



e-KONG Group Limited

Stock Code: 524

Interim Report 2015



We are together

e-KONG

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Corporate Information

Board of Directors

Executive Directors

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

Independent Non-executive Directors

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

Company Secretary

Liu Xiaoting

Auditor

Mazars CPA Limited
Certified Public Accountants

Legal Advisers

Deacons
Conyers Dill & Pearman

Principal Bankers

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

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Place of Business

Suites 1301-04, 13/F
Two Pacific Place,
88 Queensway,
Admiralty, Hong Kong
Tel: + 852 2807 8288
Fax: + 852 2807 8299

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
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Branch Share Registrar in Hong Kong

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

ADR Depository

The Bank of New York Mellon
BNY Mellon Shareowner Services
P.O. Box 30170
College Station, TX77842-3170
USA

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2015

The board (the "Board") of directors (the "Directors") of e-Kong Group Limited (the "Company") herein presents the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2015, together with comparative figures for the corresponding period in 2014. The results are unaudited but have been reviewed by the Audit Committee and the external auditor of the Company.

	Notes	Six months ended 30 June	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Revenue	2	36,586	38,588
Cost of sales		(18,091)	(18,472)
Gross profit		18,495	20,116
Other revenue and income	3	1,142	688
		19,637	20,804
Selling and distribution expenses		(3,332)	(3,064)
Business promotion and marketing expenses		(1,960)	(2,309)
Operating and administrative expenses		(20,902)	(24,771)
Other operating expenses		(2,686)	(2,779)
Loss from operations		(9,243)	(12,119)
Finance costs	4	(133)	(482)
Share of results of joint ventures		—	(28,661)
Gain on disposal of subsidiaries classified as held for sale	16	44,808	—
Gain on disposal of property, plant and equipment		3,798	—
Loss on disposal of a subsidiary		(67)	—
Profit/(Loss) before taxation	4	39,163	(41,262)
Taxation (charges)/credit	5	(9)	51
Profit/(Loss) for the period		39,154	(41,211)
Profit/(Loss) for the period attributable to:			
Equity holders of the Company		40,385	(39,838)
Non-controlling interests		(1,231)	(1,373)
Profit/(Loss) for the period		39,154	(41,211)
		HK cents	HK cents
Earnings/(Loss) per share	7		
Basic and diluted		7.5	(7.7)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Profit/(Loss) for the period	39,154	(41,211)
Other comprehensive (loss)/income for the period		
<i>Item that may be subsequently reclassified to profit or loss:</i>		
Exchange differences on translation of foreign subsidiaries and joint ventures	(261)	170
Total comprehensive income/(loss) for the period	38,893	(41,041)
Total comprehensive income/(loss) for the period attributable to:		
Equity holders of the Company	40,124	(39,668)
Non-controlling interests	(1,231)	(1,373)
Total comprehensive income/(loss) for the period	38,893	(41,041)

Condensed Consolidated Statement of Financial Position

As at 30 June 2015

	Notes	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	8	3,884	6,466
Intangible assets	9	9,728	10,887
Deferred tax assets		45	45
		13,657	17,398
Current assets			
Trade and other receivables	10	12,501	14,401
Pledged bank deposits	11	1,484	1,504
Cash and bank balances		205,841	42,087
		219,826	57,992
Assets classified as held for sale		—	124,539
		219,826	182,531
Current liabilities			
Trade and other payables	12	17,650	43,436
Bank and other borrowings	13	463	9,635
		18,113	53,071
Liabilities associated with assets classified as held for sale		—	41,766
		18,113	94,837
Net current assets		201,713	87,694
Total assets less current liabilities		215,370	105,092
Non-current liabilities			
Deferred revenue		1,011	780
Deferred tax liabilities		345	351
		1,356	1,131
NET ASSETS		214,014	103,961
Capital and reserves			
Share capital	14	6,252	5,210
Reserves		216,645	106,403
Equity attributable to equity holders of the Company		222,897	111,613
Non-controlling interests		(8,883)	(7,652)
TOTAL EQUITY		214,014	103,961

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	Attributable to equity holders of the Company									
	Share capital	Share premium	Exchange reserve	Capital redemption reserve	Capital reserve	Contributed surplus	Accumulated profits / (losses)	Total	Non-controlling interests	Total equity
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
As at 1 January 2015	5,210	67,093	2,414	25	2,077	83,489	(48,695)	111,613	(7,652)	103,961
Profit for the period	—	—	—	—	—	—	40,385	40,385	(1,231)	39,154
Other comprehensive loss for the period										
<i>Item that may be subsequently reclassified to profit or loss:</i>										
Exchange differences on translation of foreign subsidiaries	—	—	(261)	—	—	—	—	(261)	—	(261)
Total comprehensive income for the period	—	—	(261)	—	—	—	40,385	40,124	(1,231)	38,893
Transactions with equity holders of the Company										
<i>Contributions and distributions:</i>										
Shares issued upon placing	1,042	68,900	—	—	—	—	—	69,942	—	69,942
<i>Change in ownership interest:</i>										
Disposal of subsidiaries classified as held for sale	—	—	1,218	—	—	—	—	1,218	—	1,218
Total transactions with equity holders of the Company	1,042	68,900	1,218	—	—	—	—	71,160	—	71,160
As at 30 June 2015	6,252	135,993	3,371	25	2,077	83,489	(8,310)	222,897	(8,883)	214,014
As at 1 January 2014	5,210	67,093	3,143	25	2,077	83,489	22,316	183,353	(5,003)	178,350
Loss for the period	—	—	—	—	—	—	(39,838)	(39,838)	(1,373)	(41,211)
Other comprehensive income for the period										
<i>Item that may be subsequently reclassified to profit or loss:</i>										
Exchange differences on translation of foreign subsidiaries and joint ventures	—	—	170	—	—	—	—	170	—	170
Total comprehensive loss for the period	—	—	170	—	—	—	(39,838)	(39,668)	(1,373)	(41,041)
As at 30 June 2014	5,210	67,093	3,313	25	2,077	83,489	(17,522)	143,685	(6,376)	137,309

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Net cash used in operating activities	(7,715)	(10,855)
INVESTING ACTIVITIES		
Disposal of a subsidiary	(18)	—
Disposal of subsidiaries classified as held for sale	103,405	—
Proceeds from disposal of property, plant and equipment	22	13
Purchase of property, plant and equipment	(945)	(587)
Net cash generated from/(used in) investing activities	102,464	(574)
FINANCING ACTIVITIES		
Proceeds from shares issued upon placing	69,942	—
Repayment of bank loans	(1,390)	(1,498)
Net cash generated from/(used in) financing activities	68,552	(1,498)
Net increase/(decrease) in cash and cash equivalents	163,301	(12,927)
Cash and cash equivalents as at 1 January	42,684	32,814
Exchange (loss)/gain on cash and cash equivalents	(144)	93
Cash and cash equivalents as at 30 June	205,841	19,980

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements are unaudited and have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The accounting policies and bases of preparation adopted in these interim financial statements are consistent with those adopted in the Company’s 2014 Annual Report.

The Group has not early-adopted the new and revised standards or interpretations issued by the HKICPA that are not yet effective for the current period. The Group is in the process of assessing the possible impact of the adoption of these new and revised standards or interpretations in the future.

2. REVENUE AND 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.

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.

2. REVENUE AND SEGMENTAL INFORMATION *(continued)*

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

(a) *By business segments*

	Six months ended 30 June							
	2015				2014			
	Telecom- munication services (Unaudited) <i>HK\$'000</i>	Other operation (Unaudited) <i>HK\$'000</i>	Eliminations (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>	Telecom- munication services (Unaudited) <i>HK\$'000</i>	Other operation (Unaudited) <i>HK\$'000</i>	Eliminations (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
Revenue								
External sales	35,844	742	—	36,586	37,929	659	—	38,588
Inter-segment sales	145	—	(145)	—	144	—	(144)	—
	35,989	742	(145)	36,586	38,073	659	(144)	38,588
Results								
Segment results	43,516	(2,161)	—	41,355	739	(2,752)	—	(2,013)
Finance costs	(133)	—	—	(133)	(482)	—	—	(482)
Share of results of joint ventures	—	—	—	—	(28,661)	—	—	(28,661)
	43,383	(2,161)	—	41,222	(28,404)	(2,752)	—	(31,156)
Other operating income and expenses				(2,059)				(10,106)
Profit/(Loss) before taxation				39,163				(41,262)

Inter-segment sales are charged at prevailing market prices.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015

2. REVENUE AND SEGMENTAL INFORMATION (continued)(a) *By business segments* (continued)

	As at 30 June 2015			As at 31 December 2014		
	Telecom- munication services (Unaudited) HK\$'000	Other operation (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000	Telecom- munication services (Audited) HK\$'000	Other operation (Audited) HK\$'000	Consolidated (Audited) HK\$'000
Assets						
Reportable segments	36,173	1,777	37,950	164,607	5,878	170,485
Unallocated assets			195,533			29,444
			233,483			199,929
Liabilities						
Reportable segments	(14,999)	(3,574)	(18,573)	(66,768)	(2,597)	(69,365)
Unallocated liabilities			(896)			(26,603)
			(19,469)			(95,968)

(b) *By geographical information*

The Group generates its revenue from the Asia Pacific region. Its property, plant and equipment and intangible assets are located in the Asia Pacific region, and its interests in joint ventures were located in North America, which were disposed of in January 2015.

3. OTHER REVENUE AND INCOME

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Interest income on bank deposits	28	139
Other	1,114	549
	1,142	688

4. PROFIT/(LOSS) BEFORE TAXATION

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

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Finance costs		
Interest on bank and other borrowings wholly repayable within five years:		
– Bank loans	(29)	(482)
– Other loan from a related company	(104)	—
	(133)	(482)
Other items		
Amortisation of intangible assets	(971)	(1,041)
Depreciation of property, plant and equipment	(1,250)	(1,195)

5. TAXATION (CHARGES)/CREDIT

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Current tax		
Overseas income taxes	(9)	(229)
Over-provisions on overseas income taxes in prior years	—	280
	(9)	51

Hong Kong Profits Tax has not been provided as the Group's assessable profits for the period were wholly absorbed by unrelieved tax losses brought forward from previous years.

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

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015

6. DIVIDEND

The Board does not recommend payment of a dividend for the six months ended 30 June 2015 (30 June 2014: Nil).

7. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2015 is based on the consolidated profit attributable to equity holders of the Company of HK\$40,385,000 (30 June 2014: loss of HK\$39,838,000) and on the weighted-average number of shares of 541,149,171 (30 June 2014: 521,000,000) shares in issue during the period.

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

8. ACQUISITIONS AND DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment at a cost of HK\$945,000 (Year ended 31 December 2014: HK\$2,323,000) and certain property, plant and equipment at a cost of HK\$5,700,000 (Year ended 31 December 2014: HK\$65,000) were disposed of.

9. INTANGIBLE ASSETS

	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Cost at the beginning of the period/year	19,432	20,218
Exchange adjustments	(271)	(786)
	19,161	19,432
Accumulated amortisation and impairment losses	(9,433)	(8,545)
	9,728	10,887

Intangible assets related to development costs and customer contracts in respect of domain name registration, web/data hosting and other services.

10. TRADE AND OTHER RECEIVABLES

	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Trade receivables	8,106	8,242
Other receivables		
Deposits, prepayments and other debtors	4,395	6,159
	12,501	14,401

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

	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Less than 1 month	5,028	5,232
1 to 3 months	2,097	1,870
More than 3 months but less than 12 months	981	1,140
	8,106	8,242

11. PLEDGED BANK DEPOSITS

As at 30 June 2015, the Group had pledged bank deposits amounting to HK\$1,484,000 (31 December 2014: HK\$1,504,000) for the purpose of issuing bank guarantees of HK\$1,484,000 (31 December 2014: HK\$1,504,000) to suppliers for operational requirements.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015

12. TRADE AND OTHER PAYABLES

	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Trade payables	2,006	2,313
Other payables		
Deferred revenue	3,602	3,382
Accrued charges and other creditors	12,042	11,741
Deposit from disposal of assets classified as held for sale	—	26,000
	17,650	43,436

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

	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Less than 1 month	1,456	1,576
1 to 3 months	77	346
More than 3 months but less than 12 months	473	391
	2,006	2,313

13. BANK AND OTHER BORROWINGS

The bank and other borrowings are repayable as follows:

	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Bank loans due, secured:		
Within one year	463	1,885
Other loan due, unsecured:		
Within one year	—	7,750
	463	9,635

The bank and other borrowings are denominated in the following currencies:

	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
United States dollars (a)	—	7,750
Singapore dollars (b)	463	1,885
	463	9,635
Reported as:		
Current liabilities	463	9,635

(a) An unsecured loan was granted by a company with a common director, Mr. Richard John Siemens, who resigned on 10 February 2015. The unsecured loan was for a term from July 2014 and expiring in November 2015, and bore interest at the rate of 3% per annum. The loan was derecognised through the disposal of the subsidiary, ZONE Resources Limited on 28 February 2015.

(b) The loan requires monthly principal and interest payments over three years. The loan bears interest at the 3-month Singapore Interbank Offered Rate plus 5% per annum and is secured by net assets of subsidiaries in Singapore. The loan is repayable in August 2015.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015

14. SHARE CAPITAL

	Number of shares		Amount	
	30 June 2015 (Unaudited)	31 December 2014 (Audited)	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Ordinary share of HK\$0.01 each				
Authorised:				
At beginning and at end of the period/year	12,000,000,000	12,000,000,000	120,000	120,000
Issued and fully paid:				
At beginning of the period/year	521,000,000	521,000,000	5,210	5,210
Shares issued upon placing (a)	104,200,000	—	1,042	—
At end of the period/year	625,200,000	521,000,000	6,252	5,210

(a) In May 2015, the Company allotted and issued an aggregate of 104,200,000 ordinary shares of HK\$0.01 each to not less than six independent investors at a placing price of HK\$0.69 per share under a general mandate granted by the shareholders at the annual general meeting of the Company.

15. RELATED PARTY TRANSACTIONS

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

Nature of transactions	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Interest expenses on loan from a related company	104	—
Management fee income from a joint venture	—	291

15. RELATED PARTY TRANSACTIONS *(continued)*

	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
Outstanding balance		
Due to a joint venture	—	2,109
Deposit from disposal of assets classified as held for sale from a related company	—	26,000
Loan from a related company	—	46,500
Interest payable on loan from a related company	—	598

The above related companies represent that the companies are with common directors.

16. DISPOSAL OF SUBSIDIARIES CLASSIFIED AS HELD FOR SALE

On 22 January 2015, the Group disposed of 100% of its equity interest in ZONE Global Limited together with its subsidiary (the "Disposal Group") to Distacom International Limited, a company controlled by Mr. Richard John Siemens, the director of the Company who resigned on 10 February 2015, for a cash consideration of HK\$130,000,000 (the "Disposal"). Details of the Disposal are set out as follows:

	HK\$'000
Interests in joint ventures	122,174
Trade and other receivables	1,768
Cash and bank balances	595
	<hr/>
Assets classified as held for sale	124,537
	<hr/>
Trade and other payables	(3,073)
Loan from a related company	(38,750)
	<hr/>
Liabilities associated with assets classified as held for sale	(41,823)
	<hr/>
Net asset value of the Disposal Group as at 22 January 2015	82,714
	<hr/>
Release of exchange loss in exchange reserve attributable to the Disposal Group	1,218
Expenses directly related to the Disposal	1,260
Gain on the Disposal	44,808
	<hr/>
Consideration, satisfied by cash	130,000

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015

17. EVENTS AFTER THE REPORTING PERIOD

- (i) On 20 July 2015, the Company entered into a non-legally binding term sheet with a third party to acquire the entire issued shares in Bright Ascent Limited (“Bright Ascent”) which is at present the owner of certain registered capital of Enraytek Optoelectronics Co., Ltd (“Enraytek”) and Bright Ascent will thereafter further inject capital to Enraytek such that Bright Ascent shall own no more than 45% of the equity interest of Enraytek, subject to due diligence and signing of a definitive agreement.

Bright Ascent is principally engaged in investment holding and Enraytek is a high-tech company engaged in LED and related supply chain design, development, and manufacturing.

Pursuant to the term sheet signed, the Company paid RMB12.5 million as a refundable deposit which will be refundable in full if a definitive agreement is not entered into on or before 31 December 2015.

- (ii) On 20 July 2015, the Company entered into a non-legally binding term sheet with third parties to acquire the respective entire issued shares in Allied Crown Investment Limited (“Allied Crown”) and the entire issued shares in Arbo International Limited (“Arbo International”, together with Allied Crown, the “Target Companies”). The Target Companies will thereafter inject capital to Konka Green Lighting Co., Ltd. (“Konka Lighting”) such that the Target Companies will, in aggregate, hold 42% of the equity interest of Konka Lighting, subject to due diligence and signing of definitive agreements.

The Target Companies are principally engaged in investment holding and Konka Lighting focuses on commercial lighting, industrial lighting and public lighting products.

Pursuant to the term sheet signed, the Company paid the refundable deposits in an aggregate amount of RMB12.5 million which will be refundable in full if definitive agreements are not entered into on or before 31 December 2015.

The legally binding definitive agreements in relation to the above-mentioned possible investments are yet to be finalised as at the date of these interim financial statements, and therefore it is not practicable to reliably estimate the financial effect of these possible investments.

Report on Review of Interim Financial Statements



MAZARS CPA LIMITED

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To the Audit Committee of

e-Kong Group Limited

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial statements set out on pages 3 to 18, which comprise the condensed consolidated statement of financial position of e-Kong Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 30 June 2015, and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial statements to be in compliance with the relevant provisions thereof and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these interim financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on these interim financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Report on Review of Interim Financial Statements (continued)



SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Mazars CPA Limited

Certified Public Accountants

Hong Kong, 28 August 2015

Weatherseed, Stephen Peter Stuart

Practising Certificate number: P05588

Business Review and Outlook

Overview

During the period under review, in line with its strategic direction to re-position itself to be more diversified and Asia-focussed, the Group completed the transaction to divest its interests in the jointly-controlled entity ANZ Communications LLC. in the United States, while at the same time it continued to invest in its operating companies in Hong Kong and Singapore and actively pursued other growth opportunities in the region, in particular Mainland China. The Group's revenue for the period under review decreased by 5.2% to HK\$36.6 million compared to HK\$38.6 million for the prior period. The overall gross margin of the Group (as a percentage of its revenue) during the period amounted to 50.6% compared to that of the prior period of 52.1%.

Operating Businesses

ZONE Asia, comprising the Group's telecom operations in Hong Kong and Singapore, recorded total revenue of HK\$35.9 million during the period under review, representing a 5.3% decrease as compared to HK\$37.9 million for the corresponding period in the prior year. Amidst the decline in revenue derived from the traditional voice business, ZONE Asia in both Hong Kong and Singapore continue to position themselves to capitalise on the new opportunities in the ever convergent telecoms and IT industries. ZONE Asia in Hong Kong has secured a number of project-based contracts which involve design, implementation and ongoing support of integrated enterprise-grade telecom systems and IT solutions. In Singapore, ZONE Asia's broadband connectivity business achieved encouraging customer sign-up rate and, through Cybersite, its wholly-owned subsidiary, made further progress in capitalising on the growth of the cloud industry in Singapore and in the rest of Asia. Utilising its fully commissioned state-of-the-art infrastructure as well as enhancing its service adaptability and cost efficiency, Cybersite is expected to record increased customer and revenue growth for the second half of the year.

During the same period, RMI, the Group's insurance intermediary and marketing operations, continued its efforts in rolling out its mass market distribution of insurance-related products, collaborating with retail partners which have been servicing a large number of customers, to tap into a potentially lucrative new income stream. While it made good progress in promoting its CARE programme in conjunction with its telecom operator partner in Hong Kong, and the roll-out in Canada is under steady progress, the initial launch of its retail-orientated insurance products in the third market was delayed mainly due to its retail partner being unable to deliver some of its commitments. However, with the continuing support of the leading companies in the insurance industry and its other retail partners in the region, RMI's management team is expected to launch its retail products in a new market during the second half of 2015.

Business Review and Outlook (continued)

Outlook

The Group has entered two non-legally binding term sheets to make possible investments in Enraytek Optoelectronics Co., Ltd and Konka Green Lighting Co., Ltd, which have been announced on 20 July 2015. Enraytek was founded in July 2010 in Shanghai Lingang industrial area in the People's Republic of China (the "PRC"), and is a high-tech company engaged in LED and related supply chain design, development, and manufacturing. The Shanghai Municipal Government pays close attention to the progress of the Shanghai Optoelectronic Industry Development Program (the "Program"). As a leading company undertaking the Program, Enraytek wins the full support from Shanghai Municipal Government. In July 2010, Enraytek built a national LED industrialisation demonstration base together with Shanghai Lingang Group in Lingang industrial area. Further, Enraytek was on the list of "Shanghai Major Construction Projects" in 2011 and 2012, respectively. Konka Lighting was established in July 2014 in the PRC, as a private limited company. Konka Lighting focuses on commercial lighting, industrial lighting and public lighting products. The product lines of Konka Lighting includes T8 tube, panel lights, downlights, tri proof luminaire, liner light, street lights, tunnel lights, high bay lights and other series, and are suitable for project based customers and wholesaler based customers. The self developed driver and control system are also strength products of Konka Lighting. Konka Lighting has obtained a number of top western world laboratories' certification, including TUV CE, Dekra CE, TUV mark, UL, DLC, SAA, CQC certification. Currently, Konka Lighting has carried out its business in the EU, North America, South America, Australia and other regions through its own brand, OEM and ODM businesses. Looking ahead to the next period, the Group will stay on its transformative course in pursuing and promoting new services and products that will generate higher margins and recurring revenue for its existing business as well as pursuing new investment opportunities which will benefit the Group.

Financial Review

Revenue and Results

The Group's revenue for the period amounted to HK\$36.6 million, representing a decrease of 5.2% from the corresponding period in the prior year.

The overall gross margin of the Group for the period was 50.6%, compared to 52.1% for the first half of 2014. The gross profit for the period decreased by 8.0% to HK\$18.5 million, compared to HK\$20.1 million for the previous corresponding period.

Total operating expenses of the Group for the period amounted to HK\$28.9 million or a decrease of 12.2% over the same period in the prior year.

The operating loss of the Group for the period amounted to HK\$9.2 million, compared to a loss of HK\$12.1 million for the previous corresponding period.

The Group completed the disposal of the entire shareholdings of ZONE Global Limited on 22 January 2015. A one-off gain of approximately HK\$44.8 million was recorded by the Group in regards to the transaction. This is to compare with a loss of HK\$28.7 million contributed by the Group's share of results of joint ventures for the first half of 2014.

The consolidated profit attributable to equity holders of the Company for the period amounted to HK\$40.4 million, compared to a loss of HK\$39.8 million for the prior period.

Interim Dividend

The Board does not recommend payment of a dividend for the six months ended 30 June 2015 (30 June 2014: Nil).

Capital Structure, Liquidity and Financing

As at 30 June 2015, the net assets of the Group amounted to HK\$214 million compared to HK\$104 million as at 31 December 2014. The increase is mainly contributed from the placement of shares under general mandate and disposal of subsidiaries classified as held for sale.

Capital expenditures for the period amounted to HK\$0.9 million mainly in respect of network and general office equipment enhancements in Singapore and Hong Kong.

As at 30 June 2015, the number of issued share capital has increased from 521,000,000 to 625,200,000. On 27 May 2015, an aggregate of 104,200,000 placing shares has been allotted and issued under general mandate and placed at HK\$0.69 per share by the Company. The net proceeds of the placement was HK\$69.94 million. As of 31 July 2015, approximately HK\$31.2 million (equivalent to RMB25 million) of the net placement proceeds had been used to pay for refundable deposits to the counter parties pursuant to two memoranda of understanding ("**MOUs**") both dated 20 July 2015, details of which are disclosed in the announcement of the Company dated 20 July 2015.

Cash and bank balances (excluding pledged bank deposits) amounted to HK\$205.8 million as at 30 June 2015 (31 December 2014: HK\$42.1 million). As at 30 June 2015, HK\$1.5 million (31 December 2014: HK\$1.5 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\$1.5 million (31 December 2014: HK\$1.5 million) were issued to suppliers for operations requirements. The cash and bank balances as of 31 July 2015 were HK\$168.5 million. The Company intends to use approximately HK\$80 million to HK\$100 million for the working capital of the Group and the remaining balances are intended to be used for acquisitions under the MOUs.

Financial Review (continued)

Capital Structure, Liquidity and Financing *(continued)*

As at 30 June 2015, total bank and other borrowings of the Group amounted to HK\$0.5 million (31 December 2014: HK\$9.6 million), of which HK\$0.5 million (31 December 2014: HK\$1.9 million) was bank borrowings. As at 30 June 2015, the bank borrowing of HK\$0.5 million (31 December 2014: HK\$1.9 million) was 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 subsidiaries in Singapore. The other borrowing of HK\$7.7 million as at 31 December 2014 is denominated in United States dollars and was made by a company controlled by the then Chairman of the Board for a term commencing from July 2014 and expiring in November 2015. Such loan is unsecured and bears interest at a fixed rate and was derecognised together with the disposal of ZONE Resources Limited, a wholly owned subsidiary of the Company, on 28 February 2015.

As at 30 June 2015, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets was 0.2% (31 December 2014: 9.3%).

Foreign Exchange Exposure

Since most of the Group's assets and liabilities are denominated in Hong Kong dollars, the Group considers there are no significant exposures to foreign exchange fluctuations. Moreover, a substantial portion of the Group's revenue and payments are denominated in Singapore dollars. The Group continues to closely monitor the Singapore-Hong Kong dollar exchange rates and will, whenever appropriate, take appropriate action to mitigate such exchange risks. In this regard, as at 30 June 2015, no related currency hedges had yet been undertaken by the Group.

Contingent Liabilities and Commitments

A joint venture was involved in certain legal actions and claims arising in the ordinary course of business, subject to which certain representations, warranties and indemnities were provided by a subsidiary of the Company. At the beginning of 2015, in respect of the outstanding legal action, the court dismissed all those claims against the joint venture and awarded the joint venture with damages under its counterclaim plus costs and reasonable attorney's fees. In any event, the contingent liabilities of the Group associated with those representations, warranties, and indemnities have been extinguished following the completion of the disposal of ZONE Global Limited, a wholly owned subsidiary of the Company, on 22 January 2015.

Save as disclosed above, as at 30 June 2015, there were no material contingent liabilities or commitments and the Directors are not aware of any other material changes from information disclosed in the Company's 2014 Annual Report.

Additional Information

Directors' Interests in Securities

As at 30 June 2015, 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are set out below.

Name of director	Capacity	Number of Shares* held	Approximate percentage of shareholding
Yeung Chun Wai Anthony	Held by controlled corporations	135,900,000 (Note 1)	21.74%
	Personal	20,000,000	3.2%

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

Note:

1. 135,900,000 Shares are beneficially owned by Quantum Group Limited, a company, which in turn, is controlled by Mr Yeung Chun Wai Anthony.

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 30 June 2015.

Save as disclosed above, as at 30 June 2015, 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 period 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 period.

Additional Information (continued)

Substantial Shareholders

As at 30 June 2015, 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
Quantum Group Limited	135,900,000	21.74%

* "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. Yeung Chun Wai Anthony (being held through Quantum Group Limited).

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

Save as disclosed above, as at 30 June 2015, 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.

Corporate Governance

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. Except for the deviation 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 six months ended 30 June 2015, acting in compliance with code provisions of the Corporate Governance Code and Corporate Governance Report ("Corporate Governance Code") as set out in Appendix 14 to the Listing Rules.

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

Corporate Governance *(continued)*

Prior to 10 February 2015, Mr. Richard John Siemens was the Chairman of the Board and also assumed the role of the chief executive of the Company. Mr. Richard John Siemens resigned as a Director of the Company on 10 February 2015 and, following his resignation, the role of the Chairman of the Board became vacant and Mr. Lim Shyang Guey was re-designated as the Managing Director to undertake the role of the chief executive of the Company. Mr. Yeung Chun Wai Anthony was appointed as the Chairman of the Board on 25 June 2015 to fill the casual vacancies caused by the resignation of Mr. Richard John Siemens. Following the resignation of Mr. Lim Shyang Guey as a Director on 13 July 2015, Mr. Yeung Chun Wai Anthony has been appointed as the chief executive officer of the Company since 13 July 2015.

The Board from time to time re-assesses the possible negative impact of the Company deviating from Code Provision A.2.1 of the Corporate Governance Code, and believes that vesting the roles of both chairman and chief executive in the same person enables corporate planning and directing execution of business plans and growth strategies to be more effective. In addition, the Board believes that the balance of power and authority is adequately ensured by an effective Board which is comprised of experienced and high calibre individuals with the half thereof being independent non-executive directors.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules, as its own securities code. All directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standards set out in the Model Code throughout the six months ended 30 June 2015.

Audit Committee

The Audit Committee of the Company has reviewed, with management and the external auditor of the Company, the accounting principles and practices adopted by the Group and the unaudited interim consolidated financial report of the Group for the six months ended 30 June 2015. The review conducted by the external auditor of the Company was in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

Purchase, Sale or Redemption of the Company’s Listed Securities

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

Additional Information (continued)

Employee Remuneration Policies

As at 30 June 2015, the Group had 87 (31 December 2014: 84) employees in China, Hong Kong and Singapore and its total staff costs for the six months ended 30 June 2015 were HK\$17.3 million (30 June 2014: HK\$18.7 million).

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

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 Certificate for seven consecutive years.

Appreciation

After 30 June 2015 to the release of this interim report, three directors have resigned. Mr. Lim Shyang Guey and Mr. Lau Wai Ming Raymond, each resigned as an Executive Director of the Company, respectively, on 13 July 2015, but each of them remains as a director and senior executive of certain subsidiaries of the Company so as to focus on the management of the operations of those subsidiaries; Mr. Chi Chi Hung, Kenneth resigned as an Executive Director of the Company on 31 July 2015 to devote more of his time to develop his personal businesses and interests. The Board would like to express its gratitude to Mr. Lim Shyang Guey, Mr. Lau Wai Ming Raymond and Mr. Chi Chi Hung, Kenneth for their valuable contributions to the Company. The Board would like to thank all our customers, shareholders, business associates and professional advisers for their continuous support and extends its appreciation to all fellow directors and employees for their invaluable efforts and hard work, dedication and commitment to the Group during the period.

By Order of the Board

Yeung Chun Wai Anthony

Chairman

28 August 2015