (lowest level): unobservable inputs for the asset or liability.

33. FAIR VALUE MEASUREMENTS *(continued)*

(i) ASSETS MEASURED AT FAIR VALUE

	Level 1	
	2016 HK$'000	2015 HK$'000
Financial assets at fair value through profit or loss		
Equity investments listed in Hong Kong	**63,199**	51,054

During the years ended 31 December 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

(ii) FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE

The carrying amounts of the financial assets and liabilities of the Group carried amounts at other than their fair values are not materially different from their fair values as at 31 December 2016 and 2015.

34. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard its ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure to maintain a balance between liquidity, investment and borrowings, and makes adjustments, including payment of dividends to shareholders or issues new shares in the light of changes in the economic environment. No changes were made in the Group's objectives, policies or processes in managing capital during the years ended 31 December 2016 and 2015.

The Group monitors capital on the basis of its net debt-to-equity ratio, which is net debt divided by total equity. The net debt-to-equity ratio at the end of the reporting period was as follows:

	2016 HK$'000	2015 HK$'000
Trade and other payables	**(81,772)**	(23,824)
Obligations under finance leases	**(182)**	–
Taxation payable	**(4,271)**	–
Less: Cash and bank balances	**45,239**	94,116
Cash held by a securities broker	**3,221**	26,817
Pledged bank deposits	**1,407**	1,427
Net (debts)/surplus	**(36,358)**	98,536
Total equity	**206,253**	228,088
Net debt-to-equity ratio	**18%**	N/A

35. COMMITMENTS AND CONTINGENCIES

CAPITAL EXPENDITURE COMMITMENTS

	2016 HK$'000	2015 HK$'000
Contracted but not provided net of deposits paid for acquisition of		
– leasehold improvement	–	1,495
– software	–	300
	–	1,795

COMMITMENTS UNDER OPERATING LEASES

At the end of the reporting period, the total future minimum lease payments in respect of land and buildings under non-cancellable operating leases were payable as follows:

	2016 HK$'000	2015 HK$'000
Within one year	**22,229**	22,562
In the second to fifth year inclusive	**15,610**	34,657
	37,839	57,219

Operating lease payments mainly represent rentals payable for certain office premises and directors' quarters. Leases are negotiated for and rentals are fixed for an average of 2 to 5 years.

LITIGATION

The Company is involved in a dispute on certain of the proceeds from the disposal of a subsidiary in previous year. Management believes that the claim is without merit and the possibility of a significant loss arising from the dispute is remote and therefore no provision of the claims was considered necessary.

36. SEGMENTAL INFORMATION

The Group's management, who are the chief operating decision makers, determine the operating segments for the purposes of resource allocation and performance assessment. The business segments of the Group comprise telecommunication services, financial payment processing solution and software development services, distribution business through e-commerce platform, and other operations, representing the provision of insurance-related product distribution services and consultancy services.

Segment results represent the results before taxation earned by each segment without allocation of central operating and administrative expenses. All assets are allocated to reportable segments other than unallocated assets which are mainly financial assets at fair value through profit or loss, cash held by a securities broker and cash and bank balances. All liabilities are allocated to reportable segments other than corporate liabilities.

36. SEGMENTAL INFORMATION *(continued)*

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

(a) BY BUSINESS SEGMENTS

Year ended 31 December 2016

	Tele-communication services HK$'000	Financial payment processing solution and software development services and distribution business HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
Revenue					
External sales	58,475	16,413	4,029	–	78,917
Inter-segment sales	733	–	–	(733)	–
	59,208	16,413	4,029	(733)	78,917
Results					
Segment results	(5,236)	5,915	(3,305)	–	(2,626)
Finance costs	(3)	–	–	–	(3)
Share of results of an associate	–	–	7	–	7
Share of results of a joint venture	–	(25)	–	–	(25)
	(5,239)	5,890	(3,298)	–	(2,647)
Other operating income and expenses					(76,912)
Loss before taxation					(79,559)

Inter-segment sales are charged at prevailing market prices.

36. SEGMENTAL INFORMATION *(continued)*

(a) BY BUSINESS SEGMENTS *(continued)*

Year ended 31 December 2016

	Tele-communication services HK$'000	Financial payment processing solution and software development services and distribution business HK$'000	Other operations HK$'000	Consolidated HK$'000
Assets				
– Reportable segments	25,375	137,185	4,820	167,380
– Unallocated assets				141,927
				309,307
Liabilities				
– Reportable segments	(11,567)	(35,512)	(10,653)	(57,732)
– Unallocated liabilities				(45,322)
				(103,054)
Other information				
Capital expenditures				
– Reportable segments	582	88,032	170	88,784
– Unallocated assets				8,543
				97,327
Interests in a joint venture and an associate				
– Reportable segments	–	318	506	824
Interest income				
– Reportable segments	3	–	8	11
Amortisation and depreciation				
– Reportable segments	(837)	(7,381)	(2,892)	(11,110)
– Unallocated expenses				(5,144)
				(16,254)
Non-cash items other than amortisation and depreciation				
– Reportable segments	(364)	–	–	(364)
– Unallocated				(154)
				(518)

36. SEGMENTAL INFORMATION *(continued)*

(a) BY BUSINESS SEGMENTS *(continued)*

Year ended 31 December 2015

	Tele-communication services HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
Revenue				
External sales	68,508	1,607	–	70,115
Inter-segment sales	409	–	(409)	–
	68,917	1,607	(409)	70,115
Results				
Segment results	44,031	(4,092)	–	39,939
Finance costs	(135)	–	–	(135)
	43,896	(4,092)	–	39,804
Other operating income and expenses				(38,694)
Profit before taxation				1,110

Inter-segment sales are charged at prevailing market prices.

36. SEGMENTAL INFORMATION *(continued)*

(a) BY BUSINESS SEGMENTS *(continued)*

Year ended 31 December 2015

	Tele-communication services HK$'000	Other operations HK$'000	Consolidated HK$'000
Assets			
– Reportable segments	32,030	2,285	34,315
– Unallocated assets			218,614
			252,929
Liabilities			
– Reportable segments	(12,254)	(6,027)	(18,281)
– Unallocated liabilities			(6,560)
			(24,841)
Other information			
Capital expenditures			
– Reportable segments	1,622	2,460	4,082
– Unallocated assets			6,702
			10,784
Interest income			
– Reportable segments	3	–	3
– Unallocated income			28
			31
Amortisation and depreciation			
– Reportable segments	(1,148)	(2,956)	(4,104)
– Unallocated expenses			(584)
			(4,688)
Non-cash items other than amortisation and depreciation			
– Reportable segments	(1,994)	3,955	1,961

36. SEGMENTAL INFORMATION *(continued)*

(b) BY GEOGRAPHICAL INFORMATION

The Group generates its revenue from the Asia Pacific region. Its property, plant and equipment and intangible assets are located in the Asia Pacific region.

(c) INFORMATION ABOUT MAJOR CUSTOMERS

For the years ended 31 December 2016 and 31 December 2015, there are no customers that individually accounted for 10% of total revenue of the Group.

37. EVENT AFTER THE REPORTING PERIOD

On 19 November 2016, the Company entered into a sale and purchase agreement to acquire 38,532,110 ordinary shares of Flash Hope Holdings Limited ("Flash Hope"), which held TPHK after reorganisation during the current year, representing approximately 17.70% of the entire issued share capital of Flash Hope, for the consideration of US$42,000,000 (equivalent to approximately HK$325,794,000) (the "Flash Hope Investment"). The Flash Hope Investment was to be settled in cash.

The sale and purchase agreement of the Flash Hope Investment lapsed because the conditions of the agreement were unable to be consummated on or before 17 February 2017.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Pursuant to the disclosure requirements of Hong Kong Companies Ordinance, the statement of financial position of the Company and the movements in its reserves are set out below:

	Notes	**2016 HK$'000**	2015 HK$'000
Non-current assets			
Property, plant and equipment		**10,091**	6,268
Interests in subsidiaries		**109,980**	87,000
		120,071	93,268
Current assets			
Other receivables		**18,001**	46,936
Pledged bank deposits		**278**	278
Cash and bank balances		**34,360**	29,548
		52,639	76,762
Current liability			
Trade and other payables		**68,795**	71,850
Net current (liabilities) assets		**(16,156)**	4,912
NET ASSETS		**103,915**	98,180
Capital and reserves			
Share capital	*24*	**8,753**	7,294
Reserves	*38(a)*	**95,162**	90,886
TOTAL EQUITY		**103,915**	98,180

Approved and authorised for issue by the Board of Directors on 30 March 2017 and signed on behalf by

Yeung Chun Wai Anthony
Director

Yeung Chun Sing Standly
Director

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

(a) MOVEMENTS OF THE RESERVES

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2015	67,093	25	83,489	(153,312)	(2,705)
Loss for the year and total comprehensive loss for the year	–	–	–	(26,946)	(26,946)
Transaction with equity holders of the Company					
Contributions and distributions:					
Shares issued upon placing in May 2015	68,900	–	–	–	68,900
Shares issued upon placing in October 2015	51,637	–	–	–	51,637
As at 31 December 2015	187,630	25	83,489	(180,258)	90,886
As at 1 January 2016	**187,630**	**25**	**83,489**	**(180,258)**	**90,886**
Loss for the year and total comprehensive loss for the year	**–**	**–**	**–**	**(49,423)**	**(49,423)**
Transaction with equity holders of the Company					
Contributions and distributions:					
Shares issued upon placing in November 2016 *(note 24)*	**53,699**	**–**	**–**	**–**	**53,699**
As at 31 December 2016	**241,329**	**25**	**83,489**	**(229,681)**	**95,162**

Summary of Results, Assets and Liabilities of the Group

	Results of the Group for the five years ended 31 December				
	Continued and discontinued operations				
	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000 (Restated)
Revenue	**78,917**	70,115	75,471	77,345	79,176
(Loss)/Profit before taxation	**(79,559)**	1,110	(73,958)	(33,286)	(552)
Taxation (charges)/credits	**(1,455)**	93	298	(1,305)	(13,203)
(Loss)/Profit for the year	**(81,014)**	1,203	(73,660)	(34,591)	(13,755)
	HK cents	HK cents	HK cents	HK cents	HK cents
(Loss)/Earnings per share Basic and diluted	**(10.6)**	0.6	(13.6)	(6.3)	(2.5)

	Assets and liabilities of the Group as at 31 December				
	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000 (Restated)
Non-current assets	**138,852**	21,477	17,398	151,708	163,612
Current assets	**170,455**	231,452	182,531	130,104	154,762
Total assets	**309,307**	252,929	199,929	281,812	318,374
Non-current liabilities	**16,939**	1,017	1,131	80,621	83,782
Current liabilities	**86,115**	23,824	94,837	22,841	21,070
Total liabilities	**103,054**	24,841	95,968	103,462	104,852
Net assets	**206,253**	228,088	103,961	178,350	213,522

Shareholder Information

ANNUAL GENERAL MEETING

The 2017 Annual General Meeting will be held at Suites 3401–3413, 34/F, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong on Wednesday, 17 May 2017 at 10:00 a.m. A notice of the Annual General Meeting is published on both the websites of Hong Kong Exchanges and Clearing Limited and the Company on 12 April 2017, and a copy thereof is printed on the circular to shareholders of the Company (the "Shareholders") dated 12 April 2017 and despatched to Shareholders and other recipients together with this 2016 Annual Report.

SHAREHOLDER ENQUIRIES

Any enquiries relating to your shareholding, for example transfer of shares, change of name or address, or lost share certificates, should be sent to the Registrars:

Share Registrar in Bermuda:
MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Branch Share Registrar in Hong Kong:
Tricor Secretaries Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

INVESTOR RELATIONS

Enquiries may be directed to:

Investor Relations Team
e-Kong Group Limited
Suites 3401–3413, 34/F,
Two Pacific Place, 88 Queensway,
Admiralty, Hong Kong

Telephone: +852 2807 8288
Facsimile: +852 2807 8299
Email: investor@e-kong.com

CORPORATE COMMUNICATIONS

On 15 September 2003, the Company sent a letter to Shareholders to enable them to select, among others, to receive all future corporate communications of the Company in either the English language or the Chinese language or both languages. This 2016 Annual Report, in either the English language or the Chinese language or both languages, is being delivered to each Shareholder in accordance with his/her selection made or, if no selection has been made by Shareholder, the arrangement as set forth in the said letter.

Shareholders may also obtain this 2016 Annual Report in the language other than that he/she now receives upon request 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. For further enquiries, please contact Tricor Secretaries Limited at telephone no. 2980 1333 or facsimile no. 2861 1465.

股東亦可向本公司之股份過戶登記處香港分處卓佳秘書商務有限公司(地址為香港皇后大道東183號合和中心22樓)索取此二零一六年年報之另一語言文本。如欲查詢更多資料，請聯絡卓佳秘書商務有限公司，電話號碼2980 1333或傳真號碼2861 1465。

This 2016 Annual Report, in both the English and Chinese languages and in accessible format, has been made available on the Company's website and a soft copy thereof has been submitted to Hong Kong Exchanges and Clearing Limited.

Shareholders may at any time choose to receive corporate communications in printed form or electronically.

In order to elect to receive corporate communications of the Company in the English language or the Chinese language or both languages, or to receive electronic communications, or to revoke or amend an instruction previously made, Shareholders may complete, sign and return to the Company or Tricor Secretaries Limited, the Company's Branch Share Registrar in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong a prescribed instruction slip by mail or by email to *ekong524-ecom@hk.tricorglobal.com*, a copy of which is printed at the end of this 2016 Annual Report and is available on the Company's website (*www.e-kong.com*).

INSTRUCTION SLIP
ON RECEIVING FUTURE CORPORATE COMMUNICATIONS

To: **e-Kong Group Limited (the "Company")**
c/o Tricor Secretaries Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

Please tick only one box of this instruction slip

1. PRINTED FORM

(a) Full Financial Reports and other Corporate Communications (English, Chinese or both)

In future,

☐ I/We would like to receive the printed copies of Full Financial Reports and other Corporate Communications in the English language only; OR

☐ I/We would like to receive the printed copies of Full Financial Reports and other Corporate Communications in the Chinese language only; OR

☐ I/We would like to receive the printed copies of Full Financial Reports and other Corporate Communications in both the English and Chinese languages.

(b) Summary Financial Reports and other Corporate Communications (English, Chinese or both)

In future,

☐ I/We would like to receive the printed copies of Summary Financial Reports (if available) and other Corporate Communications in the English language only; OR

☐ I/We would like to receive the printed copies of Summary Financial Reports (if available) and other Corporate Communications in the Chinese language only; OR

☐ I/We would like to receive the printed copies of Summary Financial Reports (if available) and other Corporate Communications in both the English and Chinese languages.

2. ELECTRONIC MEANS

☐ In future, I/we would like to receive the Corporate Communications through electronic means in lieu of any or all of the printed copies referred to in 1(a) and (b) above:

My/Our E-mail Address: ______________________________

(for notification of Corporate Communication release)

☐ I/We would like to change my/our E-mail Address as follows:

My/Our New E-mail Address: ______________________________

(for notification of Corporate Communication release)

With effect from: ______________________________

Signature: ______________________ Date: ______________________

Name of Shareholder: ______________________________

Address: ______________________________

Contact telephone number: ______________________________

Notes:

1. The above instruction will apply to all future Corporate Communications to be sent to shareholders of the Company ("Shareholders") until you notify the Company the otherwise by reasonable notice in writing.
2. All future Corporate Communications in both the English and Chinese languages will be available from the Company or Tricor Secretaries Limited, the Company's Branch Share Registrar in Hong Kong, upon request.
3. Shareholders are entitled to change the choice of language of and means of receiving Corporate Communications at any time by completing, signing and returning this instruction slip to the Company or Tricor Secretaries Limited, the Company's Branch Share Registrar in Hong Kong, by mail or by email to *ekong524-ecom@hk.tricorglobal.com*.
4. A soft copy of this instruction slip is available on the Company's website.

關於將來收取公司通訊之
指示回條

致： **e-Kong Group Limited（「本公司」）**
由 卓佳秘書商務有限公司轉交
香港
皇后大道東183號
合和中心
22樓

請只在指示回條中一個方格內劃上 號

1. 印刷形式

(a) 完整財務報告及其他公司通訊（英文、中文或中英文）

於將來，

☐ 本人／吾等願意僅收取完整財務報告及其他的公司通訊之英文印刷版本；或
☐ 本人／吾等願意僅收取完整財務報告及其他的公司通訊之中文印刷版本；或
☐ 本人／吾等願意收取完整財務報告及其他的公司通訊之中英文印刷版本。

(b) 財務摘要報告及其他公司通訊（英文、中文或中英文）

於將來，

☐ 本人／吾等願意僅收取財務摘要報告（如有）及其他的公司通訊之英文印刷版本；或
☐ 本人／吾等願意僅收取財務摘要報告（如有）及其他的公司通訊之中文印刷版本；或
☐ 本人／吾等願意收取財務摘要報告（如有）及其他的公司通訊之中英文印刷版本。

2. 電子形式

☐ 於將來，本人／吾等願意以電子形式收取公司通訊以代替上文1(a)及(b)段所述之任何或所有印刷文本：

本人／吾等之電郵地址：______________________________

（通知發佈公司通訊適用）

☐ 本人／吾等願意更改本人／吾等之電郵地址如下：

本人／吾等之新電郵地址：______________________________

（通知發佈公司通訊適用）

生效日期：______________________________

簽署：______________________________ 日期：______________________________

股東姓名：______________________________

地址：______________________________

聯絡電話號碼：______________________________

附註：

1. 上述指示適用於將來寄發予本公司股東（「股東」）之所有公司通訊，直至 閣下於合理時間以書面通知本公司另作選擇為止。
2. 將來所有公司通訊之中英文版本均在本公司或本公司之股份過戶登記處香港分處卓佳秘書商務有限公司可供索閱。
3. 股東有權於任何時間填妥及簽署本指示回條並以郵寄方式或電郵至*ekong524-ecom@hk.tricorglobal.com*，將其交回本公司或本公司之股份過戶登記處香港分處卓佳秘書商務有限公司，要求更改收取公司通訊之語言版本及形式。
4. 本指示回條之電子格式檔於本公司網頁登載。

e-KONG Group Limited

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Web: www.e-kong.com

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