e-KONG Group Limited

Stock Code: 524

Annual Report 2013

We are together

Contents

Corporate Information

Board of Directors

Executive Directors

Richard John Siemens *(Chairman)*
Lim Shyang Guey
William Bruce Hicks

Non-executive Director

Jennifer Wes Saran

Independent Non-executive Directors

John William Crawford J.P.
Gerald Clive Dobby
Thaddeus Thomas Beczak

Company Secretary

Lau Wai Ming Raymond

Auditor

Mazars CPA Limited
Certified Public Accountants

Legal Advisers

Deacons
Conyers Dill & Pearman

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
DBS Bank Limited

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Place of Business

3705 Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong
Tel: +852 2801 7188
Fax: +852 2801 7238

Stock Codes

Hong Kong Stock Exchange:	524
Ticker Symbol for ADR:	EKONY
CUSIP Reference Number:	26856N109

Website

www.e-kong.com

Principal Share Registrar

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM11
Bermuda

Branch Share Registrar in Hong Kong

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

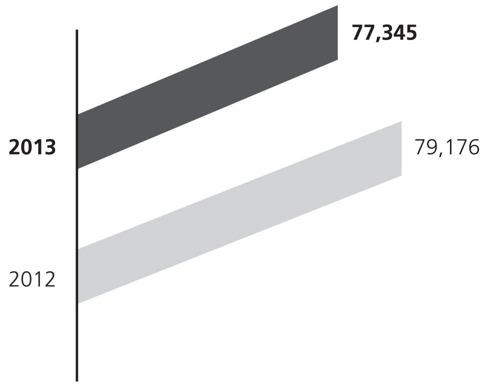
ADR Depositary

The Bank of New York Mellon
BNY Mellon Shareowner Services
P.O. Box 30170
College Station, TX 77842-3170
USA

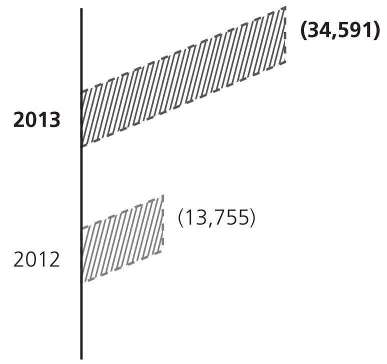
Financial Highlights

	2013	2012
	HK$'000	*HK$'000*
Turnover	**77,345**	79,176
Loss for the Year	**(34,591)**	(13,755)
Net Assets	**178,350**	213,522
Cash and Bank Balances	**32,814**	55,706

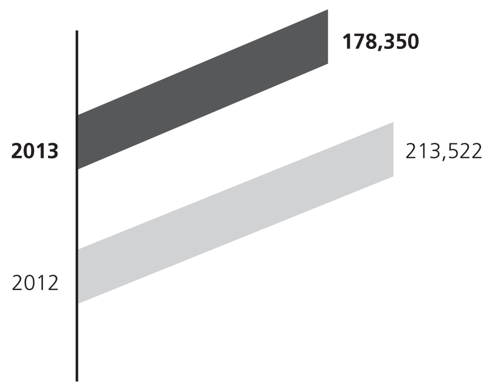
Turnover
(HK$'000)



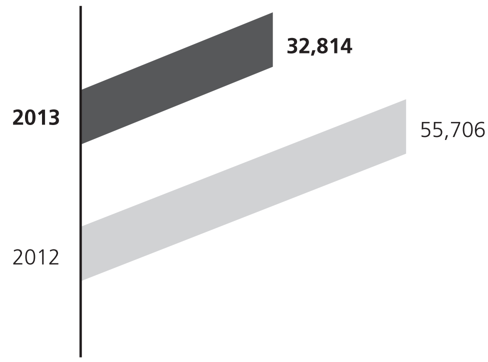
Loss for the Year
(HK$'000)



Net Assets
(HK$'000)



Cash and Bank Balances
(HK$'000)



e-KONG Group currently has a portfolio of business interests in the telecommunications and information technology sectors in the United States, China, Hong Kong and Singapore 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) and maintains a sponsored Level 1 ADR programme through The Bank of New York Mellon (Ticker Symbol: EKONY).

Chairman's Statement

The Group's process of transforming its telecom operations into an integrated telecom solutions provider continues, with its joint venture ANZ Communications, LLC ("ANZ") progressing well to becoming a provider of both traditional voice services and the more lucrative and high growth UC hosted solutions and cloud applications in the United States. During the year, the Group, as well as ANZ, continued to invest in strengthening and repositioning its operational and infrastructure capabilities, including investing in recruiting new management talent, building a robust technology platform, advancing its research and development initiatives, and promoting market awareness. At the same time, the Group committed further resources and efforts into its non-traditional mass market insurance-related product distribution business.

While we have been adopting a prudent approach in effecting the transformation with positive cashflow generated from the legacy business, going forward, this approach is not expected to be able to support a more aggressive development plan or an accelerated roll-out strategy of our new suite of data-centric services and cloud applications. For example, the new UC hosted solutions and cloud applications being developed by ANZ have been enthusiastically received by the rural local exchange carrier customers who have indicated their interest to adopt the same to complement their existing traditional voice services. Intensified efforts and additional financial resources will need to be deployed if such growth opportunities are to be realised. To cater for delivering on its current development plan and to be well-prepared to capitalise on future market opportunities, funding from alternative sources will be required as cashflow derived from the legacy business will not be adequate to accommodate such capital requirements, taking into account further revenue and margin compression being anticipated. ANZ, ANPI Holding, Inc. (ANZ's another 50% shareholder) and the Group are currently actively engaging potential investors and financial institutions in different fundraising exercises to secure altogether US$20 to US$30 million of financing at both the operating company level, as well as the shareholders' level.

In Asia, the investment phase of ZONE's business expansion and transformation has mostly being self-funded from internally generated resources and through a bank loan to finance the acquisition of a web/e-mail hosting company completed in 2012. Looking ahead, ZONE's projected business plan for the coming 3 to 5 years is expected to generate sufficient cashflow to fund the anticipated organic revenue growth but, if opportunities arise for making potential acquisitions, management of ZONE envisages that such activities would be funded through the operating companies. RMI, the Group's insurance-related product distribution business, is still at the initial growth and business development stage and will continue to require shareholder support until the business is able to generate positive returns. Ongoing working capital required for RMI's geographical and product expansion will likely come from its existing shareholders or from capital funding raised through joint ventures in each of the markets that RMI will be entering.

Each of the Group's operational units is committed to the strategic growth path that it has set and will continue to invest to build their respective businesses in line with the Group's long-term goal to deliver sustainable earnings growth and create shareholder value. To date, considerable progress has been made but the next phase in our transformation and diversification journey will still require time and further investment in the coming years before meaningful results can be achieved.

Looking ahead to the coming year, the key focus of the Group will be two-fold. First, each of the operations will stay the course to transition from dependence on legacy businesses to increasing contribution from the new higher growth services. Second, the Group, including the Company, will actively pursue different fundraising and asset monetising options to ensure that our operations are well resourced to capitalise on the growth opportunities in the targeted segments of the industry. At this pivotal juncture, we shall diligently monitor the transition progress of each of our businesses, critically assess their ongoing capital needs against set deliverables and will prioritise the allocation of resources accordingly. Whenever necessary, we will make any adjustments or realignments to ensure that the Group's resources are optimally deployed.

Mr. Shane Frederick Weir retired as an Independent Non-executive Director on 16 May 2013 and Mr. Thaddeus Thomas Beczak was appointed on 1 October 2013 as his replacement. On behalf of the Board, I would like to express our appreciation to Mr. Weir for his valuable contribution during his tenure and welcome Mr. Beczak to the Board. I would also like to take this opportunity to thank all fellow directors and employees for their invaluable efforts and hard work, dedication and commitment to the Group and to thank all our customers, shareholders, business associates and professional advisers for their continued support.

Richard John Siemens
Chairman

28 March 2014

Business Review

Overview

During the year under review, the Group accelerated the pace to transform and diversify its telecom businesses and to geographically expand its insurance-related product distribution business. In the United States, the Group's joint venture ANZ Communications, LLC (ANZ) re-invested a considerable portion of its operating cashflow derived from its existing business to develop and promote the new Unified Communication (UC) hosted solutions and cloud applications. Similarly in Asia, ZONE increased its financial and human resource allocations to broaden its IT and data-related service offerings. RMI, the Group's non-telecom operation, further expanded its insurance-related product distribution model into new markets. While considerable progress has been made to deliver on strategic initiatives, in the short term the resulting investments have inevitably impacted negatively on the operating results and financial position of the Group.

The Group's turnover for the year under review was HK$77.3 million as compared to HK$79.2 million for the prior year. The Group's telecom operations in Hong Kong and Singapore were the main contributors towards the Group's turnover. The gross margin of the Group remained stable at 49.1%. Loss from operations was HK$24.0 million compared to HK$18.5 million for the prior year. The loss attributable to equity holders of the Company of HK$32.6 million for the year compared with a loss of HK$12.9 million in the previous corresponding year. The Group's net asset value decreased from HK$213.5 million as at 31 December 2012 to HK$178.4 million as at 31 December 2013.

ANZ, United States

Subsequent to the application of HKFRS 11 "Joint Arrangements", and, therefore, the change in the Group's accounting policy that came into effect on 1 January 2013, the Group's interests in ANZ are no longer accounted for by the proportionate consolidation accounting method but instead are accounted for using the equity method. On this basis, for this reporting year, the Group no longer records the Group's 50% share of the operating results, assets and liabilities of ANZ, but instead, only recognises the Group's share on each of the ANZ net assets and net results based on the equity method. As at 31 December 2013, the Group's interests in ANZ amounted to HK$131.7 million and, for the year 2013, its share of the net results of ANZ was at a loss of HK$8.2 million.

In the year 2013, ANZ recorded turnover of HK$808.0 million as compared to HK$951.0 million for the prior year. Its existing business of providing wholesale voice and data services to ILECs, CLECs, IXCs, wireless carriers and corporate customers (the "Legacy Business") continued to be the primary source of revenue and cashflow. The revenue generated from the Legacy Business is, however, anticipated to decline further but contributions from its new business of providing Unified Communication hosted solutions and cloud-based applications (the "Cloud Business") is projected to increase significantly over the coming years. Since the launch of the Cloud Business in the last quarter of 2013, the market responses from both the SMBs and wholesale / white label market have been positive. The compelling value proposition being offered to customers in these market segments is expected to be the key driver for favourable adoption of ANZ solutions throughout the US.

The operational transformation and infrastructure development accomplished to date in order to penetrate the Cloud Business market segment has been mainly financed through the re-investment of internally generated cashflow derived from ANZ's Legacy Business. However, based on its latest business plan, additional external funding will be needed if the projected revenue and EBITDA margins are to be achieved on time. In anticipation of the need for a capital injection sometime in 2014, ANZ and its equity holders have been actively pursuing various funding options, including the Group's fundraising efforts through a possible reverse merger transaction between a US subsidiary of the Company and a US corporation as announced in May 2013 which remains in progress.

Zone Telecom, Asia

In the year 2013, ZONE Asia recorded total turnover of HK$76.0 million, as compared to HK$78.0 million for the prior year. ZONE Asia kept focussed on maintaining the volume and margin of its traditional voice business as it advanced its plans to deliver increased revenue growth from the new IT-related and cloud-based products and services.

In Singapore, ZONE continues to capitalise on the various opportunities in the ICT space to generate a more diverse revenue base. A month-on-month increase in revenue contributions from ZONE's broadband connectivity service offerings was recorded in 2013. The ongoing marketing and brand awareness programmes launched in 2013 that positioned ZONE as a credible broadband service provider has helped in securing some of the longer term contracts with sizeable corporations and government-linked organisations. At the same time, ZONE's web/data-hosting subsidiary, Cybersite, implemented various service enhancements and introduced alternative marketing initiatives to drive higher service value and, thereby, increase its subscriber numbers and higher average revenue per customer.

In Hong Kong, ZONE continues to drive its project-based revenue segment, combining its distribution of quality products, including those from Avaya, Elastix, Grandstream and Hewlett-Packard, with the in-depth regional expertise and experience of ZONE's team in deploying complex and non-traditional IT solutions and products.

Looking ahead, in 2014 ZONE will intensify its efforts to drive awareness of ZONE as a dependable IT-telecoms, cloud and hosting service provider for the enterprise market. The fibre broadband and data services as well as the cloud services such as hosted IP-PBX, cloud data storage, hosted audio and web conference services are expected to increase their contribution to results. ZONE will be making capital investments in the latest virtualization technologies to build a robust and scalable infrastructure that will enable it to deliver innovative cloud services including virtual, private servers or virtual machines to tap into the high growth Infrastructure-as-a-Service (IaaS) and Platform-as-a-Service (PaaS) opportunities as well as to introduce new mobile web services in tandem with the growing use of smart devices.

RMI, Hong Kong

RMI's platform for mass market distribution of insurance-related products has expanded both geographically as well as in the range of products being introduced through its distribution partners. RMI successfully enlarged its international footprint with the launch of RMI-Canada product suite in Q3 2013. By the end of 2013, RMI's over-the-counter travel products could be found in more than 800 retail stores across Canada, including Canada Safeway, Overwaitea, Federated Co-Op, Value Drug Mart, Katz and Metro-Ontario. The introduction of a national network of retailers opens the door for further expansion of RMI's "SmartAssure" branded products across this network of retail partners.

RMI in Hong Kong, its founding market, continued the further development of its retail distribution strategy with PCCW-HKT through the recent launch of its new range of insurance products tailor-made for PCCW-HKT's commercial customers. This programme is designed to allow PCCW-HKT to enhance relationships with its business customers by adding real value, while creating a point of difference in the highly competitive telecom sector. RMI provides and manages the benefits, on behalf of PCCW-HKT, of establishing direct and long-term relationships with its customers.

RMI is committed to creating new insurance-related product distribution channels utilising its proprietary strategy that enhances customer relationships for its partner network which, at the same time, will build long term meaningful revenue streams. In 2014, RMI intends to advance its product roll-outs in Canada and Hong Kong, setting a solid foundation for expansion in other strategic markets in Asia and North America.

Outlook

In 2013, the Group made good progress on the implementation of its business transformation and diversification strategies, both in Asia and the US. Looking ahead to the coming year, the Group's operations are committed to stay on course and continue to invest in the business for the long term. In the US, with the operational foundation and essential technology platform now in place, ANZ will be focussing on acquisition of customers through direct channels and white label partners for its UC hosted solutions and cloud-based application services. In Asia, ZONE is expected to increase its investments in customer acquisition activities including brand awareness and other sales and marketing programmes while RMI will follow through on its geographical expansion and ongoing insurance-related product launches.

General Overview

The financial position as at 31 December 2013 and the results of the Group for the twelve months ended 31 December 2013 reflect our adoption, for the first time, of HKFRS 11 which changes the Group's accounting policy on reporting interests in joint ventures from the previous proportional consolidation accounting method to the equity method. The effect of this change is the Group now reports its share of the results and the net assets of joint ventures as single line items as "Share of Results of Joint Ventures" in the consolidated statement of profit or loss and "Interests in Joint Ventures" in the consolidated statement of financial position, respectively. This change in accounting policy has been applied retrospectively and the comparative figures are presented where appropriate.

Turnover and Results

The Group turnover for the year amounted to HK$77.3 million, representing a decrease of 2.3% compared to the prior year. The drop in turnover was a net result of declining revenue from long distance voice services party offset by an improvement in revenue contribution from data and IT-related services.

The gross margin for the Group remained stable compared with the previous year at 49.1%.

Total operating expenses of the Group amounted to HK$63.6 million, compared to HK$60.3 million in the previous year.

The operating loss of the Group amounted to HK$24.0 million, as compared to a loss of HK$18.5 million for the previous year.

The Group's share of results of joint ventures amounted to a net loss of HK$8.2 million compared to a net profit of HK$18.1 million for the prior year. The drop in net results was primarily due to an increase in spending on headcount and the technology build-up for the launch of its new hosted solutions and services.

The consolidated loss attributable to the equity holders of the Company of HK$32.6 million compares to a loss of HK$12.9 million for the previous year.

Capital Structure, Liquidity and Financing

As at 31 December 2013, the net assets of the Group amounted to HK$178.4 million compared to HK$213.5 million as at 31 December 2012 or a net asset value per share of HK$0.342 as at 31 December 2013 (2012: HK$0.410).

Capital expenditures for the year amounted to HK$2.2 million mainly in respect of network and general office equipment enhancements in Singapore and Hong Kong.

Cash and bank balances (excluding pledged bank deposits) amounted to HK$32.8 million as at 31 December 2013 (2012: HK$55.7 million). At the same date, HK$77.5 million (2012: HK$77.5 million) was pledged as bank deposits to collateralise a letter of credit issued to a bank in respect of a banking facility extended to a subsidiary. In addition, bank guarantees of HK$1.9 million (2012: HK$2.0 million) were issued to suppliers for operation requirements.

As at 31 December 2013, total bank borrowings of the Group amounted to HK$82.4 million (2012: HK$85.7 million), of which HK$77.5 million (2012: HK$77.5 million) is denominated in United States dollars equivalent to US$10,000,000. The loan bears interest at a floating rate and is payable quarterly. This facility expires in August 2017, at which time the full amount outstanding is due and payable in United States dollars. The loan is collateralised by a bank letter of credit supported by the Company. The remaining balance of the bank borrowings of HK$4.9 million (2012: HK$8.2 million) is denominated in Singapore dollars. The loan and interest at a floating rate are repayable monthly in Singapore dollars over a period of three years. This loan, which was utilised for the acquisition of assets during 2012, is secured by the net assets of a subsidiary company.

As at 31 December 2013, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets was 46.2% (2012: 40.1%).

Foreign Exchange Exposure

Since most of the Group's assets and liabilities are denominated in Hong Kong and United States dollars, the Group considers there are no significant exposures to foreign exchange fluctuations as long as the Hong Kong-United States dollar exchange rate remains pegged. Following the adoption of HKFRS 11, a substantial portion of the Group's revenue and payments are denominated in Singapore dollars. The Group continues to closely monitor the Singapore-United States dollar exchange rates and will, whenever appropriate, take appropriate action to mitigate such exchange risks. In this regard, as at 31 December 2013, no related currency hedges had yet been undertaken by the Group.

Contingent Liabilities and Commitments

A joint venture is involved in certain legal actions and claims arising in the ordinary course of business, subject to which certain representations, warranties and indemnities have been provided by a subsidiary of the Company. Management believes that it is remote that the outcome of such litigation and claims will have a material effect on the Group's financial position.

Save as disclosed above, as at 31 December 2013, there were no material contingent liabilities or commitments.

Board of Directors and Company Secretary

Board of Directors

Richard John Siemens, 69, Chairman, was appointed in January 2000. Mr. Siemens is the chairman and a founding member of the Distacom Group, a privately-held group of companies engaging in mobile telecommunication business, and the non-executive chairman of Sprintex Limited. Trained as a Chartered Accountant, Mr. Siemens's financial acumen and entrepreneurial leadership has been instrumental in the establishment of many well-known international telecommunication and broadcasting companies such as Hutchison Telecom, Orange, AsiaSat, STAR TV, Metro Radio, and mobile telecommunication businesses in Hong Kong, Italy, India, Japan and Madagascar led by Distacom.

Lim Shyang Guey, 54, Executive Director, was appointed in October 1999. Prior to coming to Hong Kong, Mr. Lim gained wide-ranging international exposure in the telecommunications and technology-related industries, including in New Zealand, Russia, Malaysia and Singapore. Mr. Lim holds a Bachelor of Engineering degree and a Master of Engineering degree, both from the University of Auckland in New Zealand.

William Bruce Hicks, 52, Executive Director, was appointed in December 2001 as a Non-executive Director and was re-designated to become an Executive Director in May 2013. He is currently the founder of TPIZ Resources Limited and the chief executive officer of Asia Clean Capital Limited, a Hong Kong-based firm which invests in and develops renewable energy projects in China. Mr. Hicks has been a director of various Distacom Group companies since 1994. Prior to that, Mr. Hicks worked at Hutchison Telecom in Hong Kong and Motorola, Inc. in the United States. He holds a B.S.E.E. degree from Michigan Technological University and an M.B.A. from IMD in Switzerland.

Jennifer Wes Saran, 58, Non-executive Director, was appointed in December 2011. She was a pioneer for women in the telecommunications industry. Since 1978 and for over 16 years, she took leading roles in managing sales to Fortune 100 clients in the U.S., to running the communications sector sales in the Philippines. Subsequently, Mrs. Saran launched Motorola's regulatory lobbying effort across 23 countries in Asia Pacific in spectrum allocation and telecommunications policy in emerging markets. She has also managed Teleglobe Canada's business development in North and Southeast Asia, and run her own IDD brokerage business. Currently, she is a co-founder of the Mind Group executive recruitment group operating across India, Hong Kong and Singapore. Mrs. Saran is a graduate in Political Science and International Treaty Law from the American University in Cairo.

John William Crawford J.P., 71, Independent Non-executive Director, was appointed in September 2004. He is also an independent non-executive director of Regal Portfolio Management Limited (being the manager of Regal Real Estate Investment Trust) and Entertainment Gaming Asia Inc. Mr. Crawford was an independent non-executive director of Titan Petrochemicals Group Limited from February 2006 to February 2014. He was a founding partner of Ernst & Young, Hong Kong and vice chairman of the firm. Since his retirement from accounting practice, Mr. Crawford has been particularly involved in the education sector, including setting up international schools and providing consulting services. He is also actively involved in various community service areas such as being a founding member of UNICEF Hong Kong Committee and the Hong Kong Institute of Directors. In 1997, he was appointed a Justice of the Peace.

Gerald Clive Dobby, 74, Independent Non-executive Director, was appointed in December 2005. Mr. Dobby, previously held senior positions within the HSBC Group, is currently a director of several companies in Hong Kong and overseas.

Thaddeus Thomas Beczak, 63, Independent Non-executive Director, was appointed in October 2013. He is also an independent non-executive director of Phoenix Satellite Television Holdings Limited, Pacific Online Limited and Singapore Exchange Limited. Mr. Beczak was an independent non-executive director of Arnhold Holdings Limited (now known as Summit Ascent Holdings Limited) from May 2004 to March 2011 and Advanced Semiconductor Manufacturing Corporation Limited from February 2005 to March 2013. He is currently the chairman of China Renaissance Securities (Hong Kong) Limited and the vice chairman of China Renaissance Holdings Limited. He was the chairman of Cowen and Company (Asia) Limited and vice chairman of Cowen and Company, LLC from 2008 until 2012. Mr. Beczak was formerly the chairman of the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and a member of the board of directors of the Stock Exchange, as well as a member of the Advisory Committee of the Securities and Futures Commission in Hong Kong. Currently, he is a member of the International Advisory Committee of the China Securities Regulatory Commission. Mr. Beczak is a graduate of Georgetown University (B.S.F.S.) and Columbia University (M.B.A.). He is currently an Adjunct Professor of the MBA degree programme of Hong Kong University of Science and Technology.

Company Secretary

Lau Wai Ming Raymond, 43, Legal Counsel and Company Secretary, joined the Company in June 2000. Mr. Lau is qualified as a solicitor in Hong Kong. Prior to joining the Company, he was acting as the legal counsel to a group of companies listed on the Hong Kong Stock Exchange. Mr. Lau graduated from the University of Hong Kong with LL.B., and holds a Certificate in Civil and Commercial Law issued by the China University of Political Science and Law.

Introduction

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

The board of directors (the "Board") of the Company, 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 (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 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 Company's Bye-laws, 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.

As at 31 December 2013, the Board was comprised of three executive directors, namely, Mr. Richard John Siemens, Mr. Lim Shyang Guey and Mr. William Bruce Hicks, a non-executive director, Mrs. Jennifer Wes Saran, and three independent non-executive directors ("INEDs"), namely, Mr. John William Crawford J.P., Mr. Gerald Clive Dobby and Mr. Thaddeus Thomas Beczak. Mr. Siemens is the Chairman of the Company.

Except for the deviations described below, no director of the Company is aware of any information which would reasonably indicate that the Company is not, or was not at any time during the year ended 31 December 2013, acting in compliance with code provisions of the Corporate Governance Code.

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 (being undertaken by the managing director) 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 managing director is delegated with the authority and responsibility for overseeing the realisation of the budgets and objectives set by the Board. Nevertheless, with the unanimous approval of the Board, Mr. Richard John Siemens, the Chairman, has also assumed the role of the chief executive of the Company since 16 June 2007. 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. At the same time, it is believed that the balance of power and authority is adequately ensured by an effective Board which is comprised of experienced and high calibre individuals with a significant number thereof being independent non-executive directors.

Code Provision A.6.7 of the Corporate Governance Code stipulates that INEDs and other non-executive directors should attend general meetings. Mr. John William Crawford J.P., an INED of the Company, was unable to attend the annual general meeting of the Company held on 16 May 2013 as he had been hospitalised. However, there were sufficient directors present to enable the Board to develop a balanced understanding of the views of the Company's shareholders.

Following the retirement of Mr. Shane Frederick Weir after the conclusion of the annual general meeting of the Company on 16 May 2013, the Board of the Company had only two INEDs and two Audit Committee members, which fell below the minimum requirements under Rules 3.10(1) and 3.21, respectively, of the Listing Rules. In addition, the Board had only two Remuneration Committee members, one of whom was an INED, which deviated from the provisions of Rule 3.25 of the Listing Rules in respect of the composition of the Remuneration Committee. On 1 October 2013, Mr. Thaddeus Thomas Beczak was appointed as an INED and chairman of the Remuneration Committee and a member of the Audit Committee in compliance with Rules 3.10(1), 3.21 and 3.25 of the Listing Rules.

Induction and Continuous Professional Development of Directors

Each newly appointed director receives induction on the first occasion of his / her appointment, so as to ensure that he / she has appropriate understanding of the business and operations of the Company and that he / she is fully aware of his / her 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 development, and financial performance and position to enable them to effectively discharge their duties in an informed manner. The company secretary of the Company organised in-house training for directors on the applicable Listing Rules. Furthermore, the company secretary also distributed various reading materials to directors 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.

According to the records maintained by the Company, the training record of each director for the year ended 31 December 2013 is set out below.

Name of Director	**Attending Seminar or Briefings / Perusal of Materials in relation to Business or Directors' Duties**
Richard John Siemens	Yes
Lim Shyang Guey	Yes
William Bruce Hicks	Yes
Jennifer Wes Saran	Yes
John William Crawford J.P.	Yes
Gerald Clive Dobby	Yes
Thaddeus Thomas Beczak *(appointed on 1 October 2013)*	Yes
Shane Frederick Weir *(retired on 16 May 2013)*	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 an employee of the Company.

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 five meetings and the average attendance rate at the meetings in 2013 was 95% as set out below.

Name of Director	Attendance / Number of Board Meetings in 2013	Attendance Rate
Richard John Siemens *(Chairman)*	5 / 5	100%
Lim Shyang Guey	5 / 5	100%
William Bruce Hicks	5 / 5	100%
Jennifer Wes Saran	4 / 5	80%
John William Crawford J.P.	4 / 5	80%
Gerald Clive Dobby	5 / 5	100%
Thaddeus Thomas Beczak *(appointed on 1 October 2013)*	1 / 1	100%
Shane Frederick Weir *(retired on 16 May 2013)*	2 / 2	100%

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 non-executive directors 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 and non-executive directors, retire from office by rotation and are eligible for re-election at annual general meetings.

In accordance with the Company's Bye-laws, 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 next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, Messrs. William Bruce Hicks, John William Crawford J.P. and Thaddeus Thomas Beczak will retire by rotation at the forthcoming annual general meeting and are eligible for re-election.

Nevertheless, pursuant to Code Provision A.4.3 of the Corporate Governance Code, any further appointment of an INED who has served on the Board for more than 9 years should be subject to a separate resolution to be approved by shareholders. As Mr. Crawford has been serving as an INED since 2004, the re-election of Mr. Crawford is subject to a separate resolution to be approved by shareholders in compliance with Code Provision A.4.3 of the Corporate Governance Code.

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.

Executive Management Committee

The Executive Management Committee is currently comprised of Mr. Richard John Siemens, the Chairman of the Board, as the Chairman of the committee, Mr. Lim Shyang Guey, an executive director and Mr. Lau Wai Ming Raymond, the company secretary. The committee is principally responsible for directing, planning and managing the Group's businesses and operations, formulating strategies and policies for the consideration of the Board and implementing the same to best achieve the Group's overall business objectives in an effective and efficient manner.

The committee meets regularly to review the Group's business performance with the senior management of each operation within the Group. Ad hoc meetings are also held on an as-needed basis and the committee members are also engaged in frequent informal discussions. In 2013, ten formal meetings were held and the attendance record is set out below.

Name of Director / Officer	Attendance / Number of Executive Management Committee Meetings in 2013	Attendance Rate
Richard John Siemens *(Chairman of the Committee)*	10 / 10	100%
Lim Shyang Guey	10 / 10	100%
Lau Wai Ming Raymond	10 / 10	100%
Wong Wei Kit Anthony *(resigned on 30 January 2014)*	10 / 10	100%

Audit Committee

The Audit Committee was established on 29 September 1999 by the Board and comprises all three INEDs with Mr. John William Crawford J.P. as the Chairman 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, is based on the recommendations as set out in "A Guide For Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants in February 2002. These terms of reference were adopted by the Board in the past and subsequently revised in accordance with the Corporate Governance Code, which terms of reference are incorporated in the written corporate policies of the Company. 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 quality and fairness of the financial reports of the Company and consider the nature and scope of audit reviews. It also assesses the effectiveness of the accounting, financial and internal control systems of the Group. The committee is granted the authority to conduct or authorise investigations into any activities within its terms of reference.

In 2013, 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 internal control systems. The committee also reviewed, with management and the external auditor of the Company, the accounting principles and practices adopted by the Group and discussed / assessed all key auditing, internal controls and financial reporting matters, including a review of the interim consolidated financial statements of the Group for the six months ended 30 June 2013 and the audited consolidated financial statements of the Group for the year ended 31 December 2013.

The attendance rate at the meetings in 2013 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 2013**	**Attendance Rate**
John William Crawford J.P. *(Chairman of the Committee)*	2 / 2	100%
Gerald Clive Dobby	2 / 2	100%
Shane Frederick Weir *(retired on 16 May 2013)*	1 / 1	100%
Thaddeus Thomas Beczak *(appointed on 1 October 2013)*	0 / 0	N / A

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. Accordingly, the Remuneration Committee is now comprised of Mr. Thaddeus Thomas Beczak as the Chairman of the committee and Mr. John William Crawford J.P., both INEDs, and Mr. Richard John Siemens, the Chairman of the Board. Mr. Lim Shyang Guey, another executive director, is the alternate member for Mr. Richard John Siemens. 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 the year under review, one meeting was held and the attendance rate was 100% as set out below.

Name of Director	**Attendance / Number of Remuneration Committee Meetings in 2013**	**Attendance Rate**
Thaddeus Thomas Beczak* *(Chairman of the Committee)*	1 / 1	100%
Richard John Siemens	1 / 1	100%
John William Crawford J.P.	1 / 1	100%
Shane Frederick Weir *(retired on 16 May 2013)*	0 / 0	N / A

* *Appointed as the Chairman of the Committee on 1 October 2013.*

Nomination Committee

The Nomination Committee was formulated on 9 December 2011 by the Board and comprises Mr. Richard John Siemens as the Chairman of the committee, together with Mr. John William Crawford J.P. and Mr. Gerald Clive Dobby, both INEDs. 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 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, one meeting was held and the attendance rate was 100% as set out below.

Name of Director	**Attendance / Number of Nomination Committee Meetings in 2013**	**Attendance Rate**
Richard John Siemens *(Chairman of the Committee)*	1 / 1	100%
John William Crawford J.P.	1 / 1	100%
Gerald Clive Dobby	1 / 1	100%

Corporate Governance Functions

The Board is responsible for performing the 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 2013 Annual General Meeting of the Company was held on 16 May 2013. All directors, except Mr. John William Crawford J.P., and the auditor of the Company attended the meeting. Mr. Crawford, an INED, was unable to attend the annual general meeting of the Company as he had been hospitalised. In 2011, the Board adopted the 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 2013 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 financial statements of the Group is set out on page 29 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 the board diversity policy during the year 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.

Internal Controls

The Board has overall responsibility for maintaining the Group's internal control systems 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 function and compliance with applicable laws, rules and regulations.

The Board considers that it is a continuous process for the Group to review and improve its 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 Group's internal control systems is conducted annually by the Audit Committee in conjunction with work undertaken by the auditor of the Company. 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 internal control systems are reasonably implemented. Nevertheless, the Group will continue the process of reviewing the effectiveness of the internal control systems, focusing on specific business processes and will consider, if deemed necessary in future, to set up an internal audit department to assist in fulfilling the objectives of the process.

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 ("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 2013.

Auditors' Remuneration

For the year ended 31 December 2013, the remuneration payable to the auditors of the Group amounted to approximately HK$2,147,000, of which HK$2,039,000 related to audit services and HK$108,000 to taxation and other non-audit services.

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.

Shareholder(s) 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 3705 Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong and marked for the attention of the board of directors or the company secretary of the Company.

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 of the Company.

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 3705 Gloucester Tower, The Landmark, 15 Queen's Road Central, 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 of directors (the "Board") 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 2013.

Principal Activities

The principal activity of the Company is investment holding.

The Group currently has a portfolio of business interests in the telecommunications and information technology sector in the United States, China, Hong Kong and Singapore. The Group's turnover 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 the United States, ANZ Communications, LLC ("ANZ") is a holding company owned as to 50% by Zone USA, Inc., a wholly-owned subsidiary of the Company, with the balance beneficially owned by approximately 130 Rural Local Exchange Carriers (RLECs). ANZ, through its Federal Communications Commission (FCC)-licensed operating subsidiaries ANPI, LLC and ANPI Business, LLC, provides a variety of voice and data telecommunication services, including an advanced hosted Unified Communication solution and cloud applications, to RLECs, competitive local exchange carriers (CLECs), inter-exchange carriers (IXCs), as well as corporate enterprise and residential customers throughout the U.S (*www.anpi.com*). ANZ's network includes voice and data switching facilities and a SONET-based network spanning cities such as Atlanta, Chicago, Dallas, New York City, Las Vegas and Los Angeles. The Company's Network Operations Center is located in Frisco, Texas near Dallas.

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 telephony (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 China, 深圳盈港科技有限公司 ("ZONE China"), a wholly-owned subsidiary of the Company, is engaged in marketing and reselling voice and data products and services of China Mobile (中國移動) and China Telecom (中國電信) group companies in Shenzhen, serving cross-border telecommunication needs of customers in Hong Kong and overseas.

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, web design and hosting and email 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 13 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 2013 are set out in note 30 to the consolidated financial statements.

Results and Dividends

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss on page 31.

The Board does not recommend the payment of a dividend for the year ended 31 December 2013 (2012: 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 88.

Major Customers and Suppliers

In the year under review, the aggregate turnover attributable to the five largest customers of the Group accounted for approximately 16.3% of total turnover for the year, and sales to the largest customer included therein amounted to approximately 7.2%.

The aggregate purchases attributable to the five largest suppliers of the Group accounted for approximately 41.9% of total purchases of the Group for the year, and purchases from the largest supplier included therein amounted to approximately 14.9%.

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 Company and the Group during the year are set out in note 11 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 24 to the consolidated financial statements.

Board of Directors

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

Executive Directors:

Richard John Siemens *(Chairman)*
Lim Shyang Guey
William Bruce Hicks *(re-designated on 1 May 2013)*

Non-executive Director:

Jennifer Wes Saran

Independent Non-executive Directors:

John William Crawford J.P.
Gerald Clive Dobby
Thaddeus Thomas Beczak *(appointed on 1 October 2013)*
Shane Frederick Weir *(retired on 16 May 2013)*

Biographical details of directors of the Company are set out on page 11 under the section titled "Board of Directors and Company Secretary".

The Company has received from each of the independent non-executive directors 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.

In accordance with bye-laws 86 and 87 of the Company's Bye-laws, Mr. William Bruce Hicks, Mr. John William Crawford J.P. and Mr. Thaddeus Thomas Beczak will retire by rotation at the forthcoming annual general meeting and are eligible for re-election.

Directors' Interests in Securities

As at 31 December 2013, 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
Richard John Siemens	Held by controlled corporations	128,010,200 *(Note 1)*	24.6%
Jennifer Wes Saran	Personal	523,939	0.1%
	Held by controlled corporations	76,176,461 *(Note 2)*	14.6%
William Bruce Hicks	Personal	3,949,914	0.8%
	Held by a controlled corporation	67,962,428 *(Note 3)*	13.0%
Lim Shyang Guey	Personal	3,930,000	0.8%

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

Notes:

1. *28,010,000 Shares are beneficially owned by Siemens Enterprises Limited and 100,000,200 Shares are beneficially owned by Goldstone Trading Limited, both companies controlled by Mr. Richard John Siemens.*

2. *76,176,461 Shares are held by Future (Holdings) Limited which is controlled by Ganado Investments Corporation Ltd. which, in turn, is controlled by Mrs. Jennifer Wes Saran.*

3. *67,962,428 Shares are beneficially owned by RDH Holdings Limited, a company controlled by Mr. William Bruce Hicks.*

All interests disclosed above represent long positions in the shares of the Company and there were no underlying shares held by the directors as at 31 December 2013.

Save as disclosed above, as at 31 December 2013, none of the directors or the chief executive of the Company (including their spouses and children under the age of 18) had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to section 352 of the SFO or 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 (within the meaning of Part XV of the SFO), or had exercised any such rights during the year.

Directors' Service Contracts

The service contracts with all non-executive directors, including independent non-executive directors, will expire on 31 December 2014 or, in the case of Mrs. Jennifer Wes Saran and Mr. Gerald Clive Dobby, on 31 December 2015 and thereafter are renewable for fixed terms of three years provided that either party may terminate the appointment by giving to the other party not less than one month's notice in writing.

As at 31 December 2013, 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 2013, 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	Number of Shares* held	Approximate percentage of shareholding
Goldstone Trading Limited	100,000,200	19.2%
Future (Holdings) Limited	76,176,461	14.6%
Ganado Investments Corporation Ltd.	76,176,461	14.6%
RDH Holdings Limited	67,962,428	13.0%
Siemens Enterprises Limited	28,010,000	5.4%

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

The above interests represent the same interests as the corporate interests of Mr. Richard John Siemens (being held through Goldstone Trading Limited and Siemens Enterprises Limited), Mrs. Jennifer Wes Saran (being held through Future (Holdings) Limited and Ganado Investments Corporation Ltd.) and Mr. William Bruce Hicks (being held through RDH Holdings Limited).

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

Save as disclosed above, as at 31 December 2013, 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 Capital

Details of movements in the Company's share capital during the year are set out in note 22 to the consolidated financial statements.

Particulars of Principal Subsidiaries

Particulars regarding the principal subsidiaries of the Company are set out in note 13 to the consolidated financial statements.

Liquidity

As at 31 December 2013, the Group managed to maintain stable liquidity with cash and cash equivalents (including pledged bank deposits) of approximately HK$112.2 million (2012: HK$135.2 million).

Bank Borrowings

As at 31 December 2013, the bank borrowings of the Group amounted to approximately HK$82.4 million (2012: HK$85.7 million).

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 2013, the Group had 77 (2012: 89) employees in China, Hong Kong and Singapore and its total staff costs for 2013 were HK$36.2 million (2012: HK$35.2 million). The Group maintains good relationships with employees and none are represented by a labour union.

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 Company's Bye-laws or the laws of Bermuda although there are no restrictions against such rights under such laws.

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 2013 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.

Environmental Awareness

Over the years, the Group has made considerable endeavours in reducing waste in the course of its operations. Since 2008, the Company has participated in the "Wastewi$e Label" of the Hong Kong Awards for Environmental Excellence, which is a recognition scheme established by, among others, the Environmental Protection Department and Environmental Campaign Committee to encourage Hong Kong businesses and organisations in adopting structured measures to reduce the amount of waste generated within their establishments or generated through the services and products they provide. The Company has been awarded with the "Class of Excellence" Wastewi$e Label for six consecutive years.

By Order of the Board

Lau Wai Ming Raymond
Company Secretary

28 March 2014

MAZARS

MAZARS CPA LIMITED
瑪澤會計師事務所有限公司
42nd Floor, Central Plaza
18 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道18號中環廣場42樓
Tel 電話: (852) 2909 5555
Fax 傳真: (852) 2810 0032
Email 電郵: info@mazars.hk
Website 網址: www.mazars.cn

To the members of

e-Kong Group Limited

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of e-Kong Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 87, which comprise the consolidated and the Company's statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

MAZARS

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation of the consolidated financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and of the loss and cash flows of the Group for the year then ended in accordance with HKFRS and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Mazars CPA Limited
Certified Public Accountants

Hong Kong, 28 March 2014

Weatherseed, Stephen Peter Stuart
Practising Certificate number: P05588

Consolidated Statement of Profit or Loss

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
			(Restated)
Turnover	3	**77,345**	79,176
Cost of sales		**(39,358)**	(40,313)
Gross profit		**37,987**	38,863
Other revenue and income	4	**1,622**	2,987
		39,609	41,850
Selling and distribution expenses		**(5,313)**	(6,457)
Business promotion and marketing expenses		**(3,279)**	(4,464)
Operating and administrative expenses		**(49,500)**	(46,213)
Other operating expenses		**(5,505)**	(3,209)
Loss from operations		**(23,988)**	(18,493)
Finance costs	5(a)	**(1,118)**	(206)
Share of results of joint ventures	14	**(8,180)**	18,147
Loss before taxation	5	**(33,286)**	(552)
Taxation (charges) / credit	7		
Current tax		**(1,352)**	(761)
Deferred tax		**47**	(12,442)
		(1,305)	(13,203)
Loss for the year		**(34,591)**	(13,755)

Consolidated Statement of Profit or Loss (continued)

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
			(Restated)
Loss for the year attributable to:			
Equity holders of the Company	8	**(32,629)**	(12,851)
Non-controlling interests		**(1,962)**	(904)
Loss for the year		**(34,591)**	(13,755)
		HK cents	*HK cents*
Loss per share	10		
Basic and diluted		**(6.3)**	(2.5)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	2013 *HK$'000*	2012 *HK$'000*
Loss for the year	**(34,591)**	(13,755)
Other comprehensive (loss) / income for the year		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign subsidiaries and joint ventures	**(581)**	920
Total comprehensive loss for the year	**(35,172)**	(12,835)
Total comprehensive loss for the year attributable to:		
Equity holders of the Company	**(33,210)**	(11,931)
Non-controlling interests	**(1,962)**	(904)
Total comprehensive loss for the year	**(35,172)**	(12,835)

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	31 December 2013 HK$'000	31 December 2012 HK$'000	1 January 2012 HK$'000
			(Restated)	(Restated)
Non-current assets				
Property, plant and equipment	11	**6,503**	6,951	4,876
Intangible assets	12	**13,505**	16,115	–
Interests in joint ventures	14	**131,655**	140,401	136,048
Deferred tax assets	21	**45**	145	12,453
		151,708	163,612	153,377
Current assets				
Inventories	15	**847**	1,723	1,454
Trade and other receivables	16	**17,041**	17,879	16,228
Pledged bank deposits	17	**79,402**	79,454	2,316
Cash and bank balances	18	**32,814**	55,706	66,956
		130,104	154,762	86,954
Current liabilities				
Trade and other payables	19	**19,606**	17,585	13,016
Current portion of bank borrowings	20	**2,968**	3,069	–
Taxation payable		**267**	416	1,374
		22,841	21,070	14,390
Net current assets		**107,263**	133,692	72,564
Total assets less current liabilities		**258,971**	297,304	225,941
Non-current liabilities				
Deferred revenue		**775**	634	–
Bank borrowings	20	**79,478**	82,615	–
Deferred tax liabilities	21	**368**	533	348
		80,621	83,782	348
NET ASSETS		**178,350**	213,522	225,593
Capital and reserves				
Share capital	22	**5,210**	5,210	5,210
Reserves	24	**178,143**	209,282	221,213
Equity attributable to equity holders of the Company		**183,353**	214,492	226,423
Non-controlling interests	24	**(5,003)**	(970)	(830)
TOTAL EQUITY		**178,350**	213,522	225,593

Approved and authorised for issue by the Board of Directors on 28 March 2014

Richard John Siemens
Director

Lim Shyang Guey
Director

Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	11	**2,159**	2,183
Interests in subsidiaries	13	**77,668**	92,492
		79,827	94,675
Current assets			
Trade and other receivables	16	**4,056**	3,690
Pledged bank deposits	17	**77,778**	77,778
Cash and bank balances	18	**19,441**	39,370
		101,275	120,838
Current liabilities			
Trade and other payables	19	**2,052**	1,983
Net current assets		**99,223**	118,855
NET ASSETS		**179,050**	213,530
Capital and reserves			
Share capital	22	**5,210**	5,210
Reserves	24	**173,840**	208,320
TOTAL EQUITY		**179,050**	213,530

Approved and authorised for issue by the Board of Directors on 28 March 2014

Richard John Siemens
Director

Lim Shyang Guey
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	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** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
As at 1 January 2012	5,210	67,093	2,804	25	6	83,489	67,796	226,423	(830)	225,593
Loss for the year	–	–	–	–	–	–	(12,851)	(12,851)	(904)	(13,755)
Other comprehensive income for the year										
Item that may be subsequently reclassified to profit or loss:										
Exchange differences on translation of foreign subsidiaries and joint ventures	–	–	920	–	–	–	–	920	–	920
Total comprehensive income / (loss) for the year	–	–	920	–	–	–	(12,851)	(11,931)	(904)	(12,835)
Transaction with equity holders of the Company										
Arising from acquisition of a subsidiary	–	–	–	–	–	–	–	–	764	764
Total transaction with equity holders of the Company	–	–	–	–	–	–	–	–	764	764
As at 31 December 2012	5,210	67,093	3,724	25	6	83,489	54,945	214,492	(970)	213,522
Loss for the year	–	–	–	–	–	–	(32,629)	(32,629)	(1,962)	(34,591)
Other comprehensive loss for the year										
Item that may be subsequently reclassified to profit or loss:										
Exchange differences on translation of foreign subsidiaries and joint ventures	–	–	(581)	–	–	–	–	(581)	–	(581)
Total comprehensive loss for the year	–	–	(581)	–	–	–	(32,629)	(33,210)	(1,962)	(35,172)
Transaction with equity holders of the Company										
Changes in ownership interests in subsidiaries that do not result in a loss of control *(note 23)*	–	–	–	–	2,071	–	–	2,071	(2,071)	–
Total transaction with equity holders of the Company	–	–	–	–	2,071	–	–	2,071	(2,071)	–
As at 31 December 2013	**5,210**	**67,093**	**3,143**	**25**	**2,077**	**83,489**	**22,316**	**183,353**	**(5,003)**	**178,350**

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000 (Restated)
OPERATING ACTIVITIES			
Cash used in operations	25	**(15,967)**	(15,200)
Income taxes paid		**(1,479)**	(1,823)
Interest received		**585**	373
Interest paid		**(1,118)**	(206)
Net cash used in operating activities		**(17,979)**	(16,856)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(2,247)**	(4,063)
Purchase of intangible assets		**–**	(17,189)
Proceeds from disposal of property, plant and equipment		**2**	13
Distributions received from joint venture		**567**	14,994
Placement of pledged bank deposits		**–**	(77,056)
Cash injection from non-controlling interests		**–**	1,560
Net cash used in investing activities		**(1,678)**	(81,741)
FINANCING ACTIVITIES			
Proceeds from bank borrowings		**–**	86,708
Repayment of bank borrowings		**(2,967)**	(1,024)
Net cash (used in) / generated from financing activities		**(2,967)**	85,684
Net decrease in cash and cash equivalents		**(22,624)**	(12,913)
Cash and cash equivalents as at 1 January		**55,706**	66,956
Exchange (losses) / gains on cash and cash equivalents		**(268)**	1,663
Cash and cash equivalents as at 31 December	18	**32,814**	55,706

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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 3705 Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong. The principal activity of the Company is investment holding. Details of the principal subsidiaries and joint ventures of the Company are disclosed in notes 13 and 14 to the consolidated financial statements, respectively.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of Preparation

These consolidated financial statements have been prepared in accordance with the 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 ("HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2012 consolidated financial statements except for the adoption of the following new and revised HKFRS that are relevant to the Group and effective from the current year. A summary of the principal accounting policies adopted by the Group is set out below.

Changes in Accounting Policies

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 require entities to group together items within other comprehensive income that will not be reclassified to profit or loss separately from items that may be reclassified subsequently to profit or loss if certain conditions are met. Other than the presentation changes, the application of the amendments does not have an impact on the amounts recognised.

Further, these amendments change the titles for the "statement of comprehensive income" to the "statement of profit or loss and other comprehensive income" and the "income statement" to the "statement of profit or loss". The Group has changed the names of the statements accordingly.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the requirements in HKAS 27 "Consolidated and Separate Financial Statements" relating to the preparation of consolidated financial statements and HK(SIC) - Int 12 "Consolidation – Special Purpose Entities". It introduces a single approach for determining control for the purpose of consolidation of investee interests by the Group focused on the concept of the power over the investee, exposure to variable returns from its involvement therein and the ability to use its power to affect the amount of those returns. The adoption of HKFRS 10 does not change any of the control conclusions reached by the Group in respect of its involvement with other entities at that date.

HKFRS 11 Joint Arrangements

HKFRS 11, which replaces HKAS 31 and HK(SIC) - Int 13, divides joint arrangements into joint operations and joint ventures. Such classification is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, legal form, contractual terms and other facts and circumstances.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Changes in Accounting Policies *(continued)*

HKFRS 11 Joint Arrangements (continued)

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement while a joint venture is a joint arrangement whereby those parties have rights to the net assets of the arrangement. Joint operations are recognised on a line-by-line basis to the extent of the joint operator's interest while joint ventures are accounted for using the equity method. Proportional consolidation accounting method is no longer allowed.

As a result of the adoption of HKFRS 11, the Group has re-evaluated its involvement in its joint arrangements and has reclassified the investment from jointly controlled entity that was previously proportionately consolidated in the financial statements to joint venture which is now required to be equity-accounted for. The Group has applied the transitional provisions of HKFRS 11 to account for the reclassification and disclosed only the quantitative impact of the change for the annual period immediately preceding the current year as set out below regarding the effect of initial adoption of HKFRS 11.

The breakdown of the assets and liabilities that have been aggregated into the single line investment balance as at 1 January 2012 is shown below. The disclosure is prepared in an aggregate manner for all joint ventures for which the Group applies the transition requirements for changes from the proportional consolidation accounting method to the equity method.

	HK$'000
Interests in joint ventures	
Property, plant and equipment	26,619
Intangible assets	20,985
Goodwill	6,031
Interests in an associate	924
Trade and other receivables	65,399
Cash and bank balances	54,910
Trade and other payables	(65,428)
Current portion of obligation under finance leases	(826)
Obligation under finance leases	(62)
Total equity	108,552
Goodwill	27,496
	136,048

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Changes in Accounting Policies *(continued)*

HKFRS 11 Joint Arrangements (continued)

The net effects in the consolidated financial statements for the year ended 31 December 2012 as a result of the adoption of HKFRS 11 are shown below:

	Increase / (Decrease) in profit *HK$'000*
Turnover	(475,513)
Cost of sales	351,897
Gross profit	(123,616)
Other revenue and income	16
	(123,600)
Selling and distribution expenses	24,665
Business promotion and marketing expenses	1,243
Operating and administrative expenses	63,874
Other operating expenses	15,680
Profit from operations	(18,138)
Finance costs	30
Share of results of associate	(39)
Share of results of joint ventures	18,147
Profit before taxation	–

	Increase / (Decrease) *HK$ cents*
Earnings per share	
Basic and diluted	–

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Changes in Accounting Policies *(continued)*

HKFRS 11 Joint Arrangements (continued)

	Increase / (Decrease) *HK$'000*
Non-current assets	
Property, plant and equipment	(28,257)
Intangible assets	(18,390)
Goodwill	(33,441)
Interests in an associate	(917)
Interests in joint ventures	140,401
	59,396
Current assets	
Trade and other receivables	(58,288)
Cash and bank balances	(65,480)
	(123,768)
Current liabilities	
Trade and other payables	(64,310)
Current portion of obligations under finance leases	(62)
	(64,372)
Net current assets	(59,396)
NET ASSETS	–

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Changes in Accounting Policies *(continued)*

HKFRS 11 Joint Arrangements (continued)

	Increase / (Decrease) *HK$'000*
Net cash generated from operating activities	(40,513)
Net cash generated from investing activities	28,978
Net cash generated from financing activities	824
Net increase in cash and cash equivalents	(10,711)
Cash and cash equivalents as at 1 January	(54,910)
Exchange gains on cash and cash equivalents	141
Cash and cash equivalents as at 31 December	(65,480)

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 specifies the disclosure requirements for subsidiaries, joint arrangements and associates, and introduces new disclosure requirements for unconsolidated structured entities. In general, the disclosures required by HKFRS 12 are more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, those additional disclosures are set out in notes 13 and 14.

Annual Improvements Project 2009-2011 Cycle:
HKAS 1 Presentation of Financial Statements – Clarification of the Requirements for Comparative Information

The amendment clarifies that when an entity produces an additional statement of financial position as required by HKAS 1, the statement of financial position should be as at the date of the beginning of the preceding period, that is, the opening position. No notes are required to support this statement of financial position. It also clarifies that when management provides additional comparative statements voluntarily, it should present the supporting notes to these additional statements.

Basis of Measurement

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

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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 year as that of the Company using consistent accounting policies.

All inter-group balances, transactions, income and expenses and profits and losses resulting from inter-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 HKFRSs.

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, associate, joint venture or others, as appropriate, from the date when control is lost.

When disposal of a subsidiary represents a contribution to a joint venture in exchange for an equity interest in the joint venture, only the portion of a gain or loss attributable to the equity interests of the other joint venturers is recognised in profit or loss for the period. The unrealised gain or loss is eliminated against the underlying assets contributed to the joint venture under equity accounting method.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Subsidiaries

A subsidiary is an entity (including special purpose entities) 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, 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.

Joint Ventures

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.

The Group's investment in joint venture is accounted for under the equity method, 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.

Unrealised gains or losses resulting from transactions between the Group and its joint ventures 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.

If an investment in a joint venture becomes an investment in an associate, any retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, on the loss of significant influence or joint control, the Group remeasures any retained interest in the former investee at fair value. The difference between the fair value of any retained investment and proceeds from disposing of the partial interest in the investee and the carrying amount of the investment at the date when significant influence or joint control is lost is recognised in profit or loss. In addition, all amounts previously recognised in other comprehensive income in respect of the former investee are accounted for on the same basis as would be required if the former investee had directly disposed of the related assets or liabilities. The fair value of the retained interest on the date of ceasing to be a joint venture is regarded as the fair value on initial recognition as a financial asset.

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 year 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%

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 which is eight years in the case of the existing intangible assets. The estimated useful life and amortisation method are reviewed at the end of each annual 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)*

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 trade 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.

Loans and receivables

Loans and receivables including trade and other receivables, pledged bank deposits 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 acquisition, over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets are impaired. The impairment loss of financial assets 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.

Financial liabilities

The Group's financial liabilities include trade and other payables, and bank borrowings. 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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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, interests in joint ventures and investments in subsidiaries 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 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 immediately.

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

Inventories

Inventory is stated at the lower of cost and net realisable value. Cost is calculated using the first in, first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Revenue Recognition

Consolidated revenue comprises revenue of the Company and its subsidiaries 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.

Income in respect of telecommunication services, insurance-related product distribution services and consultancy services provided to customers is recognised when the services are rendered.

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

Distribution from joint ventures is recognised when the Group's rights to receive payment have been established.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Leasing

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

Rentals payable under operating leases are recognised as an expense 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 added 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.

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 Translation

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 ("functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation 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 year-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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Taxation

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

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. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

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$1,250 (*2012: HK$1,250*), and they may choose to make additional or voluntary contributions. The Group makes the same additional contribution if an employee chooses to make a voluntary contribution of up to a maximum limit of HK$1,250 (*2012: HK$1,250*).

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, and are entitled to 100% of the Group's voluntary contributions after completion of the first year of service.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Related Parties

A related party is a person or entity that is related to the Group.

(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 parent, 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 parent of the entity).

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 case 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.

Allowance for inventories

The Group's management reviews the condition of inventories, at the end of each reporting period, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Critical Accounting Estimates and Judgements *(continued)*

Recognition of deferred tax assets

Deferred tax assets are recognised principally for unused tax losses carried forward to the extent it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgements regarding the future performance of the particular legal subsidiary in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at the end of each reporting period and, to the extent there is sufficient evidence that taxable profits will be available within the utilisation periods to allow utilisation of the carry-forward tax losses, the asset balance will be increased and such increase will be recognised in profit or loss.

Impairment of interests in subsidiaries and interests in joint ventures

The Company determines whether interests in subsidiaries and interests in joint ventures are impaired at least on an annual basis. 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 the financial performance and position of these entities could affect the estimation of impairment losses and cause adjustments to their carrying amounts.

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 level 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.

Useful lives of intangible assets

The Group assesses whether the intangible assets are of finite useful lives at the end of each reporting period. In determining useful lives of intangible assets, the Group has considered 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 the intangible assets is based on the experience of the Group with similar intangible assets that generate similar future economic benefits.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Future Changes in HKFRS

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

Amendments to HKAS 27 (2011), HKFRS 10 and HKFRS 12	*Investment Entities*[1]
Amendments to HKAS 32	*Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*[1]
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC) - Int 21	*Levies*[1]
Amendments to HKAS 19 (2011)	*Defined Benefit Plans – Employee Contributions*[2]
Various HKFRSs	*Annual Improvements Project 2010–2012 Cycle*[3]
Various HKFRSs	*Annual Improvements Project 2011–2013 Cycle*[3]
HKFRS 14	*Regulatory Deferral Accounts*[4]
HKFRS 9	*Financial Instruments*[5]
Amendments to HKFRS 9, HKFRS 7 and HKAS 39	*Financial Instruments (Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39)*[5]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 July 2014, except for certain amendments which are effective prospectively for relevant transactions occurred on or after 1 July 2014
4 Effective for annual periods beginning on or after 1 January 2016
5 No mandatory effective date determined but is available for adoption

The Group is in the process of assessing the possible impact of the adoption of these new and revised HKFRS in the future. So far it has concluded that the adoption is unlikely to have a material impact on the Group's consolidated financial statements in the future.

3. TURNOVER

	Group	
	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Telecommunication services income	**75,992**	77,995
Other	**1,353**	1,181
	77,345	79,176

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

4. OTHER REVENUE AND INCOME

	Group	
	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Interest income on bank deposits	**585**	373
Gain on bargain purchase	**–**	796
Other	**1,037**	1,818
	1,622	2,987

5. LOSS BEFORE TAXATION

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
		(Restated)
(a) Finance costs		
Interest on bank loans wholly repayable within five years	**1,118**	206
(b) Other items		
Employee salaries and other benefits (including directors' emoluments)	**34,173**	33,194
Retirement benefit scheme contributions	**2,010**	1,987
Total staff costs	**36,183**	35,181
Auditors' remuneration		
– audit fees	**2,039**	1,224
Cost of services provided	**37,190**	32,044
Cost of inventories (including a write down to net realisable value of HK$942,000 *(2012: Nil)*)	**2,168**	8,269
Depreciation of property, plant and equipment	**2,571**	2,002
Amortisation of intangible assets	**2,094**	1,074
Allowance for doubtful debts	**88**	76
Operating lease charges on premises	**6,533**	6,445
Impairment loss on property, plant and equipment	**–**	75
Exchange gain, net	**(314)**	(148)
Loss / (Gain) on disposals of property, plant and equipment	**3**	(13)

6. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION

The aggregate amounts of remuneration received and receivable by the Company's directors are as follows:

	2013			
	Director fees *HK$'000*	Salaries and other emoluments *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total *HK$'000*
Executive directors				
Richard John Siemens	–	1,950	15	1,965
Lim Shyang Guey	–	2,600	30	2,630
William Bruce Hicks *(re-designated on 1 May 2013)*	–	870	10	880
Non-executive directors				
William Bruce Hicks *(re-designated as executive director on 1 May 2013)*	50	33	–	83
Jennifer Wes Saran	150	–	–	150
Independent non-executive directors				
John William Crawford J.P.	150	100	–	250
Gerald Clive Dobby	150	–	–	150
Shane Frederick Weir *(retired on 16 May 2013)*	75	–	–	75
Thaddeus Thomas Beczak *(appointed on 1 October 2013)*	38	–	–	38
	613	5,553	55	6,221

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

	2012			
	Director fees *HK$'000*	Salaries and other emoluments *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total *HK$'000*
Executive directors				
Richard John Siemens	–	1,950	14	1,964
Lim Shyang Guey	–	2,600	28	2,628
Non-executive directors				
William Bruce Hicks	150	100	–	250
Jennifer Wes Saran	150	–	–	150
Independent non-executive directors				
John William Crawford J.P.	150	100	–	250
Gerald Clive Dobby	150	–	–	150
Shane Frederick Weir	150	–	–	150
	750	4,750	42	5,542

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

There were no arrangements under which a director waived or agreed to waive any emoluments for the year *(2012: 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 *(2012: Nil)*.

Individuals with highest emoluments

Of the five *(2012: five)* individuals with the highest emoluments, two *(2012: two)* are directors whose emoluments are disclosed above. The aggregate of the emoluments in respect of the other three *(2012: three)* individuals are as follows:

	2013 **HK$'000**	2012 *HK$'000* *(Restated)*
Salaries and other emoluments	**4,590**	4,546
Retirement benefit scheme contributions	**157**	142
	4,747	4,688

The emoluments of the three *(2012: three)* individuals with the highest emoluments are within the following bands:

	2013 ***Number of individuals***	2012 *Number of individuals* *(Restated)*
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**2**	2
	3	3

The directors of the Company, together with the above-mentioned three *(2012: three)* highest paid individuals, are regarded as the key management personnel of the Group for related parties disclosure purposes.

During the year, no remunerations were 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 *(2012: Nil)*. There was no arrangement under which any of the five highest paid individuals waived or agreed to waive any remuneration during the year *(2012: Nil)*.

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

7. TAXATION (CHARGES) / CREDIT

During the year, no provision for Hong Kong Profits Tax has been made as the Group incurred a loss for taxation purposes. In 2012, Hong Kong Profits Tax has not been provided as the Group's assessable profits for the year was 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.

	Group	
	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Current tax		
Hong Kong Profits Tax	**–**	–
Overseas income taxes	**(1,352)**	(761)
	(1,352)	(761)
Deferred tax		
Depreciation allowances	**118**	(154)
Tax losses *(note)*	**(71)**	(12,288)
	47	(12,442)
Taxation charges	**(1,305)**	(13,203)

Further details in the deferred taxation status are set out in note 21.

Note: The amount includes write-down of previously recognised deferred tax assets as it is probable that further taxable profits of relevant entity will not be available against which the unused tax losses can be utilised.

7. TAXATION (CHARGES) / CREDIT *(continued)*

Reconciliation of effective tax rate

	Group	
	2013	2012
	%	%
		(Restated)
Applicable tax rate	**(22)**	455
Non-deductible expenses	**12**	68
Tax exempt revenue	**(1)**	(305)
Unrecognised tax losses	**12**	741
Write-down of previously unrecognised tax losses	**–**	1,551
Recognition of previously unrecognised temporary differences	**(1)**	(195)
Other	**4**	74
Effective tax rate for the year	**4**	2,389

The applicable rate is the average of the tax rates prevailing in the territories in which the Group operates. The tax rates adopted in various territories are ranged from 16.5% to 34%. In the current year, the applicable rate has been changed because the results for individual territories are significantly fluctuated compared to each other.

8. LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss for the year attributable to equity holders of the Company includes a loss of HK$34,480,000 *(2012: HK$11,864,000)* which has been dealt with in the financial statements of the Company.

9. DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2013 *(2012: Nil)*.

10. LOSS PER SHARE

The calculation of basic loss per share for the year ended 31 December 2013 is based on the consolidated loss attributable to equity holders of the Company of HK$32,629,000 *(2012: HK$12,851,000)* and on the number of 521,000,000 *(2012: 521,000,000)* 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 per share is the same as basic loss per share for the years presented.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

11. PROPERTY, PLANT AND EQUIPMENT

	Group				
	Leasehold improvements *HK$'000*	**Machinery and equipment** *HK$'000*	**Office equipment, furniture and fittings** *HK$'000*	**Motor vehicles** *HK$'000*	**Total** *HK$'000*
(Restated)					
As at 1 January 2012	–	161	4,715	–	4,876
Additions	–	75	3,988	–	4,063
Disposals	–	–	(413)	–	(413)
Write-back of accumulated depreciation on disposals	–	–	413	–	413
Depreciation	–	(75)	(1,927)	–	(2,002)
Impairment losses	–	(75)	–	–	(75)
Exchange adjustments	–	–	89	–	89
As at 31 December 2012	–	86	6,865	–	6,951
As at 1 January 2013 *(Restated)*	–	86	6,865	–	6,951
Additions	306	–	1,941	–	2,247
Disposals	–	–	(729)	–	(729)
Write-back of accumulated depreciation on disposals	–	–	724	–	724
Depreciation	(35)	(47)	(2,489)	–	(2,571)
Exchange adjustments	–	–	(119)	–	(119)
As at 31 December 2013	**271**	**39**	**6,193**	**–**	**6,503**
Representing:					
Cost	1,631	28,493	26,659	1,400	58,183
Accumulated depreciation	(1,631)	(28,407)	(19,794)	(1,400)	(51,232)
As at 1 January 2013	–	86	6,865	–	6,951
Cost	1,937	28,251	27,174	1,400	58,762
Accumulated depreciation	(1,666)	(28,212)	(20,981)	(1,400)	(52,259)
As at 31 December 2013	**271**	**39**	**6,193**	**–**	**6,503**

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

	Company			
	Leasehold improvements *HK$'000*	**Office equipment, furniture and fittings** *HK$'000*	**Motor vehicle** *HK$'000*	**Total** *HK$'000*
As at 1 January 2012	–	2,233	–	2,233
Additions	–	13	–	13
Depreciation	–	(63)	–	(63)
As at 31 December 2012	–	2,183	–	2,183
As at 1 January 2013	–	2,183	–	2,183
Additions	–	34	–	34
Depreciation	–	(58)	–	(58)
As at 31 December 2013	**–**	**2,159**	**–**	**2,159**
Representing:				
Cost	1,631	3,328	1,400	6,359
Accumulated depreciation	(1,631)	(1,145)	(1,400)	(4,176)
As at 1 January 2013	–	2,183	–	2,183
Cost	1,631	3,362	1,400	6,393
Accumulated depreciation	(1,631)	(1,203)	(1,400)	(4,234)
As at 31 December 2013	**–**	**2,159**	**–**	**2,159**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

12. INTANGIBLE ASSETS

	Group		
	Development costs	**Customer contracts**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
(Restated)			
As at 1 January 2012	–	–	–
Additions	–	17,189	17,189
Amortisation	–	(1,074)	(1,074)
As at 31 December 2012	–	16,115	16,115
As at 1 January 2013 *(Restated)*	–	16,115	16,115
Amortisation	–	(2,094)	(2,094)
Exchange adjustments	–	(516)	(516)
As at 31 December 2013	**–**	**13,505**	**13,505**
Representing:			
Cost	3,597	17,189	20,786
Accumulated amortisation and impairment losses	(3,597)	(1,074)	(4,671)
As at 1 January 2013	–	16,115	16,115
Cost	3,597	16,621	20,218
Accumulated amortisation and impairment losses	(3,597)	(3,116)	(6,713)
As at 31 December 2013	**–**	**13,505**	**13,505**

Intangible assets acquired during 2012 relate to customer contracts in respect of domain name registration, web/data hosting and other services.

13. INTERESTS IN SUBSIDIARIES

	Company	
	2013	2012
	HK$'000	*HK$'000*
Unlisted shares, at cost	**–**	–
Due from subsidiaries	**545,200**	541,624
Less: Provisions	**(467,532)**	(449,132)
	77,668	92,492

The amounts due from subsidiaries are unsecured, interest-free and not expected to be repaid within one year. The carrying values of the amounts due approximate their fair values.

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 USA, Inc. *(i)*	United States of America	US$10	–	100%	Investment holding
ZONE Telecom Pte Ltd	Singapore	S$100,000	–	100%	Provision of telecommunication services
ZONE Resources Limited	Hong Kong	HK$2	–	100%	Provision of consultancy services
ZONE Limited	Hong Kong	HK$2	–	100%	Provision of telecommunication services
ZONE Global 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

13. INTERESTS IN 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 (HK) Limited *(iii)*	Hong Kong	HK$10,000	–	50.1%	Provision of sales and fulfilment solutions
Relevant Marketing Group Limited *(iii)*	British Virgin Islands	US$10	–	50.1%	Investment holding
Relevant Marketing (Canada) Limited *(iii)*	Canada	C$1	–	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 *(iii)*	Hong Kong	HK$5,000,000	–	50.1%	Insurance brokerage
China Portal Limited	British Virgin Islands	US$1	–	100%	Provision of consultancy services
深圳盈港科技有限公司 *(i) & (ii)*	The People's Republic of China	RMB1,000,000 Registered capital	–	100%	Provision of technical consultancy services

(i) *Companies not audited by Mazars.*
(ii) *A wholly foreign-owned enterprise established in the People's Republic of China.*
(iii) *Companies collectively referred to as the RMI Group.*

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 2013 and 2012.

13. INTERESTS IN SUBSIDIARIES *(continued)*

At the end of the reporting period, RMI Group represents a group of subsidiaries in the Group which has non-controlling interests ("NCI"). The following table shows the aggregate information relating to the consolidated results and financial position of the RMI Group. The summarised financial information as shown below represents amounts before inter-company eliminations.

	2013 **HK$'000**	2012 HK$'000
Proportion of NCI's ownership interests	**49.9%**	49% / 25%
Non-current assets	**560**	321
Current assets	**1,307**	2,064
Current liabilities	**(11,893)**	(7,554)
Net liabilities	**(10,026)**	(5,169)
Carrying amount of NCI	**(5,003)**	(970)

	2013 **HK$'000**	2012 HK$'000
Proportion of NCI's ownership interests	**49.9% / 49% / 25%**	49% / 25%
Revenue	**1,711**	1,474
Expenses	**(6,523)**	(4,849)
Loss for the year	**(4,812)**	(3,375)
Other comprehensive income for the year	**–**	–
Total comprehensive loss for the year	**(4,812)**	(3,375)
Total comprehensive loss for the year attributable to NCI	**(1,962)**	(904)
Dividends to NCI	**–**	–
Net cash flows used in operating activities	**(3,974)**	(3,089)
Net cash flows used in investing activities	**(489)**	(247)
Net cash flows generated from financing activities	**3,685**	4,490
Net (decrease) / increase in cash and cash equivalents	**(778)**	1,154

14. INTERESTS IN JOINT VENTURES

	Group	
	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Share of total equity	**104,230**	112,976
Goodwill	**27,425**	27,425
	131,655	140,401

As at 31 December 2013, the Group had interests in the following joint ventures:

Name of joint venture	Form of business structure	Place of establishment / operation	Proportion of nominal value of issued capital held by the Group		Proportion of voting power held	Principal activities
			Directly	*Indirectly*		
ANZ Communications, LLC ("ANZ")	Limited liability company	United States of America	50%	–	50%	Investment holding
ANPI Business, LLC	Limited liability company	United States of America	–	50%	50%	Provision of telecommunication services
ANPI, LLC	Limited liability company	United States of America	–	50%	50%	Provision of telecommunication services

All of the above joint ventures are accounted for using the equity method in the consolidated financial statements.

The Group has a 50% equity interest in ANZ. ANZ is an investment holding company and its subsidiaries are principally engaged in the business of provision of voice and data telecommunication services, and is the course of investing and executing its plan to roll-out Unified Communication hosted solutions and cloud applications, in the United States.

The Group holds 50% of the voting units outstanding in ANZ and controls 50% of the voting power in the general meeting. Since the major financing and operational decisions of ANZ should be unanimously approved by the Group and another joint venturer, ANZ and its subsidiaries are regarded as joint ventures of the Group.

14. INTERESTS IN JOINT VENTURES *(continued)*

The financial information of the Group's joint ventures extracted from their financial statements have been prepared in accordance with generally accepted accounting principles in their places of establishment and are adjusted by the Group for equity method purposes including adjustments to impairment losses, amortisation and depreciation, and is shown as follows.

	2013		2012	
		The Group's		The Group's
	100%	**50% share**	100%	50% share
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Non-current assets	**130,700**	**65,350**	107,160	53,580
Current assets	**193,114**	**96,557**	247,536	123,768
Current liabilities	**(115,354)**	**(57,677)**	(128,744)	(64,372)
Total equity	**208,460**	**104,230**	225,952	112,976
Revenue	**807,964**	**403,982**	951,026	475,513
Expenses	**(824,324)**	**(412,162)**	(914,732)	(457,366)
(Loss) / Profit for the year	**(16,360)**	**(8,180)**	36,294	18,147
Other comprehensive income for the year	**–**	**–**	–	–
Total comprehensive (loss) / income for the year	**(16,360)**	**(8,180)**	36,294	18,147
Distributions from joint venture	**1,134**	**567**	29,988	14,994

14. INTERESTS IN JOINT VENTURES *(continued)*

The above information for the year includes the following:

	2013		2012	
	100%	**The Group's 50% share**	100%	The Group's 50% share
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Cash and bank balances	**83,430**	**41,715**	130,960	65,480
Current financial liabilities (excluding trade and other payables and provisions)	**–**	**–**	(124)	(62)
Depreciation and amortisation	**(25,700)**	**(12,850)**	(26,154)	(13,077)
Interest income	**228**	**114**	274	137
Interest expenses	**(24)**	**(12)**	(60)	(30)

The above financial information has been prepared using the same accounting policies as those adopted by the Group.

15. INVENTORIES

	Group	
	2013	2012
	HK$'000	*HK$'000*
Finished goods	**847**	1,723

All inventories are stated at lower of cost and net realisable value.

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		
Trade receivables	**11,365**	11,709	**–**	–
Allowance for doubtful debts	**(2,015)**	(2,070)	**–**	–
	9,350	9,639	**–**	–
Other receivables				
Deposits, prepayments and other debtors	**7,691**	8,240	**2,578**	2,212
Due from a subsidiary	**–**	–	**1,478**	1,478
	17,041	17,879	**4,056**	3,690

The amount due from a subsidiary is unsecured, interest-free and repayable on demand. The carrying value of the amount due approximates their fair values.

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:

	Group	
	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Less than 1 month	**5,766**	7,112
1 to 3 months	**2,164**	1,915
More than 3 months but less than 12 months	**1,420**	612
	9,350	9,639

The Group's credit policy is set out in note 27.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

16. TRADE AND OTHER RECEIVABLES *(continued)*

The movements in allowance for doubtful debts are as follows:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		
As at 1 January	**2,070**	2,046	**–**	–
Increase in allowance	**88**	76	**–**	–
Amounts written off as uncollectible	**(120)**	(90)	**–**	–
Exchange adjustments	**(23)**	38	**–**	–
As at 31 December	**2,015**	2,070	**–**	–

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Less than 3 months past due	**3,562**	3,787
More than 3 months but less than 12 months past due	**963**	291
Amounts past due	**4,525**	4,078
Neither past due nor impaired	**4,825**	5,561
	9,350	9,639

The Group has not provided for any impairment losses on the above 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 have been no histories of defaults.

17. PLEDGED BANK DEPOSITS

At the end of the reporting period, the Group and the Company had pledged bank deposits amounting to HK$79,402,000 *(2012: HK$79,454,000)* and HK$77,778,000 *(2012: HK$77,778,000)*, respectively. An amount of HK$77,500,000 *(2012: HK$77,500,000)* of the Group and of the Company was pledged as bank deposits to collateralise a letter of credit issued to a bank in respect of a banking facility granted to a subsidiary (note 20(a)). In addition, bank guarantees of HK$1,902,000 *(2012: HK$1,954,000)* of the Group and HK$278,000 *(2012: HK$278,000)* of the Company were issued to suppliers for operational requirements. The directors do not consider it probable that a claim will be made against the Group and the Company under these guarantees. The amounts utilised by the Group and the Company at the end of the reporting period under these guarantees were HK$78,344,000 *(2012: HK$78,423,000)* and HK$77,578,000 *(2012: HK$77,577,000)* respectively, representing the outstanding amounts payable to these security-holders.

18. CASH AND BANK BALANCES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		
Cash at bank and in hand	**19,695**	47,698	**6,322**	31,362
Short-term time deposits	**13,119**	8,008	**13,119**	8,008
	32,814	55,706	**19,441**	39,370

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made with maturities of three months or less depending on the immediate cash requirements of the Group, and earn interest at the prevailing short-term deposit rates.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		
Trade payables	**2,229**	2,556	**–**	–
Other payables				
Deferred revenue	**3,390**	1,788	**–**	–
Accrued charges and other creditors	**11,868**	13,241	**1,894**	1,983
Due to a joint venture	**2,119**	–	**–**	–
Due to a subsidiary	**–**	–	**158**	–
	19,606	17,585	**2,052**	1,983

The amounts due to a joint venture and a subsidiary are unsecured, interest-free and have no fixed term of repayment.

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Less than 1 month	**1,828**	2,202
1 to 3 months	**323**	276
More than 3 months but less than 12 months	**78**	78
	2,229	2,556

20. BANK BORROWINGS

The bank loans are repayable as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Bank loans due, secured:		
Within one year	**2,968**	3,069
After one year but within two years	**1,978**	5,115
After two year but within five years	**77,500**	77,500
	82,446	85,684

The bank loans are denominated in the following currencies:

	Group	
	2013	2012
	HK$'000	*HK$'000*
United States dollars *(a)*	**77,500**	77,500
Singapore dollars *(b)*	**4,946**	8,184
	82,446	85,684
Reported as:		
Current liabilities	**2,968**	3,069
Non-current liabilities	**79,478**	82,615
	82,446	85,684

(a) The loan bears an interest at a floating rate. The loan is collateralised by bank letter of credit supported by the Company and is repayable in August 2017.

(b) The loan requires monthly principal and interest payments over three years. The loan bears an interest at a floating rate and is secured by net assets of a subsidiary in Singapore. The loan is repayable in August 2015.

21. DEFERRED TAX

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

	Group		
	Tax losses	**Depreciation allowances**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
As at 1 January 2012	12,431	(326)	12,105
Charges to profit or loss	(12,288)	(154)	(12,442)
Exchange adjustments	(31)	(20)	(51)
As at 31 December 2012	112	(500)	(388)
(Charges) / credit to profit or loss	(71)	118	47
Exchange adjustments	–	18	18
As at 31 December 2013	**41**	**(364)**	**(323)**

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
Deferred tax assets to be recovered:		
Within 12 months	**41**	113
After 12 months	**4**	32
	45	145
Deferred tax liabilities to be settled:		
Within 12 months	**(276)**	(247)
After 12 months	**(92)**	(286)
	(368)	(533)
As at 31 December	**(323)**	(388)

21. DEFERRED TAX *(continued)*

Unrecognised deferred tax assets

	Group	
	2013	2012
	HK$'000	*HK$'000*
Tax losses	**107,318**	100,789
Deductible temporary differences	**17,709**	21,794
As at 31 December	**125,027**	122,583

The unrecognised tax losses of HK$408,138,000 *(2012: HK$384,850,000)* and deductible temporary differences of HK$48,858,000 *(2012: HK$54,684,000)* have no expiry dates under current tax legislation, except for tax losses of HK$228,390,000 *(2012: HK$213,078,000)* which are related to a subsidiary in the United States. These tax losses have a carry-forward period of 20 years from the year they arose and will begin to expire from 2020 onwards.

22. SHARE CAPITAL

Authorised and issued share capital

	2013		2012	
	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 and **31 December**	**521,000,000**	**5,210**	521,000,000	5,210

23. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES THAT DO NOT RESULT IN A LOSS OF CONTROL

During the year, the Group restructured its ownership in certain subsidiaries as follows:

1. Relevant Marketing Group Limited ("RMGL") acquired 49% shareholding of RMI Group International Limited ("RMGIL") and its subsidiary (collectively referred to as the "RMGIL group") from non-controlling interests at a consideration of HK$49.

2. RMGL allotted 201 shares to speedinsure Global Limited and 399 shares to non-controlling interests at US$0.01 per share.

3. RMGIL acquired 100% shareholding in Relevant Marketing (HK) Limited and its subsidiaries at a consideration of HK$10,000.

As a result, after the restructuring, the Group holds 50.1% shareholding of RMGL which in turns holds the entire issued share capital of all other RMI Group companies.

	HK$'000
Net consideration paid at HK$49	–
Acquisition of 49% non-controlling interests in RMGIL group	(220)
Deemed disposal of 24.9% shareholding in RMGL with its subsidiaries	2,181
Deemed disposal of 49.9% shareholding in RMGIL group	110
Credit to equity	**2,071**

24. 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$'000	Accumulated profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Group									
As at 1 January 2012	67,093	2,804	25	6	83,489	67,796	221,213	(830)	220,383
Loss for the year	–	–	–	–	–	(12,851)	(12,851)	(904)	(13,755)
Other comprehensive income for the year									
Item that may be subsequently reclassified to profit or loss:									
Exchange differences on translation of foreign subsidiaries and joint ventures	–	920	–	–	–	–	920	–	920
Total comprehensive income / (loss) for the year	–	920	–	–	–	(12,851)	(11,931)	(904)	(12,835)
Transaction with equity holders of the Company									
Arising from acquisition of a subsidiary	–	–	–	–	–	–	–	764	764
Total transaction with equity holders of the Company	–	–	–	–	–	–	–	764	764
As at 31 December 2012	67,093	3,724	25	6	83,489	54,945	209,282	(970)	208,312
Loss for the year	–	–	–	–	–	(32,629)	(32,629)	(1,962)	(34,591)
Other comprehensive loss for the year									
Item that may be subsequently reclassified to profit or loss:									
Exchange differences on translation of foreign subsidiaries and joint ventures	–	(581)	–	–	–	–	(581)	–	(581)
Total comprehensive loss for the year	–	(581)	–	–	–	(32,629)	(33,210)	(1,962)	(35,172)
Transaction with equity holders of the Company									
Changes in ownership interests in subsidiaries that do not result in a loss of control *(note 23)*	–	–	–	2,071	–	–	2,071	(2,071)	–
Total transaction with equity holders of the Company	–	–	–	2,071	–	–	2,071	(2,071)	–
As at 31 December 2013	**67,093**	**3,143**	**25**	**2,077**	**83,489**	**22,316**	**178,143**	**(5,003)**	**173,140**
Company									
As at 1 January 2012	67,093	–	25	–	83,489	69,577	220,184	–	220,184
Loss for the year and other comprehensive loss for the year	–	–	–	–	–	(11,864)	(11,864)	–	(11,864)
As at 31 December 2012	67,093	–	25	–	83,489	57,713	208,320	–	208,320
Loss for the year and other comprehensive loss for the year	–	–	–	–	–	(34,480)	(34,480)	–	(34,480)
As at 31 December 2013	**67,093**	**–**	**25**	**–**	**83,489**	**23,233**	**173,840**	**–**	**173,840**

24. 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 all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Capital reserve

Capital reserve represents the difference between the purchase consideration paid 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.

Subject to the conditions mentioned in the foregoing paragraph, the Company had the following reserves available for distribution to equity holders at the end of the reporting period:

	2013 ***HK$'000***	2012 *HK$'000*
Contributed surplus	**83,489**	83,489
Accumulated profits	**23,233**	57,713
	106,722	141,202

25. CASH USED IN OPERATIONS

	Group	
	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Loss before taxation	**(33,286)**	(552)
Interest income	**(585)**	(373)
Interest expenses	**1,118**	206
Depreciation of property, plant and equipment	**2,571**	2,002
Amortisation of intangible assets	**2,094**	1,074
Share of results of joint ventures	**8,180**	(18,147)
Exchange differences	**(4)**	86
Loss / (gain) on disposal of property, plant and equipment	**3**	(13)
Allowance for doubtful debts	**88**	76
Write-down of inventories	**942**	–
Impairment loss on property, plant and equipment	**–**	75
Gain on bargain purchases	**–**	(796)
Changes in working capital:		
Inventories	**(66)**	(269)
Trade and other receivables	**554**	(2,947)
Trade and other payables	**2,424**	4,378
Cash used in operations	**(15,967)**	(15,200)

26. RELATED PARTY TRANSACTIONS

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

	2013	2012
	HK$'000	*HK$'000*
Nature of transactions		
Management fee income	**388**	388
Distribution income	**567**	14,994
Outstanding balance		
Due to a joint venture *(note 19)*	**2,119**	–

The above transactions related to a joint venture of the Group.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise bank borrowings, cash and bank balances 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 currency, credit, liquidity and interest rate 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.

Currency risk

Most of the transactions are denominated in the functional currency of each of the Group's entities and most of the Group's assets and liabilities, revenues and payments, other than denominated in each Group's entities' functional currency, are denominated either in Hong Kong dollars or United States dollars for which the Group considers there is no significant exposure to foreign exchange fluctuations as long as the Hong Kong-United States dollar exchange rate remains pegged.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's pledged deposits, bank balances and bank borrowings. Details of interest rates of the Group's bank balances and bank borrowings at the end of the reporting period are set out in notes 18 and 20. The Group closely monitors interest rate level and outlook as well as potential impact on the Group's results and financial position arising from volatility.

The sensitivity analysis below has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to both derivative and non-derivative financial instruments that would have affected profit or loss. A change of 100 basis points ("bps") was applied to the yield curves at the end of the respective reporting period, representing management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period. The analysis is performed on the same basis for 2012.

	2013		2012	
	100 bps increase *HK$'000*	**100 bps decrease** *HK$'000*	100 bps increase *HK$'000*	100 bps decrease *HK$'000*
Increase / (decrease) in loss	**824**	**(824)**	857	(857)

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

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 Company's credit risk is primarily related to amounts due from subsidiaries. As at 31 December 2013, the Company had a concentration of risk to the extent of 50% *(2012: 50%)* and 99% *(2012: 100%)* of the total amounts are due from the Company's largest subsidiary and five largest subsidiaries, respectively, before allowances.

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 institution 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 are summarised below.

	Group				
	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 2013					
Bank borrowings	**–**	**988**	**2,906**	**81,466**	**85,360**
Trade and other payables	**5,652**	**9,507**	**1,057**	**–**	**16,216**
Bank guarantee commitments *(note 17)*	**1,058**	**–**	**–**	**–**	**1,058**
	6,710	**10,495**	**3,963**	**81,466**	**102,634**
As at 31 December 2012 *(Restated)*					
Bank borrowings	–	1,065	3,138	85,665	89,868
Trade and other payables	3,368	11,188	1,241	–	15,797
Bank guarantee commitments *(note 17)*	1,031	–	–	–	1,031
	4,399	12,253	4,379	85,665	106,696

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

Liquidity risk *(continued)*

	Company				
	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 2013					
Trade and other payables	**158**	**1,358**	**536**	**–**	**2,052**
Bank guarantee commitments *(note 17)*	**278**	**–**	**77,500**	**–**	**77,778**
	436	**1,358**	**78,036**	**–**	**79,830**
As at 31 December 2012					
Trade and other payables	–	1,465	518	–	1,983
Bank guarantee commitments *(note 17)*	278	–	–	77,500	77,778
	278	1,465	518	77,500	79,761

Fair value

The carrying values of all financial instruments approximate their fair values as at 31 December 2013 and 2012.

28. 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 2013 and 2012.

The Group aims at maintaining a net surplus position and monitors capital on the basis of its net debt-to-equity ratio, which is net debt divided by total equity at the end of the reporting period, as follows:

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Bank borrowings	**(82,446)**	(85,684)
Trade and other payables	**(19,606)**	(17,585)
Taxation payable	**(267)**	(416)
Less: Cash and bank balances	**32,814**	55,706
Pledged bank deposits	**79,402**	79,454
Net surplus	**9,897**	31,475
Total equity	**178,350**	213,522
Net debt-to-equity ratio	**N / A**	N / A

29. COMMITMENTS AND CONTINGENCIES

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:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		
Within one year	**4,360**	7,165	**3,092**	4,738
In the second to fifth year inclusive	**1,407**	3,572	**–**	3,092
	5,767	10,737	**3,092**	7,830

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

A joint venture is involved in certain legal actions and claims arising in the ordinary course of business, subject to which certain representations, warranties and indemnities are provided by a subsidiary of the Company. Management believes that it is remote that the outcome of such litigation and claims will have a material effect on the Group's financial position.

30. 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 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 cash and bank balances. All liabilities are allocated to reportable segments other than corporate liabilities.

30. 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 2013				Year ended 31 December 2012			
	Telecom-munication services	**Other operations**	**Eliminations**	**Consolidated**	Telecom-munication services	Other operations	Eliminations	Consolidated
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Restated)			*(Restated)*
Turnover								
External sales	**75,992**	**1,353**	**–**	**77,345**	77,995	1,181	–	79,176
Inter-segment sales	**269**	**–**	**(269)**	**–**	219	–	(219)	–
	76,261	**1,353**	**(269)**	**77,345**	78,214	1,181	(219)	79,176
Results								
Segment results	**(724)**	**(4,826)**	**–**	**(5,550)**	3,070	(3,473)	–	(403)
Finance costs	**(1,118)**	**–**	**–**	**(1,118)**	(206)	–	–	(206)
Share of results of joint ventures	**(8,180)**	**–**	**–**	**(8,180)**	18,147	–	–	18,147
Gain on bargain purchase	**–**	**–**	**–**	**–**	–	796	–	796
	(10,022)	**(4,826)**	**–**	**(14,848)**	21,011	(2,677)	–	18,334
Other operating income and expenses				**(18,438)**				(18,886)
Loss before taxation				**(33,286)**				(552)

Inter-segment sales are charged at prevailing market prices.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2013

30. SEGMENTAL INFORMATION *(continued)*

(a) By business segments *(continued)*

	Year ended 31 December 2013			Year ended 31 December 2012		
	Telecom-munication services ***HK$'000***	**Other operations** ***HK$'000***	**Consolidated** ***HK$'000***	Telecom-munication services *HK$'000*	Other operations *HK$'000*	Consolidated *HK$'000*
				(Restated)		*(Restated)*
Assets						
– Reportable segments	**177,701**	**1,962**	**179,663**	194,008	2,396	196,404
– Unallocated assets			**102,149**			121,970
			281,812			318,374
Liabilities						
– Reportable segments	**(99,221)**	**(2,347)**	**(101,568)**	(100,822)	(2,047)	(102,869)
– Unallocated liabilities			**(1,894)**			(1,983)
			(103,462)			(104,852)
Other information						
Capital expenditures						
– Reportable segments	**1,735**	**478**	**2,213**	3,803	247	4,050
– Unallocated assets			**34**			13
			2,247			4,063
Addition of intangible assets						
– Reportable segments	**–**	**–**	**–**	17,189	–	17,189
Interest income						
– Reportable segments	**3**	**–**	**3**	9	–	9
– Unallocated income			**582**			364
			585			373
Amortisation and depreciation						
– Reportable segments	**(4,457)**	**(150)**	**(4,607)**	(2,921)	(92)	(3,013)
– Unallocated expenses			**(58)**			(63)
			(4,665)			(3,076)
Non-cash items other than amortisation and depreciation						
– Reportable segments	**(1,027)**	**(5)**	**(1,032)**	(62)	(76)	(138)

30. SEGMENTAL INFORMATION *(continued)*

(b) By geographical information

The Group generates its turnover from the Asia Pacific region. Its property, plant and equipment and intangible assets are located in the Asia Pacific region, and its interests in joint ventures are located in North America.

31. COMPARATIVE FIGURES

Comparative figures have been restated to reflect the adoption of HKFRS 11 and conform with current year's presentation.

Summary of Results, Assets and Liabilities of the Group

	Results of the Group for the five years ended 31 December				
	Continued and discontinued operations				
	2013	2012	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)	*(Restated)*		
Turnover	**77,345**	79,176	288,919	769,748	797,852
(Loss) / Profit before taxation	**(33,286)**	(552)	38,124	(7,210)	11,606
Taxation (charges) / credit	**(1,305)**	(13,203)	(22,057)	17,205	7,361
(Loss) / Profit for the year	**(34,591)**	(13,755)	16,067	9,995	18,967
	HK cents	*HK cents*	*HK cents*	*HK cents*	*HK cents*
(Loss) / Earnings per share					
Basic and diluted	**(6.3)**	(2.5)	3.2	1.9	3.6

	Assets and liabilities of the Group as at 31 December				
	2013	2012	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)	*(Restated)*		
Non-current assets	**151,708**	163,612	153,377	51,744	29,051
Current assets	**130,104**	154,762	86,954	271,577	287,797
Total assets	**281,812**	318,374	240,331	323,321	316,848
Non-current liabilities	**80,621**	83,782	348	707	698
Current liabilities	**22,841**	21,070	14,390	110,594	115,828
Total liabilities	**103,462**	104,852	14,738	111,301	116,526
Net assets	**178,350**	213,522	225,593	212,020	200,322

ANNUAL GENERAL MEETING

The 2014 Annual General Meeting will be held at Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 15 May 2014 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 10 April 2014, and a copy thereof is printed on the circular to shareholders of the Company (the "Shareholders") dated 10 April 2014 and despatched to Shareholders and other recipients together with this 2013 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
26 Burnaby Street
Hamilton HM11
Bermuda

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

Any enquiries relating to your holding of the Company's American Depositary Receipts ("ADR") should be sent to the Depositary, The Bank of New York Mellon at BNY Mellon Shareowner Services, P.O. Box 30170, College Station, TX 77842-3170, USA.

INVESTOR RELATIONS

Enquiries may be directed to:

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

Telephone:	+852 2801 7188
Facsimile:	+852 2801 7238
Email:	investor@e-kong.net

AMERICAN DEPOSITARY RECEIPT PROGRAMME

Since May 2003, the Company has maintained its Level 1 ADR Programme, whereby the Company's shares are now able to be priced and quoted in US Dollars and traded as American securities under the ticker symbol "EKONY" in the United States.

For further information, please contact the Depositary, The Bank of New York Mellon at BNY Mellon Shareowner Services, P.O. Box 30170, College Station, TX 77842-3170, USA or through its website *www.mybnymdr.com* or toll-free number 1-888-269-2377.

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 2013 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 2013 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 1766 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) 索取此二零一三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 1766或傳真號碼2861 1465。

This 2013 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 2013 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.

e-KONG Group Limited

3705 Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong
Tel: +852 2801 7188
Fax: +852 2801 7238
Web: www.e-kong.com

MIX
Paper from responsible sources
FSC® C105708
www.fsc.org