

# e-KONG Group Limited

Stock Code: 524



ANNUAL REPORT  
**2015**



We are together

e-K**港**NG

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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

Yeung Chun Sing Standly

#### Independent Non-executive Directors

Chan Chiu Hung Alex

Fung Chan Man Alex

Chan Fong Kong Francis

### Company Secretary

Liu Xiaoting

### Auditor

Mazars CPA Limited  
*Certified Public Accountants*

### Legal Advisers

Michael Li & Co.  
Conyers Dill & Pearman

### Principal Bankers

The Hongkong and Shanghai Banking  
Corporation Limited

Bank of China (Hong Kong) Limited

Bank of Communications Co., Ltd. Hong Kong Branch

The Bank of East Asia, Limited

### Registered Office

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

### Principal Place of Business

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

### Stock Codes

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

### Website

[www.e-kong.com](http://www.e-kong.com)

### Principal Share Registrar

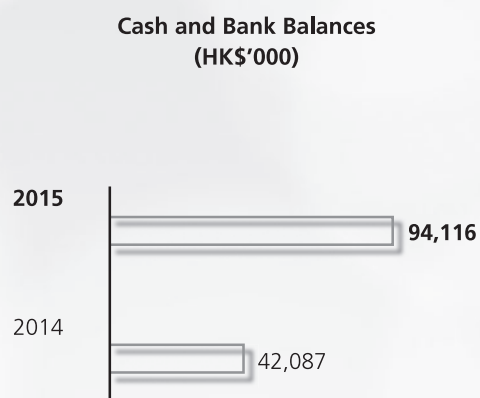
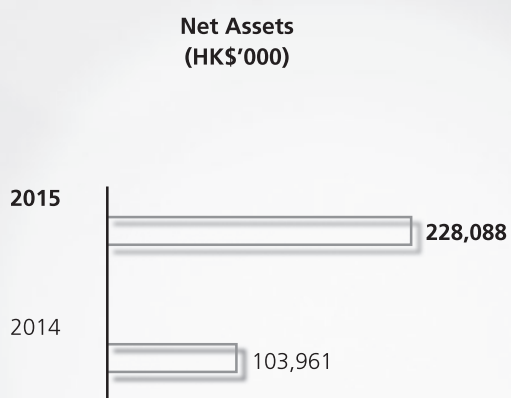
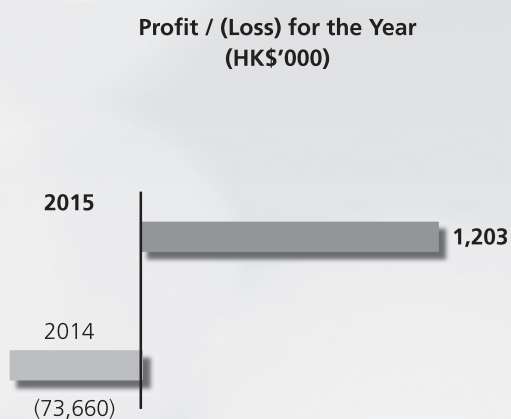
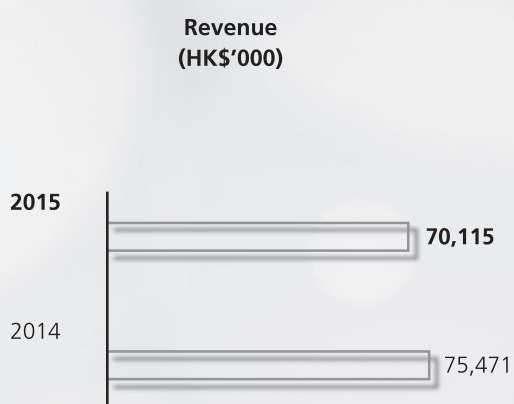
MUFG Fund Services (Bermuda) Limited  
The Belvedere Building  
69 Pitts Bay Road  
Pembroke HM08  
Bermuda

### Branch Share Registrar in Hong Kong

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

# Financial Highlights

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue	70,115	75,471
Profit / (Loss) for the Year	1,203	(73,660)
Net Assets	228,088	103,961
Cash and Bank Balances	94,116	42,087



*e-Kong Group currently has a portfolio of business interests in the telecommunications and information technology sectors in 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).*

## Chairman's Statement

On behalf of the Board of Directors of e-Kong Group Limited, I am pleased to present the Group's annual report for the year ended 31 December 2015.

During the year under review, operationally, on 22 January 2015 the Group completed the disposal of the entire shareholding of ZONE Global Limited with a one-off gain amounting to HK\$44.8 million. For the existing business, despite increasing competition from other broadband connectivity service providers, the enterprise customer base continues to grow in ZONE Singapore through various innovative marketing campaigns and product bundling strategies. Cybersite, a member of the ZONE Singapore operations, made further progress in expanding its cloud services in Singapore and its neighbouring regions. RMI continues to work with the market leaders and other prominent network partners in the insurance industry to market and distribute insurance-related products to the consumer public.

Meanwhile, the Group has also been actively pursuing other investment opportunities in the region, in particularly in Greater China. On 20 July 2015, the Company entered into a term sheet to make investment in Enraytek Optoelectronics Co., Ltd. As no further definitive agreement was entered into by 31 December 2015, the term sheet lapsed accordingly. On 11 November 2015, China Portal Limited, a subsidiary of the Company, entered into two conditional sale and purchase agreements in regards to the investment of Konka Green Lighting Co., Ltd. As certain conditions in relation to the sale and purchase agreements had not been satisfied or waived by 31 January 2016, the two sale and purchase agreements lapsed on 31 January 2016.

According to various research and studies, the favorable regulatory policy environment in China, including highly supportive purchase subsidies for customers, investments of charging infrastructure as well as public and private cooperation have all contributed to the rapid market growth of electric cars. On 15 February 2016, the Company and Thunder Power Hong Kong Limited ("TPHK") entered into a legally binding term sheet (the "Term Sheet") in relation to a proposed investment by the Company and / or its designee(s) (collectively, the "Investor") in TPHK, subject to reorganisation, its holding company or subsidiary (collectively the "Target Group"). Pursuant to the Term Sheet, the Investor would invest up to USD101 million in the Target Group in three tranches. On 19 February 2016, the Group has completed the First Tranche Investment with a subscription for new ordinary shares of TPHK for USD1 million and is now interested in 0.20% of the enlarged issued shares of TPHK. Details of the potential Second and Third Tranches Investments are set out in the Company's announcement dated 15 February 2016.

Looking ahead to the year 2016, for the existing business, the Group continues its strategic operation in Hong Kong and Singapore. In light of the potential slow down in China's economy and volatility of the overall market condition, the Group is also fully aware of the importance of proactively optimizing its business model as well as planning ahead. The completion of the First Tranche Investment in TPHK has been an important step for the Group to expand its business portfolio and embrace new opportunities. The Group intends to increase investments in the fast-growing technology and e-commerce related sectors, in particular those in the Greater China region. The Board is optimistic that the Group will deliver business diversification, enhance shareholder value and contribute the sustainable growth.

On behalf of the Board, I would like to express our appreciation to all the fellow directors, employees and business partners for their great support, hard work, dedication and commitment to the Group. I would also like to welcome Mr. Wong Xiang Hong and Mr. Yeung Chun Sing Standly to the Board.

**Yeung Chun Wai Anthony**

*Chairman*

30 March 2016

# Business Review

## Overview

The Group's turnover for the year under review decreased by 7.1% to HK\$70.1 million compared to HK\$75.5 million for the prior year. ZONE Asia, comprising the Group's telecom operations in Singapore and Hong Kong, remained the major revenue contributor in 2015. The overall gross margin of the Group (as a percentage of its revenue) decreased slightly to 51.4% compared to 52.4% for the prior year. Profit attributable to equity holders of the Company of HK\$3.9 million was recorded for the year as compared with a loss of HK\$71.0 million in the previous year, mainly due to a one-off gain amounting to HK\$44.8 million in regards to the disposal of the entire shareholding of ZONE Global Limited, compared with a loss of HK\$48.2 million contributed by the Group's share of results of joint ventures for the prior year. The Group's net asset increased from HK\$104.0 million as at 31 December 2014 to HK\$228.1 million as at 31 December 2015.

## ZONE Telecom, Asia

In 2015, ZONE Asia recorded total turnover of HK\$68.5 million, representing a decrease of 7.4% as compared to HK\$74.0 million for the prior year. The revenue derived from the traditional voice business segment continues to further decline both in Hong Kong and Singapore. In Hong Kong, ZONE remained focussed in expanding the project-based segment of its business which involves design, implementation and ongoing support of integrated enterprise-grade telecom systems and IT solutions. Despite increasing competition from other broadband connectivity service providers, ZONE continues to grow its enterprise customer base in Singapore through various unconventional marketing campaigns and product bundling strategies. In addition, Cybersite, a member of the ZONE Singapore operations, made further progress in expanding its cloud services in Singapore and around the neighbouring regions.

## RMI, Hong Kong

In 2015 RMI, the Group's insurance marketing and distribution operations in conjunction with leading players in the insurance industry as well as prominent network partners in the region, continued its activities to market and distribute insurance-related products to the consumer public. While its management focussed its efforts on executing its mass market distribution strategy, particularly in Hong Kong, RMI has also advanced its business development initiatives in other countries in the Asian region. As progress made is at different stages of development, RMI is expected to continue to require ongoing investment for at least the remainder of 2016 before positive operating results can be realised.

## Other Business Development

On 20 July 2015, the Company entered into a term sheet to make investment in Enraytek Optoelectronics Co., Ltd ("Enraytek"). As at 31 December 2015, the Group paid RMB12,500,000 (equivalent to HK\$15,625,000) as a refundable deposit.

As no further definitive agreement was entered into by 31 December 2015, the term sheet lapsed accordingly. The deposit was refunded to the Company on 3 February 2016.

On 11 November 2015, China Portal Limited ("China Portal"), a subsidiary of the Company, entered into two conditional sale and purchase agreements in regards to the investment of Konka Green Lighting Co., Ltd. ("Konka"). As at 31 December 2015, the Group paid RMB12,500,000 (equivalent to HK\$15,625,000) as a refundable deposit.

As certain conditions in relation to the sale and purchase agreements had not been satisfied or waived by 31 January 2016, the two sale and purchase agreements lapsed on 31 January 2016. The deposits were refunded to China Portal on 5 February 2016.

## Business Review (continued)

### Outlook

On 19 February 2016, the Group completed the First Tranche Investment with a subscription for new ordinary share capital of Thunder Power Hong Kong Limited (“TPHK”) for USD1 million and is now interested in 0.20% of the enlarged issued shares of TPHK. Pursuant to the Term Sheet, the Company and/or its designee(s) will have an option to invest for USD50 million to USD55 million in the Second Tranche Investment and will also have an option to invest for USD45 million in the Third Tranche Investment. For details, please refer to the announcement dated 15 February 2016. The Company intends to settle the consideration for the remaining tranche investments in cash using the internal resources and/or financing of the Group.

The Company and/or its designee(s) may or may not proceed with the Second and the Third Tranche Investments.

Looking ahead to the year 2016, the Group will continue to strengthen its existing telecommunication operations through ZONE Asia and related companies and its insurance distribution business through RMI and related companies. In addition, the Group will pursue other investment opportunities, in particular, in the technology and e-commerce related business in Greater China, where it is widely recognised that there is a significant and growing demand. The Board believes this will deliver business diversification, enhance shareholder value and contribute sustainable growth.

# Financial Review

## Turnover and Results

The Group turnover for the year amounted to HK\$70.1 million, representing a decrease of 7.1% compared to the prior year, mainly due to the reduction in revenue from ZONE Hong Kong operations.

The overall gross margin of the Group was 51.4%, compared to 52.4% for the prior year. The gross profit for the year decreased by 8.9% to HK\$36.0 million, compared to HK\$39.5 million for the previous year.

Total operating expenses of the Group amounted to HK\$72.6 million, compared to HK\$65.4 million in the previous year.

The Group's share of results of joint ventures reported a result of HK\$Nil compared to a loss of HK\$48.2 million for the prior year. The material increase in net loss in the prior year was primarily a result of a decrease in revenue and margin contributions from ANZ's traditional voice business and increased sales, marketing and personnel costs relating to the roll-out of its new hosted solution services.

The operating loss of the Group amounted to HK\$35.4 million, as compared to a loss of HK\$24.3 million for the previous year.

The consolidated profit attributable to the equity holders of the Company amounts to HK\$3.9 million, compared to a loss of HK\$71.0 million for the previous year.

## Disposal of ZONE Global Limited

In November 2014, an agreement to dispose of the entire shareholdings of ZONE Global Limited for a consideration of HK\$130 million was entered into with a company controlled by the chairman (the "Chairman") of the Company. Details of this transaction have been set out in the Company's circular dated 28 November 2014. The transaction was approved on 16 December 2014 at a special general meeting of shareholders of the Company and was completed on 22 January 2015. A one-off gain amounting to HK\$44.8 million arising from the transaction was recorded for the financial year ended 31 December 2015.

## Capital Structure, Liquidity and Financing

As at 31 December 2015, the net assets of the Group amounted to HK\$228.1 million compared to HK\$104.0 million as at 31 December 2014, equivalent to a net asset value per share of HK\$0.313 as at 31 December 2015 (2014: HK\$0.200).

Capital expenditures for the year amounted to HK\$10.8 million mainly in respect of network and general office equipment enhancements in Singapore and Hong Kong.



## Financial Review (continued)

As at 31 December 2015, the number of issued shares has increased from 521,000,000 to 729,400,000. All shares issued during the year rank pari passu with the existing shares in all respects. On 27 May 2015, the Company allotted and issued an aggregate of 104,200,000 ordinary shares of HK\$0.01 each for cash to six independent investors at a placing price of HK\$0.69 per share under the general mandate granted by the shareholders at the annual general meeting of the Company held on 15 May 2014. The net proceeds were approximately HK\$69.94 million. On 9 October 2015, the Company allotted and issued an aggregate of 104,200,000 ordinary shares of HK\$0.01 each for cash to six independent investors at a placing price of HK\$0.52 per share under the general mandate granted by the shareholders at the annual general meeting of the Company held on 20 May 2015. The net proceeds were approximately HK\$52.68 million.

Both proceeds were intended to be used to finance the possible investments in regards to Enraytek under the term sheet dated 20 July 2015 and the acquisition of the entire issued share capital in Allied Crown Investment Limited ("Allied Crown") and Arbo International Limited ("Arbo") which would thereafter inject capital to Konka pursuant to the sale and purchase agreements dated 11 November 2015. As no further definitive agreement was entered into by 31 December 2015, the term sheet lapsed accordingly and the deposit in regards to the investment to Enraytek was refunded on 3 February 2016. As certain conditions in relation to the sale and purchase agreements had not been satisfied or waived by 31 January 2016, the sale and purchase agreements lapsed on 31 January 2016 and the deposits in regards to the investments in Allied Crown and Arbo were refunded on 5 February 2016.

After the lapse of the above possible investments in Enraytek and Konka, both of the net proceeds are now intended to finance part of a proposed investment of up to USD100 million in TPHK, a company which is principally engaged in the development of battery-powered electric vehicles, pursuant to the term sheet signed on 15 February 2016. On 19 February 2016, USD1 million had been paid for the 0.20% of the enlarged issued shares of TPHK.

Cash and bank balances together with cash held by a security broker (excluding pledged bank deposits) amounted to HK\$120.9 million as at 31 December 2015 (2014: HK\$42.1 million). On the same date, total pledged bank deposits amounted to HK\$1.4 million (2014: HK\$1.5 million). The bank guarantees of HK\$1.4 million (2014: HK\$1.5 million) were issued to suppliers for operation requirements.

As at 31 December 2015, the Group had no bank or other borrowings. As at 31 December 2014, total bank and other borrowings of the Group amounted to HK\$9.6 million, of which HK\$1.9 million was bank borrowing and the remaining balance of HK\$7.7 million represented other borrowing described further below. As at 31 December 2014, the bank borrowing of HK\$1.9 million was denominated in Singapore dollars. The loan and interest, at a floating rate, was repayable monthly in Singapore dollars over a period of three years. This loan, which was utilised for the acquisition of assets during 2012, was secured by the net assets of subsidiaries in Singapore. The bank borrowing was repaid in August 2015. The other borrowing of HK\$7.7 million was denominated in United States dollars and was made by a company controlled by the then Chairman for a term commencing from July 2014 and expired in November 2015. This loan was unsecured and bore interest at a fixed rate. The other borrowing was derecognised through the disposal of the subsidiary, ZONE Resources Limited, on 28 February 2015.

As at 31 December 2015, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets was 0% (2014: 9.3%). The decrease in the gearing ratio is due to the full release of bank and other borrowings during the year.

## Significant Investments Held and Performance

As at 31 December 2015, the Group had held for trading investments in securities in Hong Kong (collectively, the "Investments") with a market value of HK\$51.1 million, representing an investment portfolio of seven listed equities in Hong Kong. The Group recorded an unrealised fair value losses and a realised loss on disposal of HK\$6.86 million and HK\$5.25 million in respect of investment in listed securities held for trading as at 31 December 2015. The significant loss is caused by the extraordinary upheaval in the PRC stock market and the pressure from the economic slowdown in the PRC itself and the global economy. The details of the Investments as at 31 December 2015 are as follows:

Company name	Stock code	Number of shares held	% of shareholdings in equity investment	Realised loss for the year HK\$'000	Unrealised gain (loss) on fair value change for the year HK\$'000	Cost of acquisition HK\$'000	Fair value as at 31 December 2015 HK\$'000	% of net assets	Principal activities
1 Modern Land (China) Co., Ltd.	01107	1,000,000	0.05%	—	421	1,779	2,200	0.96%	Property development, property investments, REIT and other investments.
2 REX Global Entertainment Holdings Ltd.	00164	24,650,000	0.33%	—	(915)	7,201	6,286	2.76%	Entertainment and cruise ship business, property business, gamma ray irradiation services, resources business and securities trading and investment.
3 Sincere Watch (Hong Kong) Ltd.	00444	30,450,000	0.73%	—	(2,944)	27,913	24,969	10.95%	Distribution of branded luxury watches, timepieces and accessories in Hong Kong, Macau, Taiwan and the PRC.
4 King Stone Energy Group Ltd.	00663	545,000	0.01%	—	(24)	138	114	0.05%	Mining and selling of coal and silver, oil and gas extraction and production, oil extraction technology research and development and provision of finance leasing.
5 Noble Century Investment Holdings Ltd.	02322	1,864,000	0.38%	—	1,795	4,971	6,766	2.97%	Vessel chartering businesses.
6 BEP International Holdings Ltd.	02326	4,400,000	0.02%	—	(5,059)	7,919	2,860	1.25%	Sale of home electrical appliances, electronic products and related plastic injection components, distribution and sale of electronic consumer products and sourcing and sale of computer and related products.

## Financial Review (continued)

Company name	Stock code	Number of shares held	% of shareholdings in equity investment	Realised loss for the year HK\$'000	Unrealised gain (loss) on fair value change for the year HK\$'000	Cost of acquisition HK\$'000	Fair value as at 31 December 2015 HK\$'000	% of net assets	Principal activities
7 Tech Pro Technology Development Ltd.	03823	4,440,000	0.07%	(986)	(133)	7,992	7,859	3.45%	Manufacture and sale of LED lighting products and accessories, energy efficiency projects and provision of property sub-leasing and management services.
Other equity disposed during the year									
Kate China Holdings Ltd.	08125			(3,053)					
Viva China Holdings Ltd	08032			(331)					
Kingston Financial Group Ltd.	01031			(173)					
Other fee and commission expenses				(702)					
				(4,259)					
				(5,245)	(6,859)	57,913	51,054		

During the year, there were no dividend received from the securities held.

In the second half of 2015, the Hang Seng Index dropped significantly from 26,282.32 points on 2 July 2015 to 21,914.40 points as at 31 December 2015 for a number of reasons, including the extraordinary upheaval in the PRC stock market and the pressure from the economic slowdown in the PRC itself and the global economy. Therefore, the Group recorded an unrealised fair value losses of HK\$6.86 million in respect of investment in listed securities held for trading as at 31 December 2015.

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

## Foreign Exchange Exposure

Since most of the Group's assets and liabilities are denominated in Hong Kong dollars, the Group considers there are no significant exposures to foreign exchange fluctuations as long as the Hong Kong-United States dollar exchange rate remains pegged. Moreover, certain revenue and payments of the Group 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 31 December 2015, no related currency hedges had been undertaken by the Group.

## Contingent Liabilities and Commitments

As at 31 December 2015, there were no material contingent liabilities or commitments.

# Board of Directors and Company Secretary

## Board of Directors

**Yeung Chun Wai Anthony**, 40, the Chairman and Chief Executive Officer, was appointed in June and July 2015 respectively. Mr. Yeung is the Managing Partner and Chief Executive Officer of Nova Investment Group Limited. In addition, Mr. Yeung has controlling interests in a substantial shareholder of the Company, Nova Investment Group Limited, which holds approximately 24.62% interests in the issued share capital of the Company within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”), Chapter 571 of the Laws of Hong Kong. Mr. Yeung is an executive Director of REX Global Entertainment Holdings Limited (Stock code: 164). Mr. Yeung was the Chairman, the Chief Executive Officer and an executive Director of China Minsheng Drawin Technology Group Limited (formerly known as South East Group Limited) (Stock code: 726), a Vice Chairman and executive Director of Leyou Technologies Holdings Limited (Stock code: 1089). Prior to that, Mr. Yeung had served as Managing Director and senior executive of J.P. Morgan, Bank of America Merrill Lynch and UBS AG, mainly responsible for initiation and execution of financial products, debt & risk management, asset management and securities sales, and other related transactions in the Greater China region. Before that, he had been working with China COSCO Holdings Company Limited (Stock code: 1919) as a member of senior management as well as Deputy Chief Financial Officer and Company Secretary. Mr. Yeung was previously an independent non-executive Director of Global Energy Resources International Group Limited (Stock code: 8192). He has proven track records and extensive experience in corporate restructuring and rescuing, consulting, corporate finance and business negotiation with well-versed business and people network in the region. Mr. Yeung graduated from The University of Hong Kong with a Bachelor Degree in Business Administration (Accounting and Finance). He is a fellow member of Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and a fellow member of The Hong Kong Institute of Directors. Mr. Yeung is highly dedicated to community services, meanwhile he has been serving as Honorary Court Member of Hong Kong Baptist University, Member of the Admissions, Budgets and Allocation Committee of The Community Chest of Hong Kong, Founding Board Member and Honorary Treasurer of the Child Development Matching Fund and Quality Mentorship Network Limited, Director of Opera Hong Kong, Council Member of The Hong Kong Institute of Directors and so on.

**Chan Chi Yuen**, 49, Executive Director, was appointed in June 2015. He obtained a Bachelor Degree with honours in Business Administration and a Master of Science degree with distinction in Corporate Governance and Directorship from Hong Kong Baptist University. Mr. Chan is a fellow member of Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants, and an associate of The Institute of Chartered Accountants in England and Wales. Mr. Chan is a practising certified public accountant and has extensive experience in financial management, corporate development, corporate finance and corporate governance. Mr. Chan is currently an executive Director and the Chief Executive Officer of Noble Century Investment Holdings Limited (Stock code: 2322). Also, he is an executive Director and the Chairman of Kate China Holdings Limited (Stock code: 8125), an independent non-executive Director of Asia Energy Logistics Group Limited (Stock code: 351), REX Global Entertainment Holdings Limited (formerly known as China Gamma Group Limited) (Stock code: 164), Jun Yang Financial Holdings Limited (formerly known as Jun Yang Solar Power Investments Limited) (Stock code: 397), Media Asia Group Holdings Limited (Stock code: 8075), New Times Energy Corporation Limited (Stock code: 166), U-RIGHT International Holdings Limited (Stock code: 627) and Leyou Technologies Holdings Limited (Stock code: 1089). Mr. Chan was an executive Director of China Minsheng Drawin Technology Group Limited (formerly known as South East Group Limited) (Stock code: 726) from December 2013 to July 2015 and Co-Prosperity Holdings Limited (Stock code: 707) from December 2014 to October 2015, an executive Director and the Chairman of Kong Sun Holdings Limited (Stock code: 295) from December 2011 to September 2013, and an independent non-executive Director of China Sandi Holdings Limited (Stock code: 910) from September 2009 to July 2014. The issued shares of all the aforesaid companies are listed and traded on the Stock Exchange of Hong Kong Limited.

## Board of Directors and Company Secretary (continued)

**Wong Xiang Hong**, 45, Executive Director, was appointed in July 2015. He is currently a partner of China Economic International Asset Management Co., Ltd, responsible for its investment banking and private equity business. Before joining China Economic International Asset Management Co., Ltd, Mr. Wong worked in J.P. Morgan as a Managing Director and Head of China Corporate Sales Team in the Credit & Rates Department. During his stay in J.P. Morgan, Mr. Wong was responsible to build and manage the sales teams for the origination, advisory and execution of structured financing, risk management, balance sheet management solutions for Greater China corporate clients. In the past ten years, Mr. Wong has successfully executed various innovative risk management and structured financing transactions for corporates in Hong Kong and Mainland China. Mr. Wong has also worked in the Asia Debt Capital Markets Team where he participated in many landmark capital markets transactions raising over USD10 Billions for clients in Asia including People's Republic of China, Parkson Retail, Hutchison Whampoa, Hongkong Land, Chinatrust Commercial Bank, Cathay United Banks, Wing Hang Bank and Bank of East Asia, Republic of Malaysia and Republic of the Philippines. Mr. Wong has also worked in the Financial Advisory Unit in Hong Kong advising clients in the telecom and power industry on debt restructuring during the Asian financial crisis. Prior to relocating to Hong Kong in 1999, he had been working with Global Mergers & Acquisitions and Global Syndicated Finance Group with J.P. Morgan in New York. He has worked on a number of U.S. domestic landmark merger and acquisition transactions in the power and utility sector totaling USD5 Billions and leveraged financing transaction in various industries. Mr. Wong joined J.P. Morgan in 1998 after graduating with an MBA degree with Dean's Honor from the University of Texas at Austin.

**Yeung Chun Sing Standly**, 36, Executive Director, was appointed in January 2016. He obtained a Postgraduate Diploma of Professional Accountancy in Lingnan University and a Bachelor Degree of Accounting & Banking in Chu Hai University. He is a student member of The Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Directors. Mr. Yeung has extensive experience in financial management and corporate finance. Mr. Yeung joined the Group in August 2015 and he is currently the head of the Finance department in the Group. Prior to joining the Group, he was the Financial Controller of Leyou Technologies Holdings Limited from June 2014 to July 2015 (Stock code: 1089), the issued shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

**Chan Chiu Hung Alex**, 49, Independent Non-executive Director, was appointed in February 2015. He is an associate member of Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales, and a fellow member of The Association of Chartered Certified Accountants, The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators, having served in senior financial and company secretarial positions in a number of public companies listed in Hong Kong and Singapore for 18 years. Mr. Chan holds a Bachelor of Business Administration Degree (major in finance) from Hong Kong Baptist University and professional diplomas in Hong Kong tax and China tax from Hong Kong Institute of Certified Public Accountants. Mr. Chan is currently an independent non-executive Director of Cinderella Media Group Limited (Stock code: 550), Feishang Non-metal Materials Technology Limited (Stock code: 8331) and Kate China Holdings Limited (Stock code: 8125). Mr Chan was appointed as independent non-executive Director of Co-Prosperity Holdings Limited (Stock code: 707) from March to October 2015.

**Fung Chan Man Alex**, 53, Independent Non-executive Director, was appointed in February 2015. He obtained a BSc (Hons) degree in Electrical Engineering from University of Bath (UK) in 1986 and subsequently an MBA degree from Heriot-Watt University (UK). Mr. Fung has over 15 years working experience in financial market and corporate finance activities in both Hong Kong and China. He is also an independent non-executive Director of Luxey International (Holdings) Limited (Stock code: 8041).

**Chan Fong Kong Francis**, 40, Independent Non-executive Director, was appointed in June 2015. He has over 14 years of experience in capital investment, assurance and the consultancy services industry. Mr. Chan obtained a Bachelor's Degree in Commerce, majoring in Accounting and Finance from Deakin University (Melbourne, Australia). Mr. Chan attained Certified Practising Accountant status with CPA Australia. Mr. Chan is currently a director of New Territories General Chamber of Commerce and an independent non-executive Director of China Best Group Holding Limited (Stock code: 370). Mr. Chan was an independent non-executive Director of Leyou Technologies Holdings Limited (Stock code: 1089) from 1 January 2015 to 24 July 2015.

## **Company Secretary**

**Ms. Liu Xiaoting**, 31, Company Secretary, was appointed in July 2015. She is currently employed as the Financial Controller of the Company. Before joining the Company, Ms. Liu was working in PricewaterhouseCoopers Hong Kong as an external auditor for about four and half years. Ms. Liu is a Certified Practising Accountant (Australia). Ms. Liu graduated with a Master of Financial analysis from University of New South Wales in 2010.

# Corporate Governance Report

## Introduction

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

The board 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 of Hong Kong Limited (the "Listing Rules") as well as all code provisions and certain recommended best practices in the Corporate Governance Code and Corporate Governance Report ("Corporate Governance Code") as set out in Appendix 14 to the Listing Rules. The Board reviews these written corporate policies regularly and is committed to continuously improving the Company's practices and ensuring an ethical corporate culture is maintained.

## Board of Directors

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

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

Yeung Chun Wai Anthony <sup>Note 1</sup>

Chan Chi Yuen <sup>Note 2</sup>

Wong Xiang Hong <sup>Note 3</sup>

Yeung Chun Sing Standly <sup>Note 4</sup>

Chan Chiu Hung Alex <sup>Note 5</sup>

Fung Chan Man Alex <sup>Note 5</sup>

Chan Fong Kong Francis <sup>Note 2</sup>

Richard John Siemens <sup>Note 6</sup>

Lim Shyang Guey <sup>Note 7</sup>

Lau Wai Ming Raymond <sup>Note 7</sup>

Chi Chi Hung Kenneth <sup>Note 8</sup>

Thaddeus Thomas Beczak <sup>Note 9</sup>

Gerald Clive Dobby <sup>Note 10</sup>

John William Crawford J.P. <sup>Note 11</sup>

*Note 1 Appointed on 25 June 2015*

*Note 2 Appointed on 8 June 2015*

*Note 3 Appointed on 13 July 2015*

*Note 4 Appointed on 11 January 2016*

*Note 5 Appointed on 25 February 2015*

*Note 6 Resigned on 10 February 2015*

*Note 7 Resigned on 13 July 2015*

*Note 8 Resigned on 31 July 2015*

*Note 9 Resigned on 25 February 2015*

*Note 10 Retired on 20 May 2015*

*Note 11 Resigned on 8 June 2015*

Except for the deviations described below, no Director is aware of any information which would reasonably indicate that the Company is not, or was not at any time during the year ended 31 December 2015, acting in compliance with code provisions of the Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") as set out in Appendix 14 to the Listing Rules.

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

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 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 ("Mr. Yeung") 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 appointed as the chief executive officer of the Company from 13 July 2015.

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

- ensuring, with the assistance of the management of the Group, that the Directors receive adequate, accurate, clear, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings;
- providing leadership for the Board;
- ensuring that the Board works effectively, performs its responsibilities, discusses all key and appropriate issues in a timely manner, with good corporate governance practices and procedures;
- drawing up, approving and considering whether to include the matters proposed by other Directors into the agenda for each Board meeting. This responsibility have been delegated to the Company Secretary and a designated Director;
- encouraging all Directors to fully and actively contribute to the Board's affairs and express different views and discuss issues in sufficient depth before reaching any consensus in Board's decisions;
- facilitating the effective contribution of Directors, in particular, non-executive Directors, and promote the constructive relations between executive and non-executive Directors; and
- ensuring the effective communication between the Board and Shareholders as a whole through different channels, including (i) printed or electronic copies (as elected by Shareholders) of corporate communications required by the Listing Rules; (ii) the annual general meeting which provides a forum for Shareholders to raise comments and exchange views with the Board; (iii) the Company's website which allows Shareholders to acquire the updated and key information on the Group and to provide feedback for the Company; and (iv) handling of enquiries from Shareholders and investors generally.



## Corporate Governance Report (continued)

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 the chairman and the 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 three thereof being independent non-executive Directors (“INEDs”).

## Induction and Continuous Professional Development of Directors

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

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

According to the records maintained by the Company, the training record of each Director as at 31 December 2015 is set out below.

<b>Name of Director</b>	<b>Attending Seminar or Briefings / Perusal of Materials in relation to Business or Directors’ Duties</b>
Yeung Chun Wai Anthony	Yes
Chan Chi Yuen	Yes
Wong Xiang Hong	Yes
Yeung Chun Sing Standly ( <i>appointed on 11 January 2016</i> )	N / A
Chan Chiu Hung Alex	Yes
Fung Chan Man Alex	Yes
Chan Fong Kong Francis	Yes

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

## Company Secretary

The Company Secretary reports directly to the Chairman of the Company and supports the Board and each committee to ensure proper policies and procedures are followed. The Company Secretary also provides Directors with updates on the Listing Rules and other applicable regulatory requirements to refresh and reinforce Director's awareness of developments in maintaining strong corporate governance. The Company Secretary is also the Financial Controller of the Company. She has confirmed that for the year ended 31 December 2015, she has complied with Rule 3.29 of the Listing Rules to undertake no less than 15 hours of relevant professional training.

## Board Meetings

The Board meets regularly and on those occasions when a Board decision is required for major issues. Members of the Board are provided with adequate and timely information prior to Board meetings to ensure that the directors can make informed decisions when fulfilling their responsibilities. During the year under review, the Board held nine meetings and the average attendance rate at the meetings in 2015 was 91% as set out below.

<b>Name of Director</b>	<b>Attendance / Number of Board Meetings in 2015</b>	<b>Attendance Rate</b>
Yeung Chun Wai Anthony	4 / 6	67%
Chan Chi Yuen	6 / 7	86%
Wong Xiang Hong	4 / 5	80%
Yeung Chun Sing Standly ( <i>appointed on 11 January 2016</i> )	N / A	N / A
Chan Chiu Hung Alex	7 / 9	78%
Fung Chan Man Alex	8 / 9	89%
Chan Fong Kong Francis	7 / 7	100%
Gerald Clive Dobby	1 / 1	100%
John William Crawford J.P.	2 / 2	100%
Lim Shyang Guey	4 / 4	100%
Lau Wai Ming Raymond	4 / 4	100%
Chi Chi Hung Kenneth	5 / 5	100%

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

## Corporate Governance Report (continued)

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

### **Board Committees**

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

### **Executive Management Committee**

During the year under review, the Executive Management Committee was comprised of Mr. Richard John Siemens, Mr. Lim Shyang Guey and Mr. Lau Wai Ming Raymond, all being executive Directors. Mr. Siemens resigned as a member on 10 February 2015. The committee was 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. Following the resignation of Mr. Lim Shyang Guey and Mr. Lau Wai Ming Raymond on 13 July 2015, the Committee was dissolved.

The committee met regularly to review the Group's business performance with the senior management of each operation within the Group. Ad hoc meetings were also held on an as-needed basis and the committee members were also engaged in frequent informal discussions. In 2015, six formal meetings were held and the attendance record is set out below.

<b>Name of Director / Officer</b>	<b>Attendance / Number of Executive Management Committee Meetings in 2015</b>	<b>Attendance Rate</b>
Lim Shyang Guey	6 / 6	100%
Lau Wai Ming Raymond	6 / 6	100%
Richard John Siemens	1 / 1	100%

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

## Audit Committee

The Audit Committee was established on 29 September 1999 by the Board and during the year 2015 was comprised of all INEDs. Mr. John William Crawford J.P. resigned as a member and the Chairman on 8 June 2015, Mr. Chan Fong Kong Francis being appointed as the Chairman on the same date; Mr. Thaddeus Thomas Beczak resigned as a member on 25 February 2015, Mr. Chan Chiu Hung Alex, Mr. Fung Chan Man Alex being appointed as members of the Audit Committee on the same date; and Mr. Gerald Clive Dobby retired as a member on 20 May 2015. As at the date of this report, the committee comprised all three INEDs with Mr. Chan Fong Kong Francis as Chairman. Mr. Chan Chiu Hung Alex and Mr. Fung Chan Man Alex are also members of the committee. 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 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 effectiveness of the financial reporting practices, quality and integrity of the financial reports of the Company, internal control systems and audit functions of the Company, and review the nature and scope of the external audit. The committee is responsible for nominating external auditors, including the approval of their audit fees and is granted the authority to investigate any activities within its terms of reference.

In 2015, 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 audited consolidated financial statements of the Group for the year ended 31 December 2014 and the interim consolidated financial statements of the Group for the six months ended 30 June 2015.

## Corporate Governance Report (continued)

The attendance rate at the meetings in 2015 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 2015	Attendance Rate
John William Crawford J.P.	1 / 1	100%
Gerald Clive Dobby	1 / 1	100%
Chan Chiu Hung Alex	2 / 2	100%
Fung Chan Man Alex	2 / 2	100%
Chan Fong Kong Francis	1 / 1	100%

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

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. Mr. John William Crawford J.P resigned as an INED on 8 June 2015. Mr. Fung Chan Man Alex and Mr. Chan Fong Kong Francis were appointed as an INED and a member of Remuneration Committee on 25 February 2015 and 8 June 2015 respectively. Mr. Yeung Chun Wai Anthony was appointed as an executive Director and a member of Remuneration Committee on 25 June 2015. Mr. Lim Shyang Guey resigned as an executive Director and a committee member on 13 July 2015. As at the date of this report, the Remuneration Committee was comprised of Mr. Fung Chan Man Alex, an INED, as the Chairman of the committee, and Mr. Chan Fong Kong Francis and Mr. Yeung Chun Wai Anthony are also members of the committee. A set of written terms of reference which describes the authority and duties of the committee, as well as proceedings of its meetings, was adopted by the Board in accordance with the Corporate Governance Code, which terms of reference are incorporated in the written corporate policies of the Company. Such terms of reference and related written corporate policies of the Company are under regular review by the Board to ensure alignment with the Corporate Governance Code and best market practices.

The committee is responsible for determining mechanisms for setting the Group's remuneration structure and policies with reference to fair and objective standards, approving the annual remuneration and incentive plans of the Group and, in particular, determining with delegated responsibility, the remuneration packages of individual executive Directors and senior management, reviewing and approving management's remuneration proposals with reference to corporate goals and objectives and dealing with such other matters relating to remuneration issues as directed by the Board. During 2015, three meetings were held and the average attendance rate was 60% as set out below.

<b>Name of Director</b>	<b>Attendance / Number of Remuneration Committee Meetings in 2015</b>	<b>Attendance Rate</b>
John William Crawford J.P. <i>(resigned on 8 June 2015)</i>	0 / 1	0%
Lim Shyang Guey <i>(resigned on 13 July 2015)</i>	3 / 3	100%
Fung Chan Man Alex <i>(appointed on 25 February 2015)</i>	3 / 3	100%
Chan Fong Kong Francis <i>(appointed on 8 June 2015)</i>	2 / 2	100%
Yeung Chun Wai Anthony <i>(appointed on 25 June 2015)</i>	0 / 1	0%

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

## Nomination Committee

The Nomination Committee was formulated on 9 December 2011 by the Board. Following the resignation of Mr. Richard John Siemens as an executive Director of the Company on 10 February 2015 and the retirement of Mr. Gerald Clive Dobby as an INED of the Company on 20 May 2015, Mr. Fung Chan Man Alex was appointed as a committee member. Mr. John William Crawford J.P. resigned as an INED and a member of the Nomination Committee on 8 June 2015. Mr. Chan Fong Kong Francis was appointed as an INED and a member of the Nomination Committee on the same date. Mr. Yeung Chun Wai Anthony was appointed as an executive Director and a member of Nomination Committee on 25 June 2015. Mr. Chi Chi Hung Kenneth resigned as an executive Director of the Company on 31 July 2015 and ceased to be a member of Nomination Committee. As at the date of this report, the committee comprised Mr. Yeung Chun Wai Anthony as the Chairman, and Mr. Fung Chan Man Alex and Mr. Chan Fong Kong Francis are also members of the committee. A set of terms of reference, which describes the authority and duties of the committee as well as proceedings of its meetings, was adopted by the Board in accordance with the Corporate Governance Code, which terms of reference are incorporated in the written corporate policies of the Company. Such terms of reference and related written corporate policies of the Company are under regular review by the Board to ensure alignment with the Corporate Governance Code and best market practices.

## Corporate Governance Report (continued)

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, three meetings were held and the average attendance rate was 60% as set out below.

Name of Director	Attendance / Number of Nomination Committee Meetings in 2015	Attendance Rate
John William Crawford J.P.	0 / 1	0%
Chi Chi Hung Kenneth ( <i>appointed on 10 February 2015 and resigned on 13 July 2015</i> )	3 / 3	100%
Yeung Chun Wai Anthony ( <i>appointed on 25 June 2015</i> )	0 / 1	0%
Fung Chan Man Alex ( <i>appointed on 20 May 2015</i> )	3 / 3	100%
Chan Fong Kong Francis ( <i>appointed on 8 June 2015</i> )	2 / 2	100%

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

## Corporate Governance Functions

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

## Annual General Meeting

The 2015 Annual General Meeting of the Company was held on 20 May 2015. All Directors and the auditor of the Company attended the meeting. In 2011, the Board adopted a shareholders communication policy to ensure that shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company and to allow shareholders and investors to engage actively with the Company.

## Directors' Responsibility for the Consolidated Financial Statements

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Group for the year ended 31 December 2015 that give a true and fair view of the state of affairs of the Group in accordance with the statutory requirements and applicable reporting standards.

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

## **Board Diversity Policy**

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

## **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 functions 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 external 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.

## **Permitted Indemnity Provision**

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

## **Directors and Officers Liability Insurance**

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

## **Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), as set out in Appendix 10 to the Listing Rules, as its own securities code. All Directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standards set out in the Model Code throughout the year ended 31 December 2015.



## Corporate Governance Report (continued)

## Auditors' Remuneration

For the year ended 31 December 2015, the remuneration payable to the auditors of the Group amounted to approximately HK\$2,869,000, of which HK\$1,216,000 related to audit services and HK\$1,653,000 to professional services for special engagements, taxation and other non-audit services including HK\$1,598,000 associated with the transaction for acquisitions of Konka and Enraytek.

## Shareholders' Rights

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

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

## Procedures for a Shareholder to Propose a Person for Election as a Director

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

1. A notice in writing signed by a shareholder (other than the person to be proposed) of the intention to propose that person for election as a Director; and
2. A notice in writing signed by that person of his willingness to be elected as a Director including that person's biographical details as required by Rule 13.51(2) of the Listing Rules.

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

# Report of Directors

The board (the "Board") of directors (the "Directors") of the Company herein presents its report and the audited financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2015.

## 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 sectors in Hong Kong and Singapore. The Group's revenue during the financial year consisted primarily of revenue generated from these operations. Contemporaneously, the Group is actively pursuing other opportunities that are complementary to its existing operations or have high growth potential, ability to generate healthy cashflows and capabilities to produce optimum returns on capital.

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

In Singapore, ZONE Telecom Pte Ltd ("ZONE Singapore"), a wholly-owned subsidiary of the Company, is an information 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](http://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](http://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](http://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.

## Report of Directors (continued)

### **Segmental Information**

Analyses of the Group's segmental information by business and geographical segments for the year ended 31 December 2015 are set out in note 31 to the consolidated financial statements.

### **Results and Dividends**

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss on page 35.

The Board does not recommend the payment of a dividend for the year ended 31 December 2015 (2014: 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 89.

### **Major Customers and Suppliers**

In the year under review, the aggregate turnover attributable to the five largest customers of the Group accounted for approximately 17.27% of total turnover for the year, and sales to the largest customer included therein amounted to approximately 8.13%.

The aggregate purchases attributable to the five largest suppliers of the Group accounted for approximately 45.28% of total purchases of the Group for the year, and purchases from the largest supplier included therein amounted to approximately 14.68%.

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

### **Property, Plant and Equipment**

Details of movements in the property, plant and equipment of the Group during the year are set out in note 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 33(a) and note 22 to the consolidated financial statements respectively.

## Board of Directors

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

### Executive Directors:

Yeung Chun Wai Anthony <sup>Note 1</sup>

Chan Chi Yuen <sup>Note 2</sup>

Wong Xiang Hong <sup>Note 3</sup>

Yeung Chun Sing Standly <sup>Note 4</sup>

Richard John Siemens <sup>Note 6</sup>

Lim Shyang Guey <sup>Note 10</sup>

Lau Wai Ming Raymond <sup>Note 10</sup>

Chi Chi Hung Kenneth <sup>Note 11</sup>

### Independent Non-executive Directors:

Chan Fong Kong Francis <sup>Note 2</sup>

Chan Chiu Hung Alex <sup>Note 5</sup>

Fung Chan Man Alex <sup>Note 5</sup>

Thaddeus Thomas Beczak <sup>Note 7</sup>

Gerald Clive Dobby <sup>Note 8</sup>

John William Crawford J.P. <sup>Note 9</sup>

*Note 1* Appointed on 25 June 2015

*Note 2* Appointed on 8 June 2015

*Note 3* Appointed on 13 July 2015

*Note 4* Appointed on 11 January 2016

*Note 5* Appointed on 25 February 2015

*Note 6* Resigned on 10 February 2015

*Note 7* Resigned on 25 February 2015

*Note 8* Retired on 20 May 2015

*Note 9* Resigned on 8 June 2015

*Note 10* Resigned on 13 July 2015

*Note 11* Resigned on 31 July 2015

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

In accordance with bye-laws 86 and 87 of the Company, Mr. Yeung Chun Wai Anthony, Mr. Chan Chi Yuen, Mr. Wong Xiang Hong, Mr. Yeung Chun Sing Standly, Mr. Fung Chan Man Alex and Mr. Chan Fong Kong Francis will retire by rotation at the forthcoming annual general meeting and are eligible for re-election.

## Report of Directors (continued)

**Directors' Interests in Securities**

As at 31 December 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 Listing Rules are set out below.

<b>Name of director</b>	<b>Capacity</b>	<b>Number of Shares held</b>	<b>Approximate percentage of shareholding</b>
Yeung Chun Wai Anthony	Beneficial Owner	43,690,000	5.99%
	Held by controlled corporation	135,900,000 (Note 1)	18.63%
Yeung Chun Sing Standly (Note 2)	Beneficial Owner	170,000	0.02%
	Interest of spouse	80,000	0.01%

*Notes:*

- (1) 135,900,000 Shares were beneficially owned by Nova Investment Group Limited, the entire issued share capital of which is wholly-owned by Mr. Yeung Chun Wai Anthony, the executive Director and Chairman of the Board. Mr. Yeung Chun Wai Anthony is deemed to be interested in the shares held by Nova Investment Group Limited under Part XV of the SFO.
- (2) Mr. Yeung Chun Sing Standly was appointed as an executive Director on 11 January 2016.

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 2015.

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

**Arrangement to Enable Directors to Acquire Shares or Debentures**

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

## Directors' Service Contracts

The service contracts with Mr. Chan Chiu Hung Alex and Mr. Fung Chan Man Alex will expire on 31 December 2016 and the one with Mr. Chan Fong Kong Francis on 31 December 2018, and all upon expiry thereof 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 2015, 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 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.

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of Shares held</b>	<b>Approximate percentage of shareholding</b>
Nova Investment Group Limited	Beneficial interest	135,900,000 (Note)	18.63%

*Note: The entire issued share capital of Nova Investment Group Limited is wholly-owned by Mr. Yeung Chun Wai Anthony, the executive Director and Chairman of the Board. Mr. Yeung Chun Wai Anthony is deemed to be interested in the Shares by Nova Investment Group Limited under Part XV of the SFO.*

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

Save as disclosed above, as at 31 December 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.

## Report of Directors (continued)

### Share Issued in the Year

Details of movements in the Company's share capital during the year are set out in note 21 to the consolidated financial statements.

During the year, the Company had completed a placement of 104,200,000 shares under general mandate on 27 May 2015 and the net proceeds were approximately HK\$69.94 million. On 9 October 2015, the Company had completed a placement of 104,200,000 shares under general mandate and net proceeds were approximately HK\$52.68 million. The Company intends to use both of the net proceeds from the placings to finance part of the consideration for possible acquisitions.

### 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 2015, the Group managed to maintain stable liquidity with cash and cash equivalents (including cash held by a security broker and pledged bank deposits) of HK\$122.4 million (2014: HK\$43.6 million).

### Bank and Other Borrowings

As at 31 December 2015, the bank and other borrowings of the Group amounted to HK\$Nil (2014: HK\$9.6 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 2015, the Group had 82 (2014: 84) employees in China, Hong Kong and Singapore and its total staff costs for 2015 were HK\$32.6 million (2014: HK\$37.3 million).

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

### Purchase, Sale or Redemption of the Company's Listed Securities

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

## **Pre-emptive Rights**

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

## **Management Contracts**

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

## **Public Float**

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

## **Auditor**

The financial statements of the Company for the year ended 31 December 2015 have been audited by Mazars CPA Limited, *Certified Public Accountants*.

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

## **Shareholders Matter**

Mr. Yeung Chun Wai Anthony ("Mr. Yeung"), an executive Director and a substantial shareholder of the Company, initially acquired 25,900,000 Shares (the "Shares") of HK\$0.01 each in the share capital of the Company on 22 May 2015. Mr. Yeung subsequently acquired 153,690,000 Shares by himself and through his controlled corporations.

As of 31 December 2015, Mr. Yeung held 179,590,000 Shares representing 24.62% of the entire issued share capital of the Company, among which 43,690,000 Shares were held by Mr. Yeung in person and 135,900,000 Shares were held by Nova Investment Group Limited which is controlled by Mr. Yeung. As of 8 April, 2016 ("Latest Practicable Date"), to the best knowledge and belief of the Directors, Mr. Yeung holds 80,410,000 Shares and 135,900,000 Shares are held by Nova Investment Group Limited which is controlled by the spouse of Mr. Yeung.



## Report of Directors (continued)

**Environmental Awareness**

As a responsible corporate citizen, the Group is committed to meeting all applicable legal requirements, to operating its businesses and workplaces in line with environmental, social and governance best practices, and to considering the views of our stakeholders as we enhance and grow our business.

We have identified the local laws and regulations that apply to our businesses in Hong Kong and Singapore and we implement systems and audit performance to ensure that we operate in compliance with all local laws, regulations and standards related to corporate governance, business operations, employment, health and safety and the environment.

The Group recognizes that the success of its business is contingent upon our relationships with our key stakeholders. Regular communication with regulatory authorities, our shareholders and investors and our business partners, customers and suppliers is essential to ensuring that we are aware of and meet the evolving requirements and expectations of these stakeholders in the delivery of our products and services. Detail on our key customers and suppliers is provided on page 26 of this Annual Report. Engaging with our employees through regular communications, meetings, events and our intranet enables us to share and discuss the priorities and performance of our business, to keep abreast of their ideas, concerns and needs, and to integrate feedback into our operations to enhance our business and the working environment for our people. We also support our people to contribute to charities and to connect with the communities where we live and work.

Enhancing the environmental and social performance of our business is an important priority for the Group. e-Kong maintains a respectful, fair and safe working environment free from discrimination that supports our people to grow and develop. Beyond required terms and conditions of employment, examples of benefits provided include access to marriage, study and exam leave, medical cover, and, depending on position and performance, up to 21 days of annual leave and discretionary bonuses. The Group also conducts regular company and team meetings to enhance communication and engagement, supports employee training and charitable donations, and organizes social and festive events to appreciate colleagues and encourage team building.

Since 2008, our Company has been awarded the "Class of Excellence" Wastewi\$e Label for eight consecutive years. The "Wastewi\$e Label" of the Hong Kong Awards for Environmental Excellence is a recognition scheme established by, among others, the Environmental Protection Department and the Environmental Campaign Committee to encourage Hong Kong businesses and organizations to adopt structured measures to reduce the amount of waste generated within their establishments or generated through the services and products they provide. Through our involvement in this scheme, we have raised the importance of not only reducing waste, reusing materials and increasing the capture of recyclable items in our workplaces, but also of reducing energy and water consumption and other environmental impacts.

In 2016, the Group is reviewing its environmental and social performance and establishing policies and initiatives that will enable us to report more comprehensively in our 2016 Annual Report, in line with the environmental, social and governance (ESG) reporting requirements outlined in the ESG Reporting Guide of the Hong Kong Exchanges and Clearing Limited.

By Order of the Board

**Yeung Chun Wai Anthony**

*Chairman*

30 March 2016

*Annual Report 2015*

# Independent Auditor's Report



## MAZARS CPA LIMITED

瑪澤會計師事務所有限公司

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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 35 to 88, which comprise the consolidated statements of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and 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.

Independent Auditor's Report (continued)



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 financial position of the Group as at 31 December 2015, and of the Group's financial performance and cash flows for the year then ended in accordance with HKFRS and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Mazars CPA Limited**

*Certified Public Accountants*

Hong Kong, 30 March 2016

### **Weatherseed, Stephen Peter Stuart**

Practising Certificate number: P05588

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>Revenue</b>	3	<b>70,115</b>	75,471
Cost of sales		<b>(34,096)</b>	(35,948)
Gross profit		<b>36,019</b>	39,523
Other revenue and income	4	<b>1,271</b>	1,601
		<b>37,290</b>	41,124
Selling and distribution expenses		<b>(6,130)</b>	(6,232)
Business promotion and marketing expenses		<b>(3,248)</b>	(4,217)
Operating and administrative expenses		<b>(57,411)</b>	(49,438)
Other operating expenses		<b>(5,860)</b>	(5,490)
<b>Loss from operations</b>		<b>(35,359)</b>	(24,253)
Finance costs	5(a)	<b>(135)</b>	(1,474)
Share of results of joint ventures		–	(48,231)
Net loss on disposal of financial assets at fair value through profit or loss		<b>(5,245)</b>	–
Net decrease in fair value of financial assets at fair value through profit or loss		<b>(6,859)</b>	–
Gain on disposal of subsidiaries classified as held for sale	24	<b>44,808</b>	–
Gain on disposal of property, plant and equipment		<b>3,967</b>	–
Loss on disposal of a subsidiary	25	<b>(67)</b>	–
<b>Profit / (Loss) before taxation</b>	5	<b>1,110</b>	(73,958)
<b>Taxation credit / (charges)</b>	7		
Current tax		<b>(5)</b>	298
Deferred tax		<b>98</b>	–
		<b>93</b>	298
<b>Profit / (Loss) for the year</b>		<b>1,203</b>	(73,660)

## Consolidated Statement of Profit or Loss (continued)

For the year ended 31 December 2015

	Notes	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Profit / (Loss) for the year attributable to:</b>			
Equity holders of the Company		3,882	(71,011)
Non-controlling interests		<b>(2,679)</b>	(2,649)
<b>Profit / (Loss) for the year</b>		<b>1,203</b>	(73,660)
		<i>HK cents</i>	<i>HK cents</i>
<b>Earnings / (Loss) per share</b>	9		
Basic and diluted		<b>0.6</b>	(13.6)

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
<b>Profit / (Loss) for the year</b>	<b>1,203</b>	(73,660)
<b>Other comprehensive loss for the year</b>		
<i>Item that may be subsequently reclassified to profit or loss:</i>		
Exchange differences on translation of foreign subsidiaries and joint ventures	<b>(915)</b>	(729)
<b>Total comprehensive income / (loss) for the year</b>	<b>288</b>	(74,389)
<b>Total comprehensive income / (loss) for the year attributable to:</b>		
Equity holders of the Company	<b>2,967</b>	(71,740)
Non-controlling interests	<b>(2,679)</b>	(2,649)
<b>Total comprehensive income / (loss) for the year</b>	<b>288</b>	(74,389)

# Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>Non-current assets</b>			
Goodwill	10	1,019	–
Property, plant and equipment	11	12,084	6,466
Intangible assets	12	8,329	10,887
Deferred tax assets	19	45	45
		<b>21,477</b>	17,398
<b>Current assets</b>			
Financial assets at fair value through profit or loss	14	51,054	–
Trade and other receivables	15	58,038	14,401
Pledged bank deposits	16	1,427	1,504
Cash held by a security broker	17(a)	26,817	–
Cash and bank balances	17(b)	94,116	42,087
		<b>231,452</b>	57,992
Assets classified as held for sale	24	–	124,539
		<b>231,452</b>	182,531
<b>Current liabilities</b>			
Trade and other payables	18	23,824	43,436
Bank and other borrowings	20	–	9,635
		<b>23,824</b>	53,071
Liabilities associated with assets classified as held for sale	24	–	41,766
		<b>23,824</b>	94,837
<b>Net current assets</b>		<b>207,628</b>	87,694
<b>Total assets less current liabilities</b>		<b>229,105</b>	105,092
<b>Non-current liabilities</b>			
Deferred revenue		787	780
Deferred tax liabilities	19	230	351
		<b>1,017</b>	1,131
<b>NET ASSETS</b>		<b>228,088</b>	103,961
<b>Capital and reserves</b>			
Share capital	21	7,294	5,210
Reserves	22	231,125	106,403
Equity attributable to equity holders of the Company		<b>238,419</b>	111,613
Non-controlling interests	22	(10,331)	(7,652)
<b>TOTAL EQUITY</b>		<b>228,088</b>	103,961

Approved and authorised for issue by the Board of Directors on 30 March 2016 and signed on behalf by

**Yeung Chun Wai Anthony**  
Director

**Yeung Chun Sing Standly**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 December 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
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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 year	-	-	-	-	-	-	(71,011)	(71,011)	(2,649)	(73,660)
Other comprehensive loss for the year										
<i>Item that may be subsequently reclassified to profit or loss:</i>										
Exchange differences on translation of foreign subsidiaries and joint ventures	-	-	(729)	-	-	-	-	(729)	-	(729)
Total comprehensive loss for the year	-	-	(729)	-	-	-	(71,011)	(71,740)	(2,649)	(74,389)
As at 31 December 2014	5,210	67,093	2,414	25	2,077	83,489	(48,695)	111,613	(7,652)	103,961
Profit for the year	-	-	-	-	-	-	3,882	3,882	(2,679)	1,203
Other comprehensive (loss) / income for the year										
<i>Item that may be subsequently reclassified to profit or loss:</i>										
Exchange differences on translation of foreign subsidiaries	-	-	(915)	-	-	-	-	(915)	-	(915)
Total comprehensive (loss) / income for the year	-	-	(915)	-	-	-	3,882	2,967	(2,679)	288
Transaction with equity holders of the Company										
<i>Contributions and distributions:</i>										
Shares issued upon placing in May 2015 (note 21(a))	1,042	68,900	-	-	-	-	-	69,942	-	69,942
Shares issued upon placing in October 2015 (note 21(b))	1,042	51,637	-	-	-	-	-	52,679	-	52,679
<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	2,084	120,537	1,218	-	-	-	-	123,839	-	123,839
<b>As at 31 December 2015</b>	<b>7,294</b>	<b>187,630</b>	<b>2,717</b>	<b>25</b>	<b>2,077</b>	<b>83,489</b>	<b>(44,813)</b>	<b>238,419</b>	<b>(10,331)</b>	<b>228,088</b>



# Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>OPERATING ACTIVITIES</b>			
Cash used in operations	23	(102,607)	(18,043)
Income taxes refunded		–	119
Interest received		31	183
Interest paid		(31)	(876)
<b>Net cash used in operating activities</b>		<b>(102,607)</b>	<b>(18,617)</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of a subsidiary	10	(1,000)	–
Disposal of a subsidiary	25	(18)	–
Disposal of subsidiaries classified as held for sale	24	103,405	–
Purchase of property, plant and equipment	11	(10,784)	(2,323)
Proceeds from disposal of property, plant and equipment		191	15
Deposits paid for acquisition of investments		(31,250)	–
Deposit from disposal of assets classified as held for sale		–	26,000
Release of pledged deposits		–	77,821
Capital contribution to joint ventures		–	(38,750)
<b>Net cash generated from investing activities</b>		<b>60,544</b>	<b>62,763</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from shares issued upon placings		122,621	–
Proceeds from loan from a related company		–	46,500
Repayment of bank borrowings		(1,763)	(80,328)
<b>Net cash generated from / (used in) financing activities</b>		<b>120,858</b>	<b>(33,828)</b>
<b>Net increase in cash and cash equivalents</b>		<b>78,795</b>	<b>10,318</b>
Cash and cash equivalents as at 1 January		42,684	32,814
Exchange losses on cash and cash equivalents		(546)	(448)
<b>Cash and cash equivalents as at 31 December</b>		<b>120,933</b>	<b>42,684</b>
<b>Analysis of the balances of cash and cash equivalents:</b>			
Cash and bank balances	17(b)	94,116	42,087
Cash held by a security broker	17(a)	26,817	–
Cash and bank balances classified as assets held for sale		–	597
		<b>120,933</b>	<b>42,684</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 1. CORPORATE INFORMATION

e-Kong Group Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability and its ordinary shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s principal place of business is located at Suites 3401–3413, Level 34, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong. The principal activity of the Company is investment holding. Details of the principal subsidiaries of the Company and their principal activities are disclosed in note 13 to the consolidated financial statements.

## 2. PRINCIPAL ACCOUNTING POLICIES

### Basis of preparation

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

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

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2014 consolidated financial statements. The adoption of the new and revised HKFRSs that are relevant to the Group and effective for the current year had no significant effects on the results and financial position of the Group for the current and prior years. A summary of the principal accounting policies adopted by the Group is set out below.

### Impact of the amendments of the Listing Rules

The Group has adopted the amendments to the Listing Rules issued by the Stock Exchange to the disclosure of financial information with reference to the financial reporting requirements of Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance (Cap. 622) during the current year and, as a result, there are changes to the presentation and disclosures of certain information as compared with the 2014 consolidated financial statements. Where appropriate, the comparative information has been amended to achieve a consistent presentation.

### Basis of measurement

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

### Basis of consolidation

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

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

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2015

**2. PRINCIPAL ACCOUNTING POLICIES** (continued)**Basis of consolidation** (continued)

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

*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.

**Subsidiaries**

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

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

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### Goodwill

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

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

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

### Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

### 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.

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2015

**2. PRINCIPAL ACCOUNTING POLICIES** (continued)**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 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.

**Financial instruments***Recognition and derecognition*

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

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

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

*Classification and measurement*

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

*Financial assets at fair value through profit or loss*

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

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### Financial instruments *(continued)*

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

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

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

#### *Loans and receivables*

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

#### *Financial liabilities*

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

#### *Impairment of financial assets*

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

### 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.

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2015

**2. PRINCIPAL ACCOUNTING POLICIES** (continued)**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 and intangible assets to determine whether there are any indications that such assets have suffered impairment losses or that impairment losses previously recognised no longer exist or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit). If the recoverable amount of an asset is estimated to be less than its carrying amount, the latter is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

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

**Revenue recognition**

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

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

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

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

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

**Leases**

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

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

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

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### Borrowing costs

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

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

### Segment reporting

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

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

### Share capital

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

### Foreign currency translations

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at 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.



## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2015

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

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

**Employee benefits***Short-term employee benefits*

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

*Retirement benefit schemes*

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

Under the MPF schemes, both the Group and each eligible employee are required to contribute 5% of the employee's basic monthly income, as mandatory contributions, up to a maximum of HK\$1,500 starting from June 2014 (*before June 2014: HK\$1,250*), and they may choose to make additional or voluntary contributions.

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

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

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

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### Related parties

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

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group.
  
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Group are members of the same group (which means that each 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).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

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

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

### Critical accounting estimates and judgements

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

#### *Allowance for doubtful debts*

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

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2015

**2. PRINCIPAL ACCOUNTING POLICIES** (continued)**Critical accounting estimates and judgements** (continued)*Impairment of goodwill*

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

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

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

*Useful lives of intangible assets*

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

**Future changes in HKFRSs**

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

Amendments to HKAS 1	<i>Disclosure Initiative<sup>1</sup></i>
Amendments to HKASs 16 and 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation<sup>1</sup></i>
Amendments to HKASs 16 and 41	<i>Bearer Plants<sup>1</sup></i>
Amendments to HKASs 27 (2011)	<i>Equity Method in Separate Financial Statements<sup>1</sup></i>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception<sup>1</sup></i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations<sup>1</sup></i>
HKFRS 14	<i>Regulatory Deferral Accounts<sup>1</sup></i>
Annual Improvements Project	<i>2012-2014 Cycle<sup>1</sup></i>
HKFRS 15	<i>Revenue from Contracts with Customers<sup>2</sup></i>
HKFRS 9 (2014)	<i>Financial Instruments<sup>2</sup></i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> The effective date of the amendments which was originally intended to be effective for annual periods beginning on or after 1 January 2016 has been deferred / removed

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### Future changes in HKFRSs *(continued)*

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. REVENUE

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Telecommunication services income	<b>68,508</b>	74,018
Other	<b>1,607</b>	1,453
	<b>70,115</b>	75,471

## 4. OTHER REVENUE AND INCOME

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest income on bank deposits	<b>31</b>	183
Other	<b>1,240</b>	1,418
	<b>1,271</b>	1,601

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2015

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

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>(a) Finance costs</b>		
Interest on bank loans	<b>31</b>	876
Interest on other loan from a related company	<b>104</b>	598
	<b>135</b>	1,474
<b>(b) Other items</b>		
Employee salaries and other benefits (including directors' emoluments)	<b>30,857</b>	35,129
Retirement benefit scheme contributions	<b>1,761</b>	2,123
	<b>32,618</b>	37,252
Auditors' remuneration – audit fees	<b>1,216</b>	1,490
Cost of services provided	<b>34,096</b>	35,023
Cost of inventories sold	–	493
Write-off of inventories	–	432
Depreciation of property, plant and equipment	<b>2,784</b>	2,291
Amortisation of intangible assets	<b>1,904</b>	2,066
Allowance for doubtful debts	<b>110</b>	220
Operating lease charges on premises	<b>12,301</b>	6,095
Exchange (gains) / losses, net	<b>(8)</b>	232
Gain on disposals of property, plant and equipment	<b>(3,967)</b>	(15)

## 6. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION

### (a) Information about the benefits of directors

#### (i) Directors' remuneration

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

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

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2015

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

## (a) Information about the benefits of directors (continued)

## (i) Directors' remuneration (continued)

	2014			
	Director fees <i>HK\$'000</i>	Salaries and other emoluments <i>HK\$'000</i>	Retirement benefit scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Executive directors</i>				
Richard John Siemens	–	1,800	17	1,817
Lim Shyang Guey	–	2,600	33	2,633
William Bruce Hicks <i>(resigned on 16 July 2014)</i>	–	800	17	817
Chi Chi Hung Kenneth <i>(appointed on 26 September 2014)</i>	–	253	5	258
Lau Wai Ming Raymond <i>(appointed on 26 September 2014)</i>	–	583	10	593
<i>Non-executive director</i>				
Jennifer Wes Saran <i>(resigned on 16 July 2014)</i>	88	–	–	88
<i>Independent non-executive directors</i>				
John William Crawford J.P.	150	100	–	250
Gerald Clive Dobby	150	–	–	150
Thaddeus Thomas Beczak	150	–	–	150
	538	6,136	82	6,756

There were no arrangements under which a director waived or agreed to waive any emoluments for the year (2014: 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 (2014: Nil).

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

### (a) Information about the benefits of directors *(continued)*

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

There are no loans, quasi-loans or other dealings in favour of the directors of the Company that were entered into or subsisted during the years ended 31 December 2015 and 2014.

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

After consideration, other than disclosed in notes 24 and 26 to the consolidated financial statements, the directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest whether directly or indirectly, subsisted at the year or at any time during the years ended 31 December 2015 and 2014.

### (b) Individuals with highest emoluments

Of the five individuals with the highest emoluments, two are directors who resigned during the year but continued to be employed as employees of the Group (*2014: two are directors whose emoluments are disclosed above*). The aggregate of the emoluments in respect of the five individuals are as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries and other emoluments	8,107	8,021
Retirement benefit scheme contributions	190	170
	<b>8,297</b>	8,191

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

	2015 Number of individuals	2014 Number of individuals
Below HK\$1,000,000	1	–
HK\$1,000,001 to HK\$1,500,000	2	3
HK\$1,500,001 to HK\$2,000,000	2	1
HK\$2,000,001 to HK\$2,500,000	–	–
HK\$2,500,001 to HK\$3,000,000	–	1
	<b>5</b>	5

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



## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2015

**6. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION** (continued)**(b) Individuals with highest emoluments** (continued)

During the year, no remuneration was paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2014: Nil). There were no arrangements under which any of the five highest paid individuals waived or agreed to waive any remuneration during the year (2014: Nil).

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

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

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

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

	2015 HK\$'000	2014 HK\$'000
<b>Current tax</b>		
Hong Kong Profits Tax	–	–
Overseas income taxes	(5)	(77)
	(5)	(77)
Over-provisions on overseas income taxes in prior years	–	375
	(5)	298
<b>Deferred tax</b>		
Depreciation allowances	98	–
	98	–
Taxation credit	93	298

Further details of the deferred taxation status are set out in note 19.

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

### Reconciliation of effective tax rate

	2015 %	2014 %
Applicable tax rate	14	(28)
Non-deductible expenses	420	5
Tax exempt revenue	(744)	–
Overprovision in prior year	–	(1)
Unrecognised tax losses	157	22
Unrecognised temporary differences	161	(1)
Utilisation of previously unrecognised tax losses	(8)	–
Other	(8)	2
Effective tax rate for the year	(8)	(1)

The applicable rate is the weighted-average of the tax rates prevailing in the territories in which the Group operates. The tax rates adopted in various territories range from 16.5% to 25% (2014: from 16.5% to 34%).

## 8. DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2015 (2014: Nil).

## 9. EARNINGS / (LOSS) PER SHARE

The calculation of the basic earnings per share for the year ended 31 December 2015 is based on the consolidated profit attributable to equity holders of the Company of HK\$3,882,000 (2014: consolidated loss of HK\$71,011,000) and the weighted average number of 607,500,274 (2014: 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 earnings / (loss) per share is the same as basic earnings / (loss) per share for the years presented.

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2015

**10. GOODWILL**

	2015 HK\$'000	2014 HK\$'000
As at 1 January	–	–
Additions	1,019	–
<b>As at 31 December</b>	<b>1,019</b>	–
<b>Representing:</b>		
Cost	1,019	–
Accumulated impairment losses	–	–
<b>As at 31 December</b>	<b>1,019</b>	–

In July 2015, the Group acquired 100% equity interests in Goldyard Finance Limited (“Goldyard”), which is engaged in money lending business for an aggregate consideration of HK\$1,000,000. The following summarises the consideration paid and the liabilities assumed:

	HK\$'000
Recognised amounts of identifiable liabilities assumed – other payables	(19)
<b>Total identifiable net liabilities</b>	<b>(19)</b>
<b>Goodwill arising on acquisition</b>	<b>1,019</b>
<b>Consideration, satisfied by cash and net cash outflow in respect of acquisition of Goldyard</b>	<b>1,000</b>

The goodwill arising from the acquisition is attributable to the growth and profit potential as a result of benefiting from the money lending licence held by Goldyard and the money lending business in future. None of the goodwill recognised is expected to be deductible for income tax purposes. At the end of the reporting period, the Group assessed the recoverable amount of the goodwill which was assessed by reference to the relevant cash-generating unit's value in use and determined that no impairment for goodwill was required.

Since acquisition, the acquired business has contributed no revenue and approximately HK\$56,000 to the loss of the Group. If the business combination effected during the year had been taken up at the beginning of the year, the consolidated revenue and profit of the Group would have been approximately HK\$70,115,000 and HK\$489,000 respectively.

## 11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Machinery and equipment <i>HK\$'000</i>	Office equipment, furniture and fittings <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2014	271	39	6,193	–	6,503
Additions	–	–	2,323	–	2,323
Disposals	–	–	(65)	–	(65)
Write-back of accumulated depreciation on disposals	–	–	65	–	65
Depreciation	(105)	(26)	(2,160)	–	(2,291)
Exchange adjustments	–	–	(69)	–	(69)
<b>As at 31 December 2014</b>	<b>166</b>	<b>13</b>	<b>6,287</b>	<b>–</b>	<b>6,466</b>
As at 1 January 2015	166	13	6,287	–	6,466
Additions	283	164	2,269	8,068	10,784
Disposals	(1,631)	–	(4,293)	–	(5,924)
Write-back of accumulated depreciation on disposals	1,631	–	2,069	–	3,700
Depreciation	(264)	(50)	(2,149)	(321)	(2,784)
Exchange adjustments	–	–	(158)	–	(158)
<b>As at 31 December 2015</b>	<b>185</b>	<b>127</b>	<b>4,025</b>	<b>7,747</b>	<b>12,084</b>
<b>Representing:</b>					
Cost	1,937	27,917	28,427	1,400	59,681
Accumulated depreciation	(1,771)	(27,904)	(22,140)	(1,400)	(53,215)
As at 1 January 2015	166	13	6,287	–	6,466
Cost	589	27,643	24,963	9,468	62,663
Accumulated depreciation	(404)	(27,516)	(20,938)	(1,721)	(50,579)
<b>As at 31 December 2015</b>	<b>185</b>	<b>127</b>	<b>4,025</b>	<b>7,747</b>	<b>12,084</b>

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2015

**12. INTANGIBLE ASSETS**

	<b>Development costs</b> <i>HK\$'000</i>	<b>Customer contracts</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
As at 1 January 2014	–	13,505	13,505
Amortisation	–	(2,066)	(2,066)
Exchange adjustments	–	(552)	(552)
As at 31 December 2014	–	10,887	10,887
As at 1 January 2015	–	10,887	10,887
Amortisation	–	(1,904)	(1,904)
Exchange adjustments	–	(654)	(654)
<b>As at 31 December 2015</b>	<b>–</b>	<b>8,329</b>	<b>8,329</b>
<b>Representing:</b>			
Cost	3,597	15,835	19,432
Accumulated amortisation and impairment losses	(3,597)	(4,948)	(8,545)
As at 1 January 2015	–	10,887	10,887
Cost	3,597	14,807	18,404
Accumulated amortisation and impairment losses	(3,597)	(6,478)	(10,075)
<b>As at 31 December 2015</b>	<b>–</b>	<b>8,329</b>	<b>8,329</b>

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

### 13. SUBSIDIARIES

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

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

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2015

**13. 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	
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
Goldyard Finance Limited	Hong Kong	HK\$1,000,000	–	100%	Money lending
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 (“China Portal”)	British Virgin Islands	US\$1	–	100%	Provision of consultancy services
深圳盈港科技有限公司 (i) & (ii)	The 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 2015 and 2014.

### 13. SUBSIDIARIES *(continued)*

#### Financial information of subsidiaries with individually material NCI

At the end of the reporting period, the RMI Group represents the group of subsidiaries in which the Group 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.

	2015	2014
<b>As at 31 December</b>		
Proportion of NCI's ownership interests	<b>49.9%</b>	49.9%
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current assets	<b>274</b>	435
Current assets	<b>1,176</b>	1,490
Current liabilities	<b>(22,152)</b>	(17,259)
Net liabilities	<b>(20,702)</b>	(15,334)
Carrying amount of NCI	<b>(10,331)</b>	(7,652)
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Year ended 31 December</b>		
Revenue	<b>1,607</b>	1,434
Expenses	<b>(6,975)</b>	(6,742)
Loss for the year	<b>(5,368)</b>	(5,308)
Other comprehensive income for the year	–	–
Total comprehensive loss for the year	<b>(5,368)</b>	(5,308)
Total comprehensive loss for the year attributable to NCI	<b>(2,679)</b>	(2,649)
Dividend to NCI	–	–



## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2015

**13. SUBSIDIARIES** (continued)

## Financial information of subsidiaries with individually material NCI (continued)

	2015 HK\$'000	2014 HK\$'000
Net cash flows (used in) / generated from operating activities	(1,321)	419
Net cash flows used in investing activities	(92)	(131)
Net cash flows generated from / (used in) financing activities	2,149	(386)
Net increase / (decrease) in cash and cash equivalents	736	(98)

**14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2015 HK\$'000	2014 HK\$'000
<b>Held for trading</b>		
Equity investments listed in Hong Kong	51,054	–

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

**15. TRADE AND OTHER RECEIVABLES**

	2015 HK\$'000	2014 HK\$'000
<b>Trade receivables</b>	10,059	10,250
<b>Allowance for doubtful debts</b>	(2,006)	(2,008)
	8,053	8,242
<b>Other receivables</b>		
Deposits, prepayments and other debtors	18,735	6,159
Refundable deposits paid for acquisition of investments (note 32)	31,250	–
	58,038	14,401

## 15. TRADE AND OTHER RECEIVABLES *(continued)*

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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Less than 1 month	4,661	5,232
1 to 3 months	2,462	1,870
More than 3 months but less than 12 months	930	1,140
	<b>8,053</b>	8,242

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

The movements in allowance for doubtful debts are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
As at 1 January	2,008	2,015
Increase in allowance	110	220
Amounts written off as uncollectible	(76)	(195)
Exchange adjustments	(36)	(32)
<b>As at 31 December</b>	<b>2,006</b>	2,008

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2015

**15. TRADE AND OTHER RECEIVABLES** (continued)

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Less than 3 months past due	<b>3,979</b>	3,180
More than 3 months but less than 12 months past due	<b>834</b>	764
Amounts past due	<b>4,813</b>	3,944
Neither past due nor impaired	<b>3,240</b>	4,298
	<b>8,053</b>	8,242

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

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

**16. PLEDGED BANK DEPOSITS**

At the end of the reporting period, the Group had pledged bank deposits amounting to HK\$1,427,000 (2014: HK\$1,504,000). At the end of the reporting period, bank guarantees of HK\$1,427,000 (2014: HK\$1,504,000) were issued to suppliers for operational requirements. The directors do not consider it is probable that a claim will be made against the Group under these guarantees. The amounts utilised by the Group at the end of the reporting period under these guarantees were HK\$798,000 (2014: HK\$848,000), representing the outstanding amounts payable to these security-holders.

## 17. CASH HELD BY A SECURITY BROKER / CASH AND BANK BALANCES

### (a) Cash held by a security broker

Cash held by a security broker is a short term deposit which carries interest rate of 0.001% per annum.

### (b) Cash and bank balances

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Cash at bank and in hand	94,116	22,712
Short-term time deposits	–	19,375
	<b>94,116</b>	42,087

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

## 18. TRADE AND OTHER PAYABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Trade payables</b>	<b>2,855</b>	2,313
<b>Other payables</b>		
Deferred revenue	3,384	3,382
Accrued charges and other creditors	17,585	11,741
Deposit from disposal of assets classified as held for sale ( <i>note 24</i> )	–	26,000
	<b>23,824</b>	43,436

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2015

**18. TRADE AND OTHER PAYABLES** (continued)

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Less than 1 month	<b>2,681</b>	1,576
1 to 3 months	<b>56</b>	346
More than 3 months but less than 12 months	<b>118</b>	391
	<b>2,855</b>	2,313

**19. DEFERRED TAX**

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

	<b>Tax losses</b> <i>HK\$'000</i>	<b>Depreciation</b> <b>allowances</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
As at 1 January 2014	41	(364)	(323)
Exchange adjustments	–	17	17
As at 31 December 2014	41	(347)	(306)
Debit to income statement	–	98	98
Exchange adjustments	–	23	23
<b>As at 31 December 2015</b>	<b>41</b>	<b>(226)</b>	<b>(185)</b>

## 19. DEFERRED TAX *(continued)*

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Deferred tax assets to be recovered:</b>		
Within 12 months	41	41
After 12 months	4	4
	<b>45</b>	45
<b>Deferred tax liabilities to be settled:</b>		
Within 12 months	<b>(186)</b>	(199)
After 12 months	<b>(44)</b>	(152)
	<b>(230)</b>	(351)
<b>As at 31 December</b>	<b>(185)</b>	(306)

### Unrecognised deferred tax assets

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Tax losses	<b>28,777</b>	120,648
Deductible temporary differences	<b>849</b>	16,655
<b>As at 31 December</b>	<b>29,626</b>	137,303

The unrecognised tax losses of HK\$174,389,000 (2014: HK\$439,339,000) and deductible temporary difference of HK\$5,143,000 (2014: HK\$45,553,000) have no expiry dates under current tax legislation (2014: no expiry dates under current tax legislation, except for tax losses of HK\$275,165,000, which were related to a subsidiary in the United States disposed of in January 2015).

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2015

**20. BANK AND OTHER BORROWINGS**

The bank and other loans were repayable as follows:

	2015 HK\$'000	2014 HK\$'000
<b>Bank loans due, secured:</b>		
Within one year	–	1,885
<b>Other loan due, unsecured:</b>		
Within one year	–	7,750
	–	9,635

The bank and other loans were denominated in the following currencies:

	2015 HK\$'000	2014 HK\$'000
United States dollars (a)	–	7,750
Singapore dollars (b)	–	1,885
	–	9,635
<b>Reported as:</b>		
Current liabilities	–	9,635

(a) An unsecured loan was made 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 expired in November 2015, and bore interest rate of 3% per annum. This loan was derecognised through the disposal of the subsidiary, ZONE Resources Limited, on 28 February 2015.

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

## 21. SHARE CAPITAL

### Authorised and issued share capital

	2015		2014	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each				
<b>Authorised:</b>				
As at 1 January and <b>31 December</b>	<b>12,000,000,000</b>	<b>120,000</b>	12,000,000,000	120,000
<b>Issued and fully paid:</b>				
As at 1 January	<b>521,000,000</b>	<b>5,210</b>	521,000,000	5,210
Shares issued upon placing in May 2015 (a)	<b>104,200,000</b>	<b>1,042</b>	–	–
Shares issued upon placing in October 2015 (b)	<b>104,200,000</b>	<b>1,042</b>	–	–
<b>As at 31 December</b>	<b>729,400,000</b>	<b>7,294</b>	521,000,000	5,210

(a) On 27 May 2015, the Company allotted and issued an aggregate of 104,200,000 ordinary shares of HK\$0.01 each for cash to six independent investors at a placing price of HK\$0.69 per share under the general mandate granted by the shareholders at the annual general meeting of the Company held on 15 May 2014. The net proceeds of about HK\$69,942,000 were used to finance the Group's possible mergers and acquisitions and investments. The closing market price of the Company's shares as at issue date was HK\$0.95.

(b) On 9 October 2015, the Company allotted and issued an aggregate of 104,200,000 ordinary shares of HK\$0.01 each for cash to six independent investors at a placing price of HK\$0.52 per share under the general mandate granted by the shareholders at the annual general meeting of the Company held on 20 May 2015. The net proceeds of about HK\$52,679,000 were used to finance the Group's possible mergers and acquisitions and investments. The closing market price of the Company's shares as at issue date was HK\$0.67.

All shares issued during the year rank pari passu with the existing shares in all respects.



## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2015

**22. RESERVES**

	Attributable to equity holders of the Company					Accumulated profits / (losses) HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share premium HK\$'000	Exchange reserve HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000				
As at 1 January 2014	67,093	3,143	25	2,077	83,489	22,316	178,143	(5,003)	173,140
Loss for the year	-	-	-	-	-	(71,011)	(71,011)	(2,649)	(73,660)
Other comprehensive loss for the year									
<i>Item that may be subsequently reclassified to profit or loss:</i>									
Exchange differences on translation of foreign subsidiaries and joint ventures	-	(729)	-	-	-	-	(729)	-	(729)
Total comprehensive loss for the year	-	(729)	-	-	-	(71,011)	(71,740)	(2,649)	(74,389)
As at 31 December 2014	67,093	2,414	25	2,077	83,489	(48,695)	106,403	(7,652)	98,751
Profit for the year	-	-	-	-	-	3,882	3,882	(2,679)	1,203
Other comprehensive (loss) / income for the year									
<i>Item that may be subsequently reclassified to profit or loss:</i>									
Exchange differences on translation of foreign subsidiaries	-	(915)	-	-	-	-	(915)	-	(915)
Total comprehensive (loss) / income for the year	-	(915)	-	-	-	3,882	2,967	(2,679)	288
Transactions with equity holders of the Company									
<i>Contributions and distributions:</i>									
Shares issued upon placing in May 2015 (note 21 (a))	68,900	-	-	-	-	-	68,900	-	68,900
Shares issued upon placing in October 2015 (note 21 (b))	51,637	-	-	-	-	-	51,637	-	51,637
<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	120,537	1,218	-	-	-	-	121,755	-	121,755
<b>As at 31 December 2015</b>	<b>187,630</b>	<b>2,717</b>	<b>25</b>	<b>2,077</b>	<b>83,489</b>	<b>(44,813)</b>	<b>231,125</b>	<b>(10,331)</b>	<b>220,794</b>

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

**Share premium**

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

**Exchange reserve**

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

## 22. RESERVES (continued)

### Capital reserve

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

### Contributed surplus

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

- (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

As at 31 December 2015 and 2014, there were no reserves available for distribution to the equity holders of the Company.

## 23. CASH USED IN OPERATIONS

	2015 HK\$'000	2014 HK\$'000
Profit / (Loss) before taxation	1,110	(73,958)
Interest income	(31)	(183)
Interest expenses	135	1,474
Depreciation of property, plant and equipment	2,784	2,291
Net decrease in fair value of financial assets at fair value through profit or loss	6,859	–
Amortisation of intangible assets	1,904	2,066
Share of results of joint ventures	–	48,231
Exchange differences	(49)	(97)
Gain on disposal of subsidiaries classified as held for sale	(44,808)	–
Gain on disposal of property, plant and equipment	(3,967)	(15)
Loss on disposal of a subsidiary	67	–
Allowance for doubtful debts	110	220
Write-off of inventories	–	432
Changes in working capital:		
Inventories	–	415
Financial assets at fair value through profit or loss	(57,913)	–
Trade and other receivables	(14,626)	296
Trade and other payables	5,818	785
<b>Cash used in operations</b>	<b>(102,607)</b>	<b>(18,043)</b>

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2015

**24. DISPOSAL OF SUBSIDIARIES CLASSIFIED AS HELD FOR SALE**

On 4 November 2014, an indirect wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement for the sale 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, a former Director who resigned on 10 February 2015, for a cash consideration of HK\$130,000,000 (the "Disposal"). The Disposal was approved by the shareholders of the Company at a special general meeting held on 16 December 2014. Accordingly, the assets and liabilities of the Disposal Group as at 31 December 2014 were presented as assets and liabilities classified as held for sale in the consolidated statement of financial position as at 31 December 2014. A deposit of HK\$26,000,000 was received.

The major classes of assets and liabilities of the Disposal Group classified as held for sale measured at the lower of carrying amounts and fair values less costs to sell as at 31 December 2014 are as follows:

	<i>HK\$'000</i>
Interests in joint ventures	122,174
Trade and other receivables	1,768
Cash and bank balances	597
<b>Assets classified as held for sale</b>	<b>124,539</b>
Trade and other payables	3,016
Loan from a related company	38,750
<b>Liabilities associated with assets classified as held for sale</b>	<b>41,766</b>

## 24. DISPOSAL OF SUBSIDIARIES CLASSIFIED AS HELD FOR SALE *(continued)*

On 22 January 2015, the Disposal was completed and details of the Disposal are set out as follows:

	<i>HK\$'000</i>
<b>Net asset disposed of:</b>	
Interests in joint ventures	122,174
Trade and other receivables	1,768
Cash and bank balances	595
<b>Assets classified as held for sale</b>	<b>124,537</b>
Trade and other payables	(3,073)
Loan from a related company	(38,750)
<b>Liabilities associated with assets classified as held for sale</b>	<b>(41,823)</b>
<b>Net asset value of the Disposal Group as at 22 January 2015</b>	<b>82,714</b>
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
<b>Consideration, satisfied by cash</b>	<b>130,000</b>

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

	<i>HK\$'000</i>
Cash consideration	130,000
Deposit received in previous year	(26,000)
Cash and cash equivalents disposed	(595)
<b>Net inflow of cash and cash equivalents</b>	<b>103,405</b>

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2015

**25. DISPOSAL OF A SUBSIDIARY**

On 28 February 2015, the Group disposed of its interest in ZONE Resources Limited to an independent third party at an aggregate cash consideration of HK\$2. The details are as follows:

	<i>HK\$'000</i>
<b>Net assets disposed of:</b>	
Deposits, prepayment and other receivables	7,823
Cash and bank balances	18
Loan from a related company	(7,750)
Other payable	(24)
<b>Net asset value upon disposal</b>	<b>67</b>
Loss on disposal of a subsidiary	(67)
<b>Consideration, satisfied by cash</b>	<b>–</b>

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

	<i>HK\$'000</i>
Cash consideration	–
Cash and cash equivalents disposed	(18)
<b>Net inflow of cash and cash equivalents</b>	<b>(18)</b>

**26. RELATED PARTY AND CONNECTED TRANSACTIONS**

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Nature of transactions</b>		
Management fee income from a joint venture	–	388
Interest expenses on loan from a related company	<b>104</b>	598

## 26. RELATED PARTY AND CONNECTED TRANSACTIONS *(continued)*

	2015 HK\$'000	2014 HK\$'000
<b>Outstanding balances</b>		
Amount 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 companies which have common directors.

The above transactions do not fall under the definition of connected transactions or continuing connected transactions under the Listing Rules.

## 27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

### Price risk

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

The sensitivity analysis has been determined based on the exposure to price risk. At the end of the reporting period, if the market price had been 16% (2014: Nil) higher / lower while all other variables were held constant, the Group's net profit would be increased / decreased by HK\$8,169,000 (2014: Nil) due to change in the fair value of financial assets at fair value through profit or loss.

### Currency risk

Since most of the Group's assets and liabilities are denominated in Hong Kong dollars, the Group considers there are no significant exposures to foreign exchange fluctuations. Moreover, certain revenue and payments of the Group are denominated in 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.

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2015

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

**Liquidity risk**

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

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

	On demand <i>HK\$'000</i>	Less than 3 months <i>HK\$'000</i>	3 to 12 months <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>As at 31 December 2015</b>				
Trade and other payables	16,099	4,185	156	20,440
Bank guarantee commitments	629	–	–	629
	<b>16,728</b>	<b>4,185</b>	<b>156</b>	<b>21,069</b>
<b>As at 31 December 2014</b>				
Bank and other borrowings	–	490	9,174	9,664
Trade and other payables	29,140	10,029	885	40,054
Bank guarantee commitments	656	–	–	656
	29,796	10,519	10,059	50,374

## 28. FAIR VALUE MEASUREMENTS

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

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

### (i) Assets measured at fair value

	Level 1	
	2015 HK\$'000	2014 HK\$'000
<b>Financial assets at fair value through profit or loss</b>		
Equity investments listed in Hong Kong	51,054	–

During the years ended 31 December 2015 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

### (ii) Financial assets and liabilities not measured at fair value

The carrying amounts of the financial assets and liabilities of the Group carried amounts at other than their fair values are not materially different from their fair values as at 31 December 2015 and 2014.



## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2015

**29. 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 2015 and 2014.

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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade and other payables	<b>(23,824)</b>	(17,436)
Bank and other borrowings	–	(9,635)
Less: Cash and bank balances	<b>94,116</b>	42,087
Cash held by a security broker	<b>26,817</b>	–
Pledged bank deposits	<b>1,427</b>	1,504
Net surplus	<b>98,536</b>	16,520
Total equity	<b>228,088</b>	103,961
<b>Net debt-to-equity ratio</b>	<b>N / A</b>	N / A

**30. COMMITMENTS AND CONTINGENCIES**

## Capital expenditure commitments

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Contracted but not provided net of deposits paid for acquisition of		
– leasehold improvement	<b>1,495</b>	–
– software	<b>300</b>	–
	<b>1,795</b>	–

### 30. COMMITMENTS AND CONTINGENCIES *(continued)*

#### 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:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within one year	<b>22,562</b>	6,469
In the second to fifth year inclusive	<b>34,657</b>	8,298
	<b>57,219</b>	14,767

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.

### 31. 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 financial assets at fair value through profit or loss, cash held by a security broker and cash and bank balances. All liabilities are allocated to reportable segments other than corporate liabilities.

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2015

**31. 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 2015

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

Inter-segment sales are charged at prevailing market prices.

### 31. SEGMENTAL INFORMATION *(continued)*

#### (a) By business segments *(continued)*

Year ended 31 December 2015

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

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2015

**31. SEGMENTAL INFORMATION** (continued)

## (a) By business segments (continued)

## Year ended 31 December 2014

	Tele- communication services <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Revenue</b>				
External sales	74,018	1,453	–	75,471
Inter-segment sales	288	–	(288)	–
	74,306	1,453	(288)	75,471
<b>Results</b>				
Segment results	(243)	(5,577)	–	(5,820)
Finance costs	(1,474)	–	–	(1,474)
Share of results of joint ventures	(48,231)	–	–	(48,231)
	(49,948)	(5,577)	–	(55,525)
Other operating income and expenses				(18,433)
<b>Loss before taxation</b>				(73,958)

Inter-segment sales are charged at prevailing market prices.

### 31. SEGMENTAL INFORMATION *(continued)*

#### (a) By business segments *(continued)*

Year ended 31 December 2014

	Tele- communication services <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Assets</b>			
– Reportable segments	164,607	5,878	170,485
– Unallocated assets			29,444
			199,929
<b>Liabilities</b>			
– Reportable segments	(66,768)	(2,597)	(69,365)
– Unallocated liabilities			(26,603)
			(95,968)
<b>Other information</b>			
Capital expenditures			
– Reportable segments	1,981	131	2,112
– Unallocated assets			211
			2,323
Interest income			
– Reportable segments	4	–	4
– Unallocated income			179
			183
Amortisation and depreciation			
– Reportable segments	(3,987)	(255)	(4,242)
– Unallocated expenses			(115)
			(4,357)
Non-cash items other than amortisation and depreciation			
– Reportable segments	(652)	–	(652)

#### (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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2015

## 32. EVENTS AFTER THE REPORTING PERIOD

- (a) On 20 July 2015, the Company entered into a term sheet to make investment in Enraytek Optoelectronics Co., Ltd. As at 31 December 2015, the Group paid RMB12,500,000 (equivalent to HK\$15,625,000) as a refundable deposit.

As no further definitive agreement was entered into by 31 December 2015, the term sheet lapsed accordingly. The deposit was refunded to the Company on 3 February 2016.

- (b) On 11 November 2015, China Portal, a subsidiary of the Company, entered into two conditional sale and purchase agreements in regards to the investment of Konka Green Lighting Co., Ltd. As at 31 December 2015, the Group paid RMB12,500,000 (equivalent to HK\$15,625,000) as refundable deposit.

As certain conditions in relation to the sale and purchase agreements had not been satisfied or waived by 31 January 2016, the two sale and purchase agreements lapsed on 31 January 2016. The deposits were refunded to China Portal on 5 February 2016.

- (c) On 19 February 2016, the Group completed the First Tranche Investment with a subscription for new ordinary share capital of Thunder Power Hong Kong Limited ("TPHK") for USD1 million and is now interested in 0.20% of the enlarged issued shares of TPHK. Pursuant to the Term Sheet, the Company and / or its designee(s) will have an option to invest for USD50 million to USD55 million in the Second Tranche Investment and will also have an option to invest for USD45 million in the Third Tranche Investment. For details, please refer to the announcement dated 15 February 2016. The Company intends to settle the consideration for the remaining tranche investments in cash using the internal resources and / or financing of the Group.

The Company and / or its designee(s) may or may not proceed the Second Tranche Investment and the Third Tranche Investment. Such investment would be accounted for as available-for-sale investments of the Group.

### 33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

<i>Notes</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Non-current assets</b>		
Property, plant and equipment	<b>6,268</b>	210
Interests in subsidiaries	<b>87,000</b>	–
	<b>93,268</b>	210
<b>Current assets</b>		
Other receivables	<b>46,936</b>	794
Pledged bank deposits	<b>278</b>	278
Cash and bank balances	<b>29,548</b>	27,976
	<b>76,762</b>	29,048
<b>Current liability</b>		
Trade and other payables	<b>71,850</b>	26,753
<b>Net current assets</b>	<b>4,912</b>	2,295
<b>NET ASSETS</b>	<b>98,180</b>	2,505
<b>Capital and reserves</b>		
Share capital	<b>7,294</b>	5,210
Reserves	<b>90,886</b>	(2,705)
<b>TOTAL EQUITY</b>	<b>98,180</b>	2,505

*Approved and authorised for issue by the Board of Directors on 30 March 2016 and signed on behalf by*

**Yeung Chun Wai Anthony**  
*Director*

**Yeung Chun Sing Standly**  
*Director*



## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2015

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

## (a) Movements of the reserves

	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated profits / (losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2014	67,093	25	83,489	23,233	173,840
Loss for the year and other comprehensive loss for the year	–	–	–	(176,545)	(176,545)
As at 31 December 2014	67,093	25	83,489	(153,312)	(2,705)
Loss for the year and other comprehensive loss for the year	–	–	–	(26,946)	(26,946)
Transaction with equity holders of the Company					
<i>Contributions and distributions:</i>					
Shares issued upon placing in May 2015 ( <i>note 21(a)</i> )	68,900	–	–	–	68,900
Shares issued upon placing in October 2015 ( <i>note 21(b)</i> )	51,637	–	–	–	51,637
<b>As at 31 December 2015</b>	<b>187,630</b>	<b>25</b>	<b>83,489</b>	<b>(180,258)</b>	<b>90,886</b>

## Summary of Results, Assets and Liabilities of the Group

	Results of the Group for the five years ended 31 December				
	Continued and discontinued operations				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
				(Restated)	(Restated)
<b>Revenue</b>	<b>70,115</b>	75,471	77,345	79,176	288,919
<b>Profit / (Loss) before taxation</b>	<b>1,110</b>	(73,958)	(33,286)	(552)	38,124
<b>Taxation credit / (charges)</b>	<b>93</b>	298	(1,305)	(13,203)	(22,057)
<b>Profit / (Loss) for the year</b>	<b>1,203</b>	(73,660)	(34,591)	(13,755)	16,067
	<b>HK cents</b>	HK cents	HK cents	HK cents	HK cents
<b>Earnings / (Loss) per share</b> Basic and diluted	<b>0.6</b>	(13.6)	(6.3)	(2.5)	3.2

	Assets and liabilities of the Group as at 31 December				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
					(Restated)
<b>Non-current assets</b>	<b>21,477</b>	17,398	151,708	163,612	153,377
<b>Current assets</b>	<b>231,452</b>	182,531	130,104	154,762	86,954
<b>Total assets</b>	<b>252,929</b>	199,929	281,812	318,374	240,331
<b>Non-current liabilities</b>	<b>1,017</b>	1,131	80,621	83,782	348
<b>Current liabilities</b>	<b>23,824</b>	94,837	22,841	21,070	14,390
<b>Total liabilities</b>	<b>24,841</b>	95,968	103,462	104,852	14,738
<b>Net assets</b>	<b>228,088</b>	103,961	178,350	213,522	225,593

## Shareholder Information

### ANNUAL GENERAL MEETING

The 2016 Annual General Meeting will be held at Suites 3401–3413, 34/F, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong on Friday, 13 May 2016 at 10:00 a.m. A notice of the Annual General Meeting is published on both the websites of Hong Kong Exchanges and Clearing Limited and the Company on 12 April 2016, and a copy thereof is printed on the circular to shareholders of the Company (the “Shareholders”) dated 12 April 2016 and despatched to Shareholders and other recipients together with this 2015 Annual Report.

### SHAREHOLDER ENQUIRIES

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

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

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

### INVESTOR RELATIONS

Enquiries may be directed to:

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

Telephone: +852 2807 8288  
Facsimile: +852 2807 8299  
Email: [investor@e-kong.com](mailto:investor@e-kong.com)

## CORPORATE COMMUNICATIONS

On 15 September 2003, the Company sent a letter to Shareholders to enable them to select, among others, to receive all future corporate communications of the Company in either the English language or the Chinese language or both languages. This 2015 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 2015 Annual Report in the language other than that he / she now receives upon request to the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. For further enquiries, please contact Tricor Secretaries Limited at telephone no. 2980 1333 or facsimile no. 2861 1465.

股東亦可向本公司之股份過戶登記處香港分處卓佳秘書商務有限公司（地址為香港皇后大道東183號合和中心22樓）索取此二零一五年年報之另一語言文本。如欲查詢更多資料，請聯絡卓佳秘書商務有限公司，電話號碼2980 1333或傳真號碼2861 1465。

This 2015 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](mailto:ekong524-ecom@hk.tricorglobal.com), a copy of which is printed at the end of this 2015 Annual Report and is available on the Company's website ([www.e-kong.com](http://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](mailto:ekong524-ecom@hk.tricorglobal.com).
4. A soft copy of this instruction slip is available on the Company's website.



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