We are together

e-KONG Group Limited

Stock Code: 524

Annual Report 2017

Contents

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Zhao Ruiyong *(Chairman)*
(appointed as Chairman and Executive Director with effect from 1 November 2017)
Li Bing *(Chief Executive Officer)*
(appointed as Executive Director with effect from 1 September 2017; appointed as Chief Executive Officer with effect from 1 November 2017)
Cheung Ka Heng Frankie *(Vice-Chairman)*
(appointed as Executive Director with effect from 1 September 2017; appointed as Vice-Chairman with effect from 1 November 2017)
Yeung Chun Sing Standly
Chan Chi Yuen
Wong Xiang Hong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Fung Chan Man Alex
Fung Wai Shing
(appointed with effect from 16 August 2017)
Zhao Guangming
(appointed with effect from 16 August 2017)
Huang Tao
(appointed with effect from 1 November 2017)

COMPANY SECRETARY

Liu Xiaoting
(resigned with effect from 18 May 2017)
Chan Yim
(appointed with effect from 18 May 2017; resigned with effect from 13 March 2018)

AUDITOR

Mazars CPA Limited

LEGAL ADVISERS

Conyers Dill & Pearman
King & Wood Mallesons

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1402, 14/F
Henley Building
No.5 Queen's Road Central
Central
Hong Kong

STOCK CODE

HKEX: 524

WEBSITE

www.e-kong.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

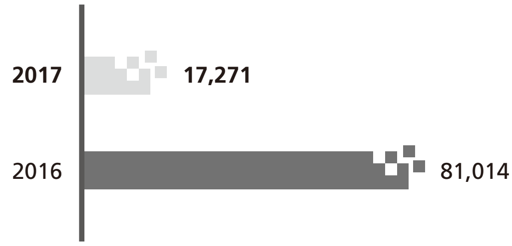
Tricor Secretaries Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

Financial Highlights

	2017 HK$'000	2016 HK$'000
Revenue	**71,675**	78,917
Loss for the Year	**(17,271)**	(81,014)
Net Assets	**208,331**	206,253
Cash and Bank Balances	**69,409**	45,239

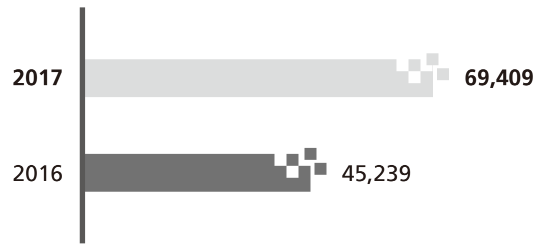
Revenue
(HK$'000)

Loss for the Year
(HK$'000)



Net Assets
(HK$'000)

Cash and Bank Balances
(HK$'000)



e-Kong Group currently has a portfolio of business interests in the telecommunication, information technology, financial solution, software development and distribution sectors in Hong Kong, Singapore and People's Republic of China (the "PRC") and is actively pursuing other opportunities that are complementary to its existing operations or have high growth potential, with ability to generate healthy cashflows and capabilities to maximise the Group's long-term value. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock Code: 524).

Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors") of e-Kong Group Limited (the "Company" together with its subsidiaries, the "Group"), I am pleased to present the Group's annual report for the year ended 31 December 2017.

During the year under review, the Group has been constantly reviewing its business portfolio and striving to strike a balance in deploying the Group's resources between maintaining its telecommunications and information technology business (the "Telecom Business") in Asia and seeking for new businesses and investments, aimed at diversifying the Group's business portfolio in order to enhance shareholders' value and maintain long-term sustainable growth.

As the Telecom Business has been facing intensified competitive pressure in the market, this business division has witnessed a decreasing trend over the years. In consideration of that, the Group has streamlined the business portfolio of the Telecom Business in Hong Kong by disposing of VoIP business segment in December 2017 and scaling down project-based business in fourth quarter of 2017, as well as outsourcing the voice telecommunications business. In addition, subsequent to the reporting period, the Group has also disposed of web-related businesses in Singapore. Proceeds from the above-mentioned disposals will be redistributed to finance the existing Telecom Business, notably wholesale voice telecommunications business segment, and pursue mobile telecom service opportunities.

The newly acquired financial payment processing solution, software development services and distribution business (the "IT and Distribution Business") in China performed below expectation in 2017. In view of the increasingly challenging and uncertain business environment in the IT and Distribution Business, the Group has entered into a non-legally binding memorandum of understanding on 21 March 2018, proposing to dispose this business. This possible divesting of the IT and Distribution Business will help strengthen our balance sheet and liquidity positions.

Going forward, the Group will strive to expand its wholesale voice telecommunications and/or channel-driven services distribution business segment(s) so as to maintain a comparable level of business activities of the Telecom Business as in 2017. The Group will also strive to diversify its business portfolio by engaging in new opportunities brought by our new substantial shareholder, Great Wall Film & Culture Company Group Limited* (長城影視文化企業集團有限公司) ("The Great Wall Film & Culture Company Group"), such as the development of characteristic towns and related industries in Mainland China. In addition, the Board also hopes to seize the investment opportunities arising from the Belt and Road Initiative. The Board is optimistic that in a long view, business diversification will enhance shareholder value and contribute sustainable growth.

Subsequent to the reporting period, in February 2018, the Group has established a company with The Great Wall Film & Culture Company Group to engage in the development and operation of the characteristic town, real estate and cultural tourism in Wusu, Xinjiang Autonomous Region, the PRC. The Board has put forward a proposal to the shareholders of the Company for the change of the Company name to"Great Wall Belt & Road Holdings Limited" to better reflect the business development of the Group and create a new corporate image.

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.

* *For identification purpose only*

Zhao Ruiyong
Chairman

28 March 2018

Business Review

OVERALL REVIEW

Over the past decade, the Group has been focusing on the Telecom Business. On the other hand, the Group has also been actively pursuing other opportunities that are complementary to its existing operations or have high growth potential, with ability to generate healthy cashflows and capabilities to maximise the Group's long-term value. In June 2016, the Group acquired a company, which owns a subsidiary that operates the IT and Distribution Business.

During the year under review, as a result of the net effect of our process of streamlining the Telecom Business and the impact of the newly acquired IT and Distribution Business, the Group's revenue decreased by 9.1% to approximately HK$71.7 million compared to approximately HK$78.9 million for the prior year, and the overall gross margin of the Group (as a percentage of its revenue) dropped to 54.7% compared to 55.7% for the prior year. Loss from operations for the year was approximately HK$60.9 million, representing an increase of 6.8%, compared to loss of approximately HK$57.0 million for the previous year.

Loss attributable to equity holders of the Company of approximately HK$15.7 million was recorded for the year as compared with approximately HK$79.3 million for the prior year. Huge improvement in loss position was mainly due to the net effect of (1) a significant net increase in fair value of financial assets at fair value through profit or loss held at the end of 2017 amounting to approximately HK$76.7 million as a result of holding of certain shares of SingAsia Holdings Limited (whose issued shares are listed on GEM of the Stock Exchange) as at 31 December 2017; and (2) an impairment loss on goodwill in the IT and Distribution Business amounting to approximately HK$21.0 million.

TELECOM BUSINESS *(TELECOMMUNICATION AND INFORMATION TECHNOLOGY BUSINESS)*

Total revenue recorded by the Telecom Business, which comprises the Group's telecom-related service operations in Hong Kong and Singapore and remains as the Group's major revenue contributor in 2017, is approximately HK$46.7 million, representing a 20.2% decrease compared to approximately HK$58.5 million for the prior year. In view of the intensified competitive pressure in the market, the Telecom Business has been challenging and the revenue generated from this business division has witnessed a decreasing trend over the years. As such, the Group has been exploring different avenues to streamline the business portfolio of the Telecom Business so as to enhance its return.

Amongst various segments of the Telecom Business, the performance of VoIP and project-based business segments in Hong Kong has been hampered by the level of fixed overheads incurred and the practical difficulty in growing the business volume despite of it being recognised for offering a high service level and much efforts having been made. As such, the Group has disposed of, among others, the subsisting customer contracts under the said VoIP business segment and associated customer records in December 2017 and has been scaling down its project-based business since the fourth quarter of 2017. Following the disposal described above, the Group will continue to carry on its voice telecommunications business in Hong Kong while further reducing its fixed overheads (both in absolute numbers and relative to the revenue) by way of outsourcing arrangements, and will expand its wholesale voice telecommunications and/or channel-driven service distribution business segment(s). Such business segment(s) can mainly be operated through technology automation and therefore it is expected to require less fixed overheads.

In addition, the web-related business in Singapore is difficult to scale up by way of organic growth although it may serve as supplements to the Telecom Business being carried on by the Group's subsidiary in Singapore. As disclosed in the announcement of the Company on 7 March 2018, subsequent to the reporting period, the Group has entered into a legally-binding agreement with an independent third party in relation to the disposal of a wholly-owned subsidiary of the Company which operates web-related businesses in Singapore. The Group expects to deploy proceeds of such disposal to finance the existing business segments of the Telecom Business and to diversify the revenue contribution of the Telecom Business by way of developing its other business segments, including growing its wholesale voice telecommunications business segment, and pursuing mobile telecom service opportunities through collaborating with other market players. This disposal was completed on 22 March 2018.

TELECOM BUSINESS *(TELECOMMUNICATION AND INFORMATION TECHNOLOGY BUSINESS)* *(continued)*

The aforesaid measures are part of the overall strategies of the Group in streamlining its business portfolio of the Telecom Business and allocating appropriate resources between different segments so as to maximise the return to the Group. As the result of the aforesaid measures, the remaining principal segments in the Telecom Business are (1) the voice telecommunication business in Hong Kong; and (2) the voice and information technology business in Singapore. In particular, the Group will strive to expand its wholesale voice telecommunications and/or channel-driven service distribution business segment(s) so as to maintain a comparable level of business activities of the Telecom Business as in 2017.

IT AND DISTRIBUTION BUSINESS *(FINANCIAL PAYMENT PROCESSING SOLUTION AND SOFTWARE DEVELOPMENT SERVICES, AND DISTRIBUTION BUSINESS)*

In June 2016, Stage Charm Limited ("Stage Charm", a wholly owned subsidiary of the Company) acquired (the "Previous Acquisition") from an independent third party the entire issued shares of an investment holding company which holds 90% equity interests of Hangzhou Susong Technology Company Limited* (杭州蘇頌科技有限公司) ("Hangzhou Susong"). Hangzhou Susong is engaged in the IT and Distribution Business. As at the date of this report, there is an outstanding consideration payable under the Previous Acquisition of approximately HK$37 million, which to be settled by Stage Charm on or before 30 June 2018 (the "Outstanding Consideration").

Total revenue from the IT and Distribution Business is approximately HK$22.7 million in 2017, which contributed 31.7% of the Group's revenue for the year and recorded an increase of 38.4% compared to approximately HK$16.4 million for the second half of 2016. Despite such increase in revenue, the performance of the IT and Distribution Business has actually dropped in 2017, which was mainly due to the increasingly stricter regulations on financial payment processing solution services which resulted in an adverse impact on Hangzhou Susong when retaining existing customers and exploring business opportunities with new customers in relation to the overall IT and Distribution Business. The performance of the IT and Distribution Business has been falling short of our expectation as originally contemplated at the time of acquisition of such business in 2016. In view of the increasingly challenging and uncertain business environment in the IT and Distribution Business, the Group has considered reviewing the prospects of this business segment and exploring various alternatives in relation to the IT and Distribution Business. The Group has appointed independent professional valuers to perform an appraisal of its value in use as at 31 December 2017. In light of the keen competition, increase in labour cost and the actual growth of revenue in 2017 being lower than our expectation in year 2016, the value in use of the IT and Distribution Business dropped as compared with 2016, goodwill of this business was impaired by approximately HK$21.0 million this year accordingly.

As disclosed in the Company's announcement dated 21 March 2018, the Company has entered into a non-legally binding memorandum of understanding with an independent third party in relation to potential disposal of entire equity interest in Stage Charm. The Group considers that, in addition to alleviating its financial burden in respect of the unsettled Outstanding Consideration and supporting the working capital used in the IT and Distribution Business, the potential disposal is an opportunity to divest the IT and Distribution Business to enable the Group's capital resources to be utilised in an efficient manner to support the Group's business plan and/or to explore potential new investment and business opportunities that may arise in the future.

OTHER BUSINESS

As disclosed in the announcement of the Company on 24 August 2017, the Group's shareholding interests in Relevant Marketing Group Limited and its subsidiaries, which is principally engaged in the business of marketing and distribution of insurance-related products in conjunction with its network partners, has reduced to 37.59%. Following the dilution of the Group's shareholding, such business is no longer be a focus of the Group's development in the foreseeable future.

* *For identification purpose only*

OUTLOOK

Looking ahead, the Group will carry on its journey in finding a delicate balance in deploying its resources between maintaining the Telecom Business to be sustainable and relevant in the competitive market, and building its new businesses and investments. Possible divesting of the IT and Distribution Business will strengthen our balance sheet and liquidity positions.

Moreover, the Board hopes to leverage the resources of its new substantial shareholder, The Great Wall Film & Culture Company Group, to engage in new projects and explore fresh opportunities in the future development of the Group, such as the opportunities of characteristic towns and the related industries in the PRC.

Subsequent to the reporting period, in February 2018, the Group has established a company named "Wusu Silk Road Small Towns Cultural Tourism Company Limited* (烏蘇絲路小鎮文旅有限公司)" with The Great Wall Film & Culture Company Group to engage in the development and operation of the characteristic town, real estate and cultural tourism in Wusu, Xinjiang Autonomous Region, the PRC.

Furthermore, the Board hopes to keep in line with the national strategy, especially under the direction of the Belt and Road Initiative that the construction of infrastructure and urbanisation of more regions will further speed up, leading to faster growth of both the economy and industries of more regions. Therefore, the Board hopes to fully seize the investment opportunities brought by the economic areas under the Belt and Road Initiative.

Subsequent to the reporting period, in February 2018, the Board has put forward a proposal to the shareholders to change the English name of the Company from "e-Kong Group Limited" to "Great Wall Belt & Road Holdings Limited", and to adopt the Chinese name "長城一帶一路控股有限公司". The proposed new name will better reflect the business development of the Group and will create a new corporate image. A special general meeting of the Company will be held on 6 April 2018.

Through actively pursuing other investment opportunities to improve business performance, increase operational efficiency and realise business synergy, sustainable and steady business growth can be achieved and a more promising return can be offered to the Group and its shareholders as a whole.

* *For identification purpose only*

TURNOVER AND RESULTS

The Group revenue for the year amounted to approximately HK$71.7 million, representing an decrease of 9.1% compared to the prior year, mainly due to the decrease in revenue from the Telecom Business.

The overall gross margin of the Group was 54.7%, compared to 55.7% for the prior year. The gross profit for the year decreased by 10.8% to approximately HK$39.2 million, compared to approximately HK$43.9 million for the previous year.

Total operating expenses of the Group amounted to approximately HK$109.6 million, compared to approximately HK$113.5 million in the previous year.

The operating loss of the Group amounted to approximately HK$60.9 million, as compared to a loss of approximately HK$57.0 million for the previous year.

The consolidated loss attributable to the equity holders of the Company amounts to approximately HK$15.7 million, as compared to a loss of approximately HK$79.3 million for the previous year.

CIRCUMSTANCES LEADING TO THE IMPAIRMENT LOSS OF HANGZHOU SUSONG (THE "IMPAIRMENT")

During the first half of 2017, Hangzhou Susong was in the negotiation process regarding possible cooperation with two potential material clients on financial payment processing solution and software development. At the same time, Hangzhou Susong had been leveraging on the existing resources to identify small to medium client and was able to maintain steady income in financial payment processing solution and software development. Therefore, during the first half of 2017, the overall business condition of Hangzhou Susong remained stable. In the second half of 2017, although the cooperation with the said two potential material clients did not materialize, Hangzhou Susong was still able to maintain stable cooperation with other small to medium clients in financial payment processing solution and software development.

However, in the second half of 2017, the increasing stringent regulations on financial payment processing solutions promulgated by the PRC government had created negative impact on Hangzhou Susong in retaining existing clients and developing new clients in the overall IT and Distribution Business. Therefore, the revenue of Hangzhou Susong for the second half of 2017 had decreased as compared with the same period of 2016. As disclosed in the business update announcement of the Company dated 10 December 2017, the business of Hangzhou Susong has been falling short of the Directors' expectation as originally contemplated by the Directors at the time of acquisition. As such, the Company had appointed an independent valuer to perform an appraisal of the value in use of Hangzhou Susong as at 31 December 2017 which had made a downward adjustment on the expected growth rate of Hangzhou Susong as a result of the impact of the government policies on the effectiveness of the original business model of Hangzhou Susong, resulting in the impairment of approximately HK$21 million in 2017.

CIRCUMSTANCES LEADING TO THE IMPAIRMENT LOSS OF HANGZHOU SUSONG (THE "IMPAIRMENT") *(continued)*

In this connection, the table below sets out the valuation method, major assumptions and details of the value of inputs used in the valuation for performing the impairment assessment:

	Valuation performed for impairment assessment
Date of valuation	31 December 2017
Valuation target	Hangzhou Susong Science and Technology Company Limited
Valuation methodology	Discounted cash flow, income approach
Major assumptions	(i) CAGR of 14.2% from 2018 to 2022
	(ii) Gross margins range from 68% to 82% during the forecast period between 2018 and 2022
	(iii) EBIT margins range from 56% to 72% day the forecast period between 2018 and 2022
	(iv) Corporate tax rate: 25%
	(v) Terminal growth: 3%
Discount rate	22%

DUE DILIGENCE PROCEDURES PERFORMED FOR THE ACQUISITION OF HANGZHOU SUSONG

The Company wishes to supplement that the Company had performed the following due diligence procedures in entering into the acquisition of Hangzhou Susong:

(i) the Company had engaged a PRC lawyer to issue the general and property due diligence reports for Hangzhou Susong and the Company had reviewed the said reports. The said due diligence reports provide, among others, that:

  (a) the shareholding structure of Hangzhou Susong did not involve any circumstances which involve the violation of the mandatory provisions of the laws and regulations of the PRC;

  (b) during the period from 1 January 2014 to 20 June 2016, Hangzhou Susong did not have any non-compliance record for taxation affairs;

(ii) the Company had engaged an independent auditor to issue a financial and taxation health check report (財務及稅務健康檢查報告) for the year ended 31 March 2013 and 2014, which provides, among others, analysis on the reasonableness of the financial statement, providing recommendation on internal control process and analysis on compliance with taxation matters of Hangzhou Susong; and

(iii) the Company had engaged an independent auditor to conduct audit on the financial statements of Hangzhou Susong for the year ended 31 December 2015.

DUE DILIGENCE PROCEDURES PERFORMED FOR THE ACQUISITION OF HANGZHOU SUSONG *(continued)*

As stated above, before the entering of the acquisition, the Company had engaged PRC lawyers to conduct PRC legal due diligence on Hangzhou Susong and independent auditor to conduct financial health check and audit on the financial statements of Hangzhou Susong to obtain an understanding on the background, business and financial affairs of Hangzhou Susong. Upon review of the relevant due diligence reports issued by the PRC lawyers and the auditor, at the time of the acquisition, no affairs was brought to the attention of the Company which would suggest that the Impairment was likely. The Company considered that the aforesaid due diligence procedures represent the procedures which are ordinarily expected for transaction of this nature and are therefore sufficient and reasonable for the acquisition.

Further, as disclosed above, the Impairment was mainly caused by the deteriorating financial performance of Hangzhou Susong in the second half of 2017 as a result of the increasing stringent regulations on financial payment processing solutions promulgated by the PRC government, which was beyond the expectation and knowledge of the directors of the Company at the time of acquisition. In view of the above factors, the Company considers that the Directors had conducted the necessary due diligence procedures ordinarily expected for transaction of this nature and fulfilled their fiduciary duties and duties of skill, care and diligence to act in good faith in the interests of the Company and its shareholders as a whole despite the Impairment.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCING

As at 31 December 2017, the net assets of the Group amounted to approximately HK$208.3 million compared to approximately HK$206.3 million as at 31 December 2016, equivalent to a net asset value per share of approximately HK$0.238 as at 31 December 2017 (2016: approximately HK$0.236).

Capital expenditures for the year amounted to approximately HK$0.5 million compared to approximately HK$9.3 million mainly due to our process streamlining the Telecom Business.

Cash and bank balances together with cash held by a securities broker (excluding pledged bank deposits) amounted to approximately HK$69.4 million as at 31 December 2017 (2016: approximately HK$48.5 million). On the same date, total pledged bank deposits amounted to approximately HK$1.3 million (2016: approximately HK$1.4 million). Bank guarantees of approximately HK$1.3 million (2016: approximately HK$1.4 million) were issued to suppliers for operation requirements.

As at 31 December 2017, the Group had no bank or other borrowings (2016: Nil). As at 31 December 2017, the Group had total obligations under finance leases amounting to approximately HK$130,000 (2016: approximately HK$200,000).

As at 31 December 2017, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets was 0.1% (2016: 0.1%).

FOREIGN EXCHANGE EXPOSURE

Since most of the Group's assets and liabilities are denominated in Hong Kong dollars, the Group considers there are no significant exposures to foreign exchange fluctuations. Moreover, certain revenue and payments of the Group are denominated in Singapore dollars and Renminbi. The Group continues to closely monitor the Singapore-Hong Kong dollar and Renminbi-Hong Kong dollar exchange rates and will, whenever appropriate, take appropriate action to mitigate such exchange risks. As at 31 December 2017, no related currency hedges had been undertaken by the Group.

CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 December 2017, the Company is involved in a dispute on certain of the proceeds from the disposal of a subsidiary in year 2015. The Group's management believes that the claim is without merit and the possibility of a significant loss arising from the dispute is remote and therefore no provision of the claims was considered necessary.

Other than the above, there were no material contingent liabilities or commitments.

SIGNIFICANT INVESTMENTS HELD AND PERFORMANCE

As at 31 December 2017, the Group held for trading investments in securities in Hong Kong (collectively, the "Investments") with a market value of approximately HK$102.0 million (31 December 2016: approximately HK$63.2 million), representing an investment portfolio of two (31 December 2016: seven) listed equities in Hong Kong. The Group's financial assets at fair value through profit or loss with decrease in fair value for those disposed of during the 2017 and increase in fair value for those held at the end of 2017 are approximately HK$9.0 million and approximately HK$76.7 million respectively, compared with decrease of approximately HK$8.9 million and decrease of approximately HK$14.5 million for 2016. The significant increase in fair value for those held at the end of 2017 is mainly contributed by the stock price increase of SingAsia Holdings Limited during 2017. The details of the Investments as at 31 December 2017 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	Fair value as at 1 January 2017 and additional investment cost during the year HK$'000	Fair value as at 31 December 2017 HK$'000	% of net assets	Principal activities
1	New Provenance Everlasting Holdings Ltd. (formerly known as BEP International Holdings Ltd.)	02326	1,000,000	0.01%	–	(294)	450	156	0.07%	Sourcing and sale of metal minerals and related industrial materials, production and sale of industrial products and utilities, sale of electrical and electronic consumer products, provision of logistics services.
2	SingAsia Holdings Ltd.	08293	5,700,000	2.28%	–	76,950	24,852	101,802	48.86%	Provide manpower outsourcing services, manpower recruitment services and manpower training services based in Singapore.
	Other equity disposed during the year									
	China Baoli Technologies Holdings Ltd.	00164			(951)					
	Sincere Watch (Hong Kong) Ltd.	00444			(350)					
	Noble Century Investment Holdings Ltd.	02322			(4,967)					
	Casablanca Group Ltd.	02223			(168)					
	Beijing Gas Blue Sky Holdings Ltd.	06828			(2,363)					
					(8,799)	76,656	25,302	101,958		
	Other fee and commission expenses				(196)					
					(8,995)					

SIGNIFICANT INVESTMENTS HELD AND PERFORMANCE *(continued)*

During the year, the Group had no receive dividend from the securities held (2016: approximately HK$0.1 million).

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

Board of Directors

Zhao Ruiyong, aged 62, is a Chinese national first-class writer. Mr. Zhao had been the chairman of the board of Great Wall Movie and Television Co., Ltd.* (長城影視股份有限公司) (the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 002071)), the station director of Zhuji Television Station* (諸暨電視臺), the director and the chief editor of the"East Sea*"(《東海》) magazine, the director and the chief editor of"Children's Story News* newspaper (《少兒故事報》), the director of Zhejiang Film and Television Institute* (浙江影視創作所), the chairman of the board of Zhuji Great Wall International Film & Culture Creative Park Limited* (諸暨長城國際影視創意園有限公司) and an executive director and the general manager of Chuzhou Great Wall International Animation Travel Idea Co. Ltd.* (滁州長城國際動漫旅遊創意園有限公司). Mr. Zhao is currently the director of the China Television Artists Association* (中國電視家協會), a member of the China Writers Association* (中國作家協會), the vice president of Zhejiang Television Artists Association* (浙江省電視家協會), a member of the presidium of Zhejiang Writers Association* (浙江省作家協會主席團). Mr. Zhao has deep understanding and extensive resources in the culture, film and television industry, and has rich experience in corporate strategy and development, investment and acquisition. Mr. Zhao is currently the chairman of the board of The Great Wall Film & Culture Company Group, the chairman of the board of Great Wall International ACG Co., Ltd.* (長城國際動漫遊戲股份有限公司) (the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 000835)), the chairman of the board of Hangzhou Tian-Mu-Shan Pharmaceutical Co., Ltd.* (杭州天目山藥業股份有限公司) (the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600671)), the chairman of the board of Zhejiang Qingpingguo Network Technology Co. Ltd.* (浙江青蘋果網絡科技有限公司), an executive director of Shijiazhuang New Great Wall International Film Studio Co., Ltd.* (石家莊新長城國際影視城有限公司), and an executive director and the general manager of Hangzhou Great Wall Animation Game Co. Ltd.* (杭州長城動漫遊戲有限公司).

Li Bing, aged 30, graduated from Chengdu University of Technology* (成都理工大學) with a Bachelor of Arts degree. Since 2016, Ms. Li has been involved in the integration of the industrial ecological chain of the film and television, animation, games, big health, advertising and tourism industries and has extensive experience in the areas of private equity, mergers and acquisitions, reorganisations and overseas acquisitions. Ms. Li has participated in several major acquisition and investment projects in the culture tourism and big health industries, and has also been involved in the establishment and management of several industry investment funds and project development.

Ms. Li is currently the vice president of The Great Wall Film & Culture Company Group, the sole director of Great Wall Belt & Road (HK) Limited ("Great Wall HK"), an executive director of Hangzhou Bingo Investment Management Co. Ltd.* (杭州賓果投資管理有限公司), the general manager of Xishuang Banna Great Wall Tourism Culture and Creativity Park Limited* (西雙版納長城旅遊文創園有限公司) and the representative of the executive managing director of Zhuji Great Wall Yingda Silk Road Equity Investment LLP* (諸暨長城英大絲綢之路股權投資合夥企業（有限合夥）), Zhuji Changrong Equity Investment LLP* (諸暨長融股權投資合夥企業（有限合夥）) and Zhuji Changqi Equity Investment LLP* (諸暨長祺股權投資合夥企業（有限合夥）).

Cheung Ka Heng Frankie, aged 45, is an Honorary General Committee Member of China Enterprise Reputation and Credibility Association (Overseas). From June 2002 to December 2015, Mr. Cheung was an executive director of Sau San Tong Holdings Limited (Stock Code: 8200) (the issued shares of which are listed on GEM of the Stock Exchange) which engages in the retail and beauty slimming service industry in the Greater China region. From October 2009 to November 2010, he was an executive director of Dingyi Group Investment Limited (formerly known as Chevalier Pacific Holdings Limited) (Stock Code: 508) (the issued shares of which are listed on the Main Board of the Stock Exchange) and was mainly responsible for merger and acquisitions. Besides, he was also a director of a credit data provider which engages in the compilation and assortment of credit data and acts as the external independent databank operational unit for its banking institutions clients in Hong Kong.

Mr. Cheung holds a master degree in business administration from Americus University of the United States and completed the "Global Executive Programme" in Guanghua School of Management, Peking University in 2014. He has accumulated over 15 years of experience in corporate finance and wealth management. With his credit facilities background and the experience accumulated throughout the years, Mr. Cheung has architected a vast channel for deal flow in the Greater China region. In the past, he had completed various fund raising transactions for various enterprises across the Greater China region, including project planning, debt financing and securities margin financing. He had also successfully spearheaded the initial establishment of corporate units of wealth management and corporate finance in Shanghai and Taiwan. Mr. Cheung possesses extensive experience in overseas investment and financing. In recent years, Mr. Cheung had assisted a British private equity fund in establishing operating divisions and developing investment and financing business in Hong Kong and the Middle East and Central Asian markets.

* *For identification purpose only*

Yeung Chun Sing Standly, aged 38, obtained a Postgraduate Diploma of Professional Accountancy in Lingnan University and a Bachelor Degree of Accounting & Banking in Chu Hai University. He is a student member of The Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Directors. Mr. Standly Yeung has extensive experience in financial management and corporate finance. Mr. Standly Yeung joined the Group in August 2015 and he is currently the head of the Finance department in the Group. Prior to joining the Group, he was the financial controller of Leyou Technologies Holdings Limited from June 2014 to July 2015 (Stock Code: 1089), the issued shares of which are listed on the Main Board of the Stock Exchange. He is currently an executive director of SingAsia Holdings Limited (Stock Code: 8293), the issued shares of which are listed on GEM of the Stock Exchange.

Chan Chi Yuen, aged 51, holds a bachelor's degree with honours in Business Administration and a Master of Science degree with distinction in Corporate Governance and Directorship. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and The Institute of Chartered Accountants in England and Wales. Mr. Chan is a practising certified public accountant and has extensive experience in financial management, corporate development, corporate finance and corporate governance.

Mr. Chan is currently an executive director of Noble Century Investment Holdings Limited (Stock Code: 2322), Royal Century Resources Holdings Limited (Stock Code: 8125) and an independent non-executive director of Asia Energy Logistics Group Limited (Stock Code: 351), China Baoli Technologies Holdings Limited (Stock Code:164), Leyou Technologies Holdings Limited (Stock Code:1089), Media Asia Group Holdings Limited (Stock Code: 8075), New Times Energy Corporation Limited (Stock Code:166) and Affluent Partners Holdings Limited (Stock Code: 1466). Mr. Chan was an executive director of South East Group Limited (now known as China Minsheng Drawin Technology Group Limited) from December 2013 to July 2015 (Stock Code: 726), Co-Prosperity Holdings Limited from December 2014 to October 2015 (Stock Code: 707) and an independent non-executive director of China Sandi Holdings Limited from September 2009 to July 2014 (Stock Code: 910), Jun Yang Financial Holdings Limited (Stock Code: 397) from January 2005 to October 2017 and U-RIGHT International Holdings Limited (now known as Fullsun International Holdings Group Co., Limited) (Stock Code: 627) from November 2010 to December 2017. The issued shares of all the aforesaid companies are listed and traded on the Stock Exchange.

Wong Xiang Hong, aged 47, 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 for building and managing 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 billion for clients in Asia including People's Republic of China, Parkson Retail, Hutchison Whampoa, Hongkong Land, Chinatrust Commercial Bank, Cathay United Banks, Wing Hang Bank and Bank of East Asia, Republic of Malaysia and Republic of the Philippines. Mr. Wong has also worked in the Financial Advisory Unit in Hong Kong advising clients in the telecom and power industry on debt restructuring during the Asian financial crisis. Prior to relocating to Hong Kong in 1999, he had been working with Global Mergers & Acquisitions and Global Syndicated Finance Group with J.P. Morgan in New York. He has worked on a number of U.S. domestic landmark merger and acquisition transactions in the power and utility sector totaling USD5 Billion and leveraged financing transaction in various industries. Mr. Wong joined J.P. Morgan in 1998 after graduating with an MBA degree with Dean's Honor from the University of Texas at Austin.

Fung Chan Man Alex, aged 55, obtained a Bachelor of Science (Hons) degree in Electrical Engineering from University of Bath (UK) in 1986 and subsequently an MBA degree from Heriot Watt University (UK). He has over 15 years of working experience in financial market and corporate finance activities in both Hong Kong and China. Mr. Fung serves as an independent non-executive director of Luxey International (Holdings) Limited (Stock Code: 8041), On Real International Holdings Limited (Stock Code: 8245) and i-Control Holdings Limited (Stock Code: 8355), companies listed in Hong Kong.

Fung Wai Shing, aged 48, graduated from University of London and The Hong Kong Polytechnic University with a bachelor's degree in banking and finance and MBA in finance respectively. He is an associate member of each of the Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants with over 20 years' experience in finance, auditing and accounting fields. Mr. Fung is the company secretary, chief finance officer and executive director of China Qinfa Group Limited (Stock Code: 866). He was the qualified accountant and company secretary of Ko Yo Chemical (Group) Limited (previous Stock Code: 8042, current Stock Code: 827) from February 2002 to December 2005. Mr. Fung was also an independent non-executive director of Evershine Group Holdings Limited (formerly known as TLT Lottotainment Group Limited) (Stock Code: 8022) from 12 August 2008 to 11 July 2012.

Zhao Guangming, aged 61, completed the researcher course in management engineering in Zhejiang University in 1997. He holds the qualification of Senior Professional Manager of Engineering Construction of China* (中國工程建設高級職業經理人) from China Association of Construction Enterprise Management* (中國施工企業管理協會), the qualification of senior economist from Zhejiang Office of Personnel* (浙江省人事廳) and the qualification of First Class Constructor* (一級建造師) from The Ministry of Construction and Development of The People's Republic of China* (中華人民共和國建設部). He had been the general manager of Zhejiang Zhuji Fifth Construction Works Company* (浙江省諸暨市第五建築工程公司) from 1987 to 2000. He then served as the chairman of the board of directors and the general manager of Zhejiang Jiyang Construction Group Company Limited* (浙江暨陽建設集團有限公司) from 2000 to 2015. Since September 2015, he has been the chairman of the board of directors of Zhejiang Gong Xiang Agricultural Development Company Limited* (浙江共向農業開發有限公司). Mr. Zhao Guangming had been the council member of Zhejiang Construction Industry Association* (浙江省建築業協會), the vice president of Zhuji Construction Industry Association* (諸暨市建築業協會) and the senior researcher of the Real Estate Research Centre of Zhejiang University* (浙江大學房地產研究中心).

Huang Tao, aged 39, graduated from Peking University with a Master Degree in Finance. Mr. Huang has 15 years of experience in entrepreneurial investment and capital operation and vast knowledge in entrepreneurial investment area and capital market. Mr. Huang, who is currently the general manager of Shenzhen Junyi Capital Company Limited* (深圳市駿毅資本有限公司) and has been the executive partner of Shenzhen Junyi Capital Management LLP* (深圳市駿毅資本管理企業(有限合夥)) since 2014, had participated and directed a series of mergers, acquisitions and reorganisation of listed companies and has completed more than ten cases regarding mergers and acquisitions and reorganisations of listed companies. He has vast project-related knowledge and a deep understanding of the capital market. Mr. Huang served for a well-known investment organisation in the PRC between 2007 and 2014, in which he directed and participated in the investment and management of funds in respect of Internet, environmental protection, agriculture, etc., and received substantial returns. Serving for a well-known private investment organisation principally engaged in industry research in the PRC between 2002 and 2007, he has accumulated deep understanding of the industry.

* *for identification purpose only*

Corporate Governance Report

INTRODUCTION

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

The Board, prior to 2005, established written corporate policies that provide a framework and guidelines for its members so they are able to perform their respective duties in an efficient and consistent manner, whereby corporate governance practices of the Company are strengthened 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 (the "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.

Except for the non-compliance and 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 2017, acting in compliance with code provisions of the Corporate Governance Code, and reporting and other requirements pursuant to Chapter 14 and 14A of the Listing Rules.

NON-COMPLIANCE WITH LISTING RULES

During the period between 14 December 2016 and 12 June 2017, e-Kong Pillars Holdings Limited (a wholly-owned subsidiary of the Company) ("e-Kong Pillars") sold an aggregate of 38,956,000 shares of various companies to Mr. Yeung Chun Wai Anthony ("Mr. Yeung") (the then executive Director) through a series of transactions at an aggregate consideration of HK$56,683,180 (the "Disposals").

During the period between 17 August 2015 and 5 October 2015, e-Kong Pillars bought an aggregate of 24,232,000 shares of various companies from Mr. Yeung through a series of transactions at an aggregate consideration of HK$37,067,120 (the "2015 Acquisitions").

On 22 March 2017, e-Kong Pillars acquired 2,000,000 shares of SingAsia Holdings Limited from Mr. Yeung at the aggregate consideration of HK$9,060,000 (the "SingAsia Acquisition", together with the 2015 Acquisitions, the "Acquisitions").

At the time of the Disposals and the Acquisitions, Mr. Yeung was a connected person of the Company and accordingly, the Acquisitions and the Disposals constituted connected transactions for the Company under Chapter 14A of the Listing Rules. As certain applicable percentage ratios (as defined under the Listing Rules) in respect of the 2015 Acquisitions and Disposals were higher than 5%, the 2015 Acquisitions and Disposals also constituted discloseable transactions under Chapter 14 of the Listing Rules and are subject to reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14 and 14A of the Listing Rules.

As a connected transaction with all percentage ratios under 5%, the SingAsia Acquisition is subject to the reporting and announcement requirements but is exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Due to an oversight, the 2015 Acquisitions, the SingAsia Acquisition and the Disposals were not disclosed by the Company in accordance with the Listing Rules, and the Company inadvertently breached Chapter 14 and Chapter 14A of the Listing Rules by failing to comply with the relevant reporting, announcement, circular or independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

For details of the background of the 2015 Acquisitions, the SingAsia Acquisition and the Disposals in relation to the above breach of the Listing Rules, please refer to the announcement of the Company dated 24 November 2017.

The Company takes the above incident seriously and is currently identifying and initiating various types sets of remedial action for modifying and improving the Company's internal control system to prevent the re-occurrence of similar incident. An external reviewer was engaged in this respect. The Company expect to complete this exercise in 2018. For details of the remedial action of the Company in relation to the above breach of the Listing Rules, please refer to the circular of the Company dated 11 December 2017.

SAME INDIVIDUAL AS THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF THE COMPANY

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, in which it is specified that the Chairman is responsible for providing leadership to and effective running of the Board, while the Chief Executive Officer is delegated with the authority and responsibility for overseeing the realisation of the budgets and objectives set by the Board.

The position of both Chairman and Chief Executive Officer had been held by Mr. Yeung from 1 January 2017 to 1 November 2017.

The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person enables corporate planning and directing execution of business plans and growth strategies to be more effective. However, the Board also from time to time re-assesses the possible negative impact on the Company arising from the deviation of code provision A.2.1 of the Corporate Governance Code.

With effect from 1 November 2017, Mr. Yeung resigned as the Chairman and the Chief Executive Officer and on the same day, Mr. Zhao Ruiyong was appointed as the Chairman and Ms. Li Bing was appointed as the Chief Executive officer. Following these appointments, the roles of the Chairman and the Chief Executive Officer are performed by different individuals and since then the Company has complied with the requirement of the code provision A.2.1 of the Corporate Governance Code.

INSUFFICIENT NUMBER OF INDEPENDENT NON-EXECUTIVE DIRECTORS

According to Rules 3.10(1) and 3.10A of the Listing Rules, the Board must include at least three independent non-executive Directors (the "INEDs") and it is required to appoint INEDs representing at least one-third of the Board. At least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise.

Pursuant to Rule 3.21 of the Listing Rules, the audit committee of the Company (the "Audit Committee") must comprise a minimum of three members, the majority of which must be INEDs. At least one of the members of the Audit Committee is an INED with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. The Audit Committee must be chaired by an INED.

Pursuant to Rule 3.25 of the Listing Rules, the remuneration committee of the Company (the "Remuneration Committee") must be chaired by an INED and be comprised of a majority of INEDs.

Pursuant to code provision A.5.1 of the Corporate Governance Code, the nomination committee of the Company (the "Nomination Committee") must comprise a majority of INEDs.

Immediately after the annual general meeting of the Company on 17 May 2017, each of Mr. Chan Chiu Hung Alex ("Mr. Alex Chan") and Mr. Chan Fong Kong Francis ("Mr. Francis Chan") were no longer an INED. Mr. Francis Chan ceased to be the chairman of the Audit Committee, and a member of both the Remuneration Committee and the Nomination Committee. Mr. Alex Chan also ceased to be a member of the Audit Committee. As a result, the Company fell below the requirement of Rules 3.10(1), 3.10(2), 3.10A, 3.21 and 3.25 of the Listing Rules, and code provision A.5.1 of the Corporate Governance Code.

The Company had made its best endeavours to identify suitable candidates to be appointed as additional INEDs in order to comply with the Listing Rules and the Corporate Governance Code. On 16 August 2017, Mr. Fung Wai Shing, who possesses the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules, was appointed as an INED and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee; Mr. Zhao Guangming was appointed as an INED and a member of the Audit Committee; and Mr. Fung Chan Man Alex, an existing INED, was appointed as the chairman of the Audit Committee. Following these appointments, the Company has fully complied with the requirement of Rules 3.10(1), 3.10(2), 3.10A, 3.21 and 3.25 of the Listing Rules, and code provision A.5.1 of the Corporate Governance Code.

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 [Note 1]:

EXECUTIVE DIRECTORS:

Zhao Ruiyong *(Chairman)* [Note 2]
Li Bing *(Chief Executive Officer)* [Note 3]
Cheung Ka Heng Frankie *(Vice-Chairman)* [Note 4]
Yeung Chun Sing Standly
Chan Chi Yuen
Wong Xiang Hong

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Fung Chan Man Alex
Fung Wai Shing [Note 5]
Zhao Guangming [Note 6]
Huang Tao [Note 7]

Note 1 Mr. Yeung Chun Wai Anthony ceased to be Chairman and Chief Executive Officer with effect from 1 November 2017, and ceased to be executive Director with effect from 23 November 2017; Mr. Chan Chiu Hung Alex and Mr. Chan Fong Kong Francis ceased to be INEDs with effect from 17 May 2017

Note 2 Appointed as Chairman and executive Director on 1 November 2017

Note 3 Appointed as executive Director on 1 September 2017, and appointed as Chief Executive Officer on 1 November 2017

Note 4 Appointed as executive Director on 1 September 2017, and appointed as Vice-Chairman on 1 November 2017

Note 5 Appointed as INED on 16 August 2017

Note 6 Appointed as INED on 16 August 2017

Note 7 Appointed as INED on 1 November 2017

The Chairman is responsible for, among other things, the followings:

- 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;
- considering whether to include the matters proposed by other Directors into the agenda for each Board meeting;
- 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 promoting the constructive relations between executive and non-executive Directors; and
- ensuring the effective communication between the Board and the shareholders as a whole through different channels, including (i) printed or electronic copies (as elected by the shareholders) of corporate communications required by the Listing Rules; (ii) the annual general meeting which provides a forum for the shareholders to raise comments and exchange views with the Board; (iii) the Company's website which allows the shareholders to acquire the updated and key information on the Group and to provide feedback for the Company; and (iv) handling of enquiries from the shareholders and investors generally.

Except for the following, there is no relationship (including financial, business, family or other material/relevant relationships) between Directors:

Ms. Li Bing, executive Director and Chief Executive Officer, is currently the vice president of The Great Wall Film & Culture Company Group. The Grent Wall Film & Culture Company Group is a substantial shareholder of the Company, 66.67% of which is held by Mr. Zhao Ruiyong, Chairman and executive Director.

BOARD DIVERSITY POLICY

The Board 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 Board 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.

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. The company secretary of the Company (the "Company Secretary") organises in-house training for Directors on the applicable Listing Rules. Furthermore, the Company Secretary also distributes various reading materials to Directors from time to time to update them on amendments to the relevant laws, rules and regulations to develop and refresh their professional skills. All Directors are also encouraged to attend external training courses at the Company's expense.

The training record of each Director as at 31 December 2017 is set out below.

Name of Director	Attending Seminar or Briefings/ Perusal of Materials in relation to Business or Directors' Duties
Zhao Ruiyong	Yes
Li Bing	Yes
Cheung Ka Heng Frankie	Yes
Yeung Chun Sing Standly	Yes
Chan Chi Yuen	Yes
Wong Xiang Hong	Yes
Fung Chan Man Alex	Yes
Fung Wai Shing	Yes
Zhao Guangming	Yes
Huang Tao	Yes

COMPANY SECRETARY

The Company Secretary reports directly to the Chairman and supports the Board and its committees 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. During the year under review, Ms. Liu Xiaoting was the Company Secretary on and before 18 May 2017. Following Ms. Liu Xiaoting's resignation, Ms. Chan Yim ("Ms. Chan") was then appointed as the Company Secretary with effect from 18 May 2017. Ms. Chan has confirmed that for the year ended 31 December 2017, she has complied with Rule 3.29 of the Listing Rules to undertake no less than 15 hours of relevant professional training. Ms. Chan resigned on 13 March 2018, and the Company is in the process of identifying suitable candidate to fill the vacancy of the Company Secretary.

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 thirteen meetings and the attendance of each Director is set out below.

Name of Director	Attendance/Number of Board Meetings in 2017
Zhao Ruiyong (appointed with effect from 1 November 2017)	n/a
Li Bing (appointed with effect from 1 September 2017)	1/2
Cheung Ka Heng Frankie (appointed with effect from 1 September 2017)	2/2
Yeung Chun Sing Standly	12/13
Chan Chi Yuen	11/13
Wong Xiang Hong	11/13
Fung Chan Man Alex	13/13
Fung Wai Shing (appointed with effect from 16 August 2017)	4/4
Zhao Guangming (appointed with effect from 16 August 2017)	3/4
Huang Tao (appointed with effect from 1 November 2017)	n/a
Chan Fong Kong Francis (ceased with effect from 17 May 2017)	5/5
Chan Chiu Hung Alex (ceased with effect from 17 May 2017)	5/5
Yeung Chun Wai Anthony (ceased with effect from 23 November 2017)	5/13

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

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

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 at any reasonable time on reasonable notice by any Director.

APPOINTMENT AND RE-ELECTION

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

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

BOARD COMMITTEES

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

AUDIT COMMITTEE

The Audit Committee was established on 29 September 1999 by the Board and during the year 2017 was comprised of all INEDs. As at the date of this report, the committee comprised all four INEDs with Mr. Fung Wai Shing as the chairman of the committee, and Mr. Fung Chan Man Alex, Mr. Zhao Guangming and Mr. Huang Tao as the members of the committee. The written terms of reference were amended in accordance with the requirements under code provision C.2.3 of the Corporation Governance Code and adopted by the Board on 16 December 2015. The terms of reference and related written corporate policies of the Company are under regular review by the committee and the Board to ensure alignment with the Corporate Governance Code and best market practices. The written terms of reference were further amended on 1 November 2017.

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

In 2017, two meetings were held to review and make recommendations to the Board on the consolidated financial statements of the Group for the interim and annual results, and, in particular, assess any changes in accounting policies and practices, major judgmental areas and compliance with applicable legal and accounting requirements and standards, and other matters such as assessing the effectiveness of the internal control and risk management systems. The committee also reviewed, with management, the external auditor and the internal auditor of the Company, the accounting principles and practices adopted by the Group and discussed or assessed all key auditing, risk management and internal controls and financial reporting matters, including a review of the audited consolidated financial statements of the Group for the year ended 31 December 2016 and the interim consolidated financial statements of the Group for the six months ended 30 June 2017.

The attendance of the committee meetings in 2017 is set out below. As deemed necessary by the committee, the external auditor and an executive Director 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.

Name of Director	Attendance/Number of Audit Committee Meetings in 2017
Fung Wai Shing (appointed as a committee member with effect from 16 August 2017; Re-designated as the committee chairman with effect from 1 November 2017)	1/1
Fung Chan Man Alex	2/2
Zhao Guangming (appointed as a committee member with effect from 16 August 2017)	1/1
Huang Tao (appointed as a committee member with effect from 1 November 2017)	n/a
Chan Fong Kong Francis (ceased to be a committee chairman with effect from 17 May 2017)	1/1
Chan Chiu Hung Alex (ceased to be a committee member with effect from 17 May 2017)	1/1

Please refer also to the "Board of Directors" section of this report for details of Director changes during 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. As at the date of this report, the Remuneration Committee comprised Mr. Fung Chan Man Alex, an INED, as the chairman of the committee, in compliance with Rule 3.25 of the Listing Rules that requires the committee to be chaired by an INED, and Mr. Zhao Ruiyong, Mr. Cheung Ka Heng Frankie, Mr. Fung Wai Shing and Mr. Zhao Guangming as the members of the committee. The 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 written terms of reference were further amended on 1 November 2017.

The committee is responsible for determining mechanisms for setting the Group's remuneration structure and policies with reference to fair and objective standards, approving the annual remuneration and incentive plans of the Group and, in particular, determining with delegated responsibility, the remuneration packages of individual executive Directors and senior management, reviewing and approving management's remuneration proposals with reference to corporate goals and objectives and dealing with such other matters relating to remuneration issues as directed by the Board. During the year of 2017, three meetings were held and the attendance of the committee meetings is set out below.

Name of Director	Attendance/Number of Remuneration Committee Meetings in 2017
Fung Chan Man Alex	3/3
Zhao Ruiyong (appointed as the committee member with effect from 1 November 2017)	n/a
Cheung Ka Heng Frankie (appointed as a committee member with effect from 1 November 2017)	n/a
Fung Wai Shing (appointed as a committee member with effect from 16 August 2017)	2/2
Zhao Guangming (appointed as a committee member with effect from 1 November 2017)	n/a
Chan Fong Kong Francis (ceased to be a committee member with effect from 17 May 2017)	1/1
Yeung Chun Wai Anthony (ceased to be a committee member with effect from 1 November 2017)	3/3

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

NOMINATION COMMITTEE

The Nomination Committee was formulated on 9 December 2011 by the Board. As at the date of this report, the committee comprised Mr. Zhao Ruiyong as the chairman of the committee, and Ms. Li Bing, Mr. Fung Chan Man Alex, Mr. Fung Wai Shing and Mr. Zhao Guangming as the members of the committee. The 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 written terms of reference were further amended on 1 November 2017.

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, two meetings were held and the attendance of the committee meetings is set out below.

Name of Director	Attendance/Number of Nomination Committee Meetings in 2017
Zhao Ruiyong (appointed as the committee chairman with effect from 1 November 2017)	n/a
Li Bing (appointed as a committee member with effect from 1 November 2017)	n/a
Fung Chan Man Alex	2/2
Fung Wai Shing (appointed as a committee member with effect from 16 August 2017)	2/2
Zhao Guangming (appointed as a committee member with effect from 1 November 2017)	n/a
Chan Fong Kong Francis (ceased to be a committee member with effect from 17 May 2017)	n/a
Yeung Chun Wai Anthony (ceased to be a committee chairman with effect from 1 November 2017)	2/2

Please refer also to the "Board of Directors" section of this report for details of Director changes during 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 2017 annual general meeting ("2017 AGM") of the Company was held on 17 May 2017. All Directors as at the date of 2017 AGM and the external 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 2017 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 37 under the section titled "Independent Auditor's Report".

RISK MANAGEMENT AND INTERNAL CONTROLS

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

RISK MANAGEMENT SYSTEM

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

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

Based on the risk assessments conducted in 2017, other than non-compliance with the Listing Rules disclosed in above "Introduction" sub-section of this Corporate Governance Report, no significant risk was identified.

INTERNAL CONTROL SYSTEM

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

- Control Environment: A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.
- Risk Assessment: A dynamic and iterative process for identifying and analysing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.

- Control Activities: Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.

- Information and Communication: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

- Monitoring: Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

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

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

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

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

Based on the internal control reviews conducted in 2017, other than non-compliance with the Listing Rules disclosed in above "Introduction" sub-section of this Corporate Governance Report, no significant control deficiency was identified.

INTERNAL AUDITORS

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

A review of the risk management and internal control systems is conducted at least annually and the results are reported to the Board via Audit Committee afterwards.

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

PERMITTED INDEMNITY PROVISION

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

DIRECTORS AND OFFICERS LIABILITY INSURANCE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), as set out in Appendix 10 to the Listing Rules, as its own securities code. All Directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standards set out in the Model Code throughout the year ended 31 December 2017.

AUDITORS' REMUNERATION

For the year ended 31 December 2017, the remuneration payable to the auditors of the Group amounted to approximately HK$1,682,000, of which approximately HK$1,305,000 related to audit services and approximately HK$377,000 to professional services for special engagements and other non-audit services including approximately HK$200,000 associated with the transaction for proposed acquisition of investment.

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 a special general meeting ("SGM") with the Company at its principal place of business at Suite 1402, 14/F, Henley Building, No.5 Queen's Road Central, Central, Hong Kong and marked for the attention of the board of directors or the company secretary of the Company. The written requisition must state the objects of the meeting, signed by the shareholder(s) concerned and may consist of one or more documents in like form, each signed by one or more of those shareholders. The written requisition will be verified by the Company's share registrar and upon confirmation that it is proper and in order, the Company Secretary will request the Board to convene a SGM 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 Suite 1402, 14/F, Henley Building, No.5 Queen's Road Central, Central, Hong Kong and marked for the attention of the board of directors or the company secretary of the Company, or at its branch share registrar and transfer office 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 consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are the provision of telecommunication and related services, as well as financial payment processing solution and software development services and distribution business. Particulars regarding the principal subsidiaries of the Company are set out in note 16 to the consolidated financial statements.

During the year, there was a deemed disposal of subsidiaries of the Company engaged in insurance-related business in August 2017 and a disposal of certain assets of the VoIP business in our telecommunication business in Hong Kong in December 2017. Details of these two disposals were disclosed in notes 28 and 29 to the consolidated financial statements.

An analysis of the Group's performance by segment is set out in note 35 to the consolidated financial statements.

BUSINESS REVIEW

Further discussion and analysis of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business can be found in the "Business Review" section of this annual report which forms part of this Report of Directors.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss on page 41.

The Board does not recommend the payment of a dividend for the year ended 31 December 2017 (2016: 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 109.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK$1,800,000 (2016: HK$621,000).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the aggregate turnover attributable to the five largest customers of the Group accounted for approximately 23.6% of total turnover for the year, and sales to the largest customer included therein amounted to approximately 7.1%.

The aggregate purchases attributable to the five largest suppliers of the Group accounted for approximately 43.5% of total purchases of the Group for the year, and purchases from the largest supplier included therein amounted to approximately 14.3%.

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

PROPERTY, PLANT AND EQUIPMENT

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 37(a) and note 26 to the consolidated financial statements respectively.

As at 31 December 2017 and 2016, there were no reserves available for distribution to shareholders of the Company.

BOARD OF DIRECTORS

The Directors during the year and up to the date of this report were [Note 1]:

EXECUTIVE DIRECTORS:

Zhao Ruiyong *(Chairman)* [Note 2]
Li Bing *(Chief Executive Officer)* [Note 3]
Cheung Ka Heng Frankie *(Vice-Chairman)* [Note 4]
Yeung Chun Sing Standly
Chan Chi Yuen
Wong Xiang Hong

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Fung Chan Man Alex
Fung Wai Shing [Note 5]
Zhao Guangming [Note 6]
Huang Tao [Note 7]

Note 1 Mr. Yeung Chun Wai Anthony ceased to be Chairman and Chief Executive Officer with effect from 1 November 2017, and ceased to be executive Director with effect from 23 November 2017; Mr. Chan Chiu Hung Alex and Mr. Chan Fong Kong Francis ceased to be INEDs with effect from 17 May 2017
Note 2 Appointed as Chairman and executive Director on 1 November 2017
Note 3 Appointed as executive Director on 1 September 2017, and appointed as Chief Executive Officer on 1 November 2017
Note 4 Appointed as executive Director on 1 September 2017, and appointed as Vice-Chairman on 1 November 2017
Note 5 Appointed as INED on 16 August 2017
Note 6 Appointed as INED on 16 August 2017
Note 7 Appointed as INED on 1 November 2017

Biographical details of the Directors are set out on page 13 under the section titled "Board of Directors".

The Company has received from each INED an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers such Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2017, 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' REMUNERATION

Details of the Directors' remuneration are set out in note 6 to the consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as those set out in note 30 to the consolidated financial statements and under heading "Connected Transactions" below, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of the Company's subsidiaries was a party subsisted at the end of the year or at any time during the year.

INTERESTS OF DIRECTORS' AND CHIEF EXECUTIVE' IN SECURITIES

As at 31 December 2017, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or 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 pursuant to the Model Code are set out below.

Name of director	Capacity	Number of Shares held	Approximate percentage of shareholding
Zhao Ruiyong	Interest of a controlled corporation	222,820,000 *(Note 1)*	25.46%
Yeung Chun Sing Standly	Beneficial Owner	520,000	0.06%
	Interest of spouse	80,000 *(Note 2)*	0.01%

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

Notes:

(1) These 222,820,000 Shares are beneficially owned by Great Wall HK, which is wholly-owned by The Great Wall Film & Culture Company Group. The Great Wall Film & Culture Company Group is in turn owned as to 66.67% and 33.33% by Mr. Zhao Ruiyong and Mr. Zhao Feifan respectively. Therefore, each of The Great Wall Film & Culture Company Group, Mr. Zhao Ruiyong and Mr. Zhao Feifan is deemed to be interested in the 222,820,000 Shares held by Great Wall HK pursuant to Part XV of the SFO.

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

All interests disclosed above represent long positions in the shares. Save as disclosed above, there were no shares, underlying shares and debentures of the Company or its associated corporations held by the Directors or the chief executive of the Company as at 31 December 2017.

Save as disclosed above, as at 31 December 2017, 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 the chief executive of the Company are taken or deemed to have under the provision of the 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, the interests and short positions of the persons, other than the Directors or the chief executive of the Company disclosed above, in the shares, underlying shares and debentures of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company, are set out below.

Name of shareholder	Capacity	Number of Shares held	Approximate percentage of shareholding
Great Wall HK *(Note 1 above)*	Beneficial owner	222,820,000	25.46%
The Great Wall Film & Culture Company Group *(Note 1 above)*	Interest of a controlled corporation	222,820,000	25.46%
Zhao Feifan (趙非凡) *(Note 1 above)*	Interest of a controlled corporation	222,820,000	25.46%

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

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

Mr. Zhao Ruiyong, the Chairman and executive Director, is the chairman of the board of The Great Wall Film & Culture Company Group.

Ms. Li Bing, the Chief Executive Offer and executive Director, is the vice president of The Great Wall Film & Culture Company Group and the sole director of Great Wall HK.

Save as disclosed above, as at 31 December 2017, the Company was not notified of any persons having any interests or short positions in the shares, underlying shares and debentures of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company.

SHARE CAPITAL

There were no movements in the Company's share capital during the year.

RETIREMENT BENEFIT SCHEMES

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

EMPLOYEE REMUNERATION POLICIES

As at 31 December 2017, the Group had 55 (2016: 118) employees in China, Hong Kong and Singapore and its total staff costs for 2017 were approximately HK$41.1 million (2016: approximately HK$47.1 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.

EVENTS AFTER REPORTING PERIOD

Save as disclosed in this report, details of other significant events of the Group after the reporting period are set out in note 36 to the consolidated financial statements.

AUDITOR

The financial statements of the Company for the year ended 31 December 2017 have been audited by Mazars CPA Limited, Certified Public Accountants. A resolution will be submitted to the 2018 annual general meeting to re-appoint Mazars CPA Limited as auditor of the Company.

SHARE OPTION SCHEME

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

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

SHARE OPTION SCHEME *(continued)*

The participants of the scheme means any Director (or any persons proposed to be appointed as such, whether executive or non–executive), officer or employee (whether full-time or part-time) of each member of the Eligible Group *Note 1*; any business consultant, professional or other advisers (in the areas of legal, technical, financial or corporate managerial) (including any executive, officer or employee of such business consultant, professional and other advisers) to each member of the Eligible Group (or persons proposed to be appointed as such) who has rendered service or will render service to the Group, as absolutely determined by the Board.

Under the Share Option Scheme, the total number of shares which may be issued upon exercise of all options to be granted and any other share option schemes of the Company shall not in aggregate exceed 52,100,000 shares representing 10% of the total number of issued shares as at the date on which the resolution regarding the refreshment of the scheme mandate limit under the Share Option Scheme was passed at the annual general meeting held on 20 May 2015, being 521,000,000 shares. The maximum entitlement of each participant under the Share Option Scheme in any 12-month period up to the date of grant must not exceed 1% of the shares in issue. Where any grant of options to a substantial shareholder or an INED (or any of their respective associates) would result in the number of shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme and any other share option schemes of the Company in the 12-month period up to and including the date of such grant (a) representing in aggregate over 0.1% of the total number of shares in issue; and (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5 million, such proposed grant of options must be approved by the shareholders of the Company in general meeting.

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

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

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

(i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of the option which must be a business day;

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

(iii) the nominal value of a share on the date of grant of the option.

Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years up to 19 May 2025, and has a remaining term of approximately 7 years as at the date of this annual report.

During the year, no option has been granted and there has been no movement of any options granted (if any) under the share option scheme adopted by the Company for the year ended 31 December 2017.

Note:

1. *Eligible Group means the Company and each associate or substantial shareholder or direct or indirect subsidiary, associated company or joint venture of the Company.*

CONNECTED TRANSACTIONS

(I) DISPOSAL OF SINGASIA SHARES (AS DEFINE BELOW)

On 9 June 2017, the Group disposed of 5,700,000 ordinary shares of SingAsia Holdings Limited ("the "SingAsia Shares", and each a "SingAsia Share") at a price of HK$4.65 per SingAsia Share (the "Agreed Disposal Price") to Mr. Yeung, the then-Director who resigned on 23 November 2017, for the total consideration of HK$26,505,000 (the "SingAsia Disposal"). Despite that the Agreed Disposal Price for the SingAsia Disposal being HK$4.65 per SingAsia Share, Mr. Yeung executed the SingAsia Disposal by buying the SingAsia Shares in the market from the Company at the then market price in three tranches, resulting in buying the total 5,700,000 SingAsia Shares with a total amount of approximately HK$41,552,000 at an average price of HK$7.316 per SingAsia Share.

In July 2017, the Company determined to convene a members' meeting pursuant to the Listing Rules and in accordance with the requirements set out by the Listing Rules for the purpose of obtaining the approval for the SingAsia Disposal from its independent shareholders.

On 29 December 2017, a special general meeting of the Company was convened and the SingAsia Disposal was not approved. According to a deed of undertaking and supplemental agreement executed by Mr. Yeung and the Group, Mr. Yeung agreed to return all 5,700,000 SingAsia Shares to the Group in exchange for the aggregate consideration previously paid to the Group on or before 31 March 2018 (the "Settlement Arrangement").

As at 31 December 2017, the total amount of approximately HK$41,552,000 received from Mr. Yeung was accounted for as "other payable" and the SingAsia Shares with fair value of approximately HK$101,802,000 are classified as "financial assets at fair value through profit or loss".

Up to the date of this report, total of 2,000,000 SingAsia Shares were returned back to the Group by Mr. Yeung in exchange for Group's settlement amounted of approximately HK$14,579,000.

Details of the SingAsia Disposal are published in the circular of the Company dated 11 December 2017, and Company's announcements dated 16 June 2017, 21 July 2017, 6 October 2017, 29 December 2017, 10 January 2018 and 5 February 2018.

(II) ACQUISITIONS AND DISPOSALS OF LISTED SECURITIES (OTHER THAN PARAGRAPH (I) OF THIS SECTION)

Other than the SingAsia Disposal, certain purchases and disposals of listed securities had taken place during the years ended 31 December 2017 and 2016 in the open market, which were actually transacted with Mr. Yeung.

Due to oversight, these transactions were not disclosed by the Company in accordance with the Listing Rules, and the Company inadvertently breached Chapter 14 and Chapter 14A of the Listing Rules by failing to comply with the relevant reporting, announcement, circular or independent shareholders' approval.

Details of the these transactions are disclosed in heading "Non-compliance with Listing Rules" in Corporate Governance Report and note 30 to the consolidated financial statements.

(III) FORMATION OF JOINT VENTURE COMPANY

On 8 September 2017, B&R Investment Holding Limited ("B&R Investment"), a wholly-owned subsidiary of the Company, entered into a joint venture agreement with The Great Wall Film & Culture Company Group, which held approximately 25.46% of the total issued share capital of the Company through its subsidiary, in respect of forming a joint venture company to cooperate in the development of characteristic cultural town in Wusu City of the Xinjiang Autonomous Region of the PRC (the "JV Formation").

Subsequent to the reporting period, on 1 February 2018, the joint venture company, Wusu Silk Road small Town Cultural Tourism Company Limited* (烏蘇絲路小鎮文旅有限公司) (the "JV Company"), was established. On 7 February 2018, B&R Investment had completed the capital contribution of RMB50,000,000 in cash to the JV Company and B&R Investment held 25% of the equity interests in the JV Company. Upon completion of the capital contribution to the JV Company, the JV Company would be accounted for as an associate of the Group.

Details of the JV Formation are published in the circular of the Company dated 18 December 2017, and Company's announcements dated 28 December 2017 and 7 February 2018.

* *For identification purpose only*

ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

1. ESG REVIEW

The Group is committed to achieving high standards of environmental, social and governance (ESG) performance and meeting all applicable legal requirements in the markets where we operate. This is an important foundation for the Group to engage with our stakeholders and grow our business responsibly and sustainably. In addition, the Group attaches great importance to the employee development, environmental protection and supplier management. The Group has been monitoring these performances closely and is always eager to listen to stakeholders' opinions for continuous improvement.

2. GOVERNANCE

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

We have identified the local laws and regulations that apply to our businesses in Hong Kong and Singapore and we implement systems and audit performance to ensure that we operate in compliance with all local laws, regulations and standards related to corporate governance, business operations, employment, health and safety and the environment. Customer and employee data is managed in compliance with relevant privacy regulations of our markets. Measures are also taken to ensure the safe management and disposal of documents, included physical security for document storage, transportation and shredding, with records maintained to confirm storage and destruction. In 2017, the Group operated in compliance with all applicable legal requirements relating to our services and the products that we procure through vendors for our customers.

3. RELATIONSHIP WITH STAKEHOLDERS

3.1 Employees

The Group's policies and procedures are outlined in its Employee Handbook, including approaches and expectations related to the governance, financial management, administration of the Company and human resources, employee contract terms and benefits, company regulations and the Code of Conduct, training and development, performance review and discipline, and other employment-related matters. Orientation and refresher training are provided to all staff on the Employee Handbook and other aspects of working for the Group. All terms and conditions of employment are in compliance with relevant labour regulations with a variety of benefits provided (e.g. marriage, parental, study and exam leave, medical and life insurance, and, depending on position and performance, up to 25 days of annual leave and discretionary bonuses). Data protection and privacy is also addressed in the Employee Handbook. Besides, terms in employment contracts meet the requirements of relevant requirements for personal data management and privacy. While any disputes would be submitted to independent arbitration; no cases arose in 2017.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE *(continued)*

3. RELATIONSHIP WITH STAKEHOLDERS *(continued)*

3.2. Supply Chain

The Group understands strong relationship with its key suppliers are important in the provision of effective and efficient services to our customer and meeting business challenges. The Group's supply chain primarily comprises a variety telecom equipment and service providers and vendors of office equipment and travel-related services. Compliance with all relevant legal requirements is required in all contracts that the Group enters into with suppliers and other business partners. The Group also seeks to procure goods and services from suppliers and business partners that are committed to best practices in corporate governance, environmental performance and the respect of human and labour rights in their operations and in the supply chain. In 2017, no product recalls for health and safety reasons occurred.

4. ENVIRONMENT

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

Since 2008, the Company has participated in the "Wastewi$e Scheme" under the Hong Kong Awards for Environmental Excellence. It was established by, among others, the Environmental Protection Department and the Environmental Campaign Committee to encourage Hong Kong businesses and organisations 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 additions, we adopt initiatives to reduce our impact to the environment, for examples, we manage resources in compliance with local laws and the proper disposal of hazardous waste by building management, and adopt initiatives to reduce our impact.

For more details on the Group's environmental policies and performance, relationships with its key stakeholders and compliance with relevant laws and regulations that have a significant impact on the Group, please refer to the "Environmental, Social and Governance Report 2017" which is developed in accordance with Appendix 27 of the Listing Rules. It will be published within three months after the publication of the Group's annual report on the websites of the Company and the Stock Exchange.

By Order of the Board

Zhao Ruiyong
Chairman and Executive Director

28 March 2018

Independent Auditor's Report

MAZARS CPA LIMITED
瑪澤會計師事務所有限公司
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To the members of

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

OPINION

We have audited the consolidated financial statements of e-Kong Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 41 to 108, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
As at 31 December 2017, the Group had goodwill with carrying amount of approximately HK$12.4 million and intangible assets including technical know-how, customer relationships and software with carrying amount of approximately HK$14.1 million, HK$41.0 million and HK$11.1 million respectively, relating to acquisition of Diamond Frontier Investments Limited in year 2016. For the purpose of assessing impairment, these assets were allocated to cash generating units ("CGUs"), and the recoverable amount of each CGU was determined by management based on value-in-use calculations using cash flow projections. In carrying out the impairment assessments, significant judgement was exercised by management to identify CGUs and to determine the key assumptions underlying the value-in-use calculations, including the average growth rate, long-term growth rate and discount rate. Management has engaged an independent professional valuer to estimate the recoverable amount of the above-mentioned CGUs. Because of the above-mentioned significant management judgement, the impairment assessment is considered a key audit matter.	Our procedures, among others, in relation to management's assessment of the impairment of goodwill and intangible assets in the Businesses included: • evaluating the independent professional valuer's competence, capabilities and objectivity; • assessing the identification of the CGUs based on the Group's accounting policies and our understanding on the Group's business; • assessing the value-in-use calculations assumptions and methodologies used by the independent professional valuer and management; • assessing the reasonableness of the key assumptions (including average growth rate, long-term growth rate and discount rate) against economic and market data based on our knowledge and understanding of the business and market; • reviewing the sensitivity analysis performed by management on the key assumptions and testing independently those assumptions to which the outcome of the impairment assessment is more sensitive; • testing the Group's procedures regarding the preparation of the projected discounted cash flows, upon which the value-in-use model is based, to assess whether the projected discounted cash flows is reasonable; and • verifying the mathematical accuracy of the cash flow model.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's 2017 annual report but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mazars CPA Limited
Certified Public Accountants

Hong Kong, 28 March 2018

The engagement director on the audit resulting in this independent auditor's report is:
Chan Chi Wai
Practising Certificate number: P05708

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	3	**71,675**	78,917
Cost of sales		**(32,464)**	(34,975)
Gross profit		**39,211**	43,942
Other revenue and income	4	**9,563**	12,634
		48,774	56,576
Selling and distribution expenses		**(4,116)**	(4,806)
Business promotion and marketing expenses		**(2,328)**	(2,610)
Operating and administrative expenses		**(78,808)**	(86,259)
Other operating expenses		**(24,385)**	(19,851)
Loss from operations		**(60,863)**	(56,950)
Finance costs	5(a)	**(9)**	(3)
Impairment losses on goodwill	10	**(21,034)**	–
Impairment losses on property, plant and equipment	13	**(1,462)**	–
Share of results of associates	11	**247**	7
Share of results of a joint venture	12	**–**	(25)
Net increase/(decrease) in fair value of financial assets at fair value through profit or loss			
• Disposed of during the year		**(8,995)**	(8,855)
• Held at the end of the year		**76,656**	(14,512)
Gain/(Loss) on disposal of property, plant and equipment		**7**	(42)
Net gain on disposal of a subsidiary		**–**	821
Net loss on deemed disposal of subsidiaries	28	**(3,888)**	–
Loss on disposal of an associate	11	**(258)**	–
Gain on disposal of assets of a business unit	29	**3,053**	–
Loss before taxation	5	**(16,546)**	(79,559)
Taxation (charges)/credits	7		
Current tax		**(4,533)**	(3,157)
Deferred tax		**3,808**	1,702
		(725)	(1,455)
Loss for the year		**(17,271)**	(81,014)

	Note	2017 HK$'000	2016 HK$'000
Loss for the year attributable to:			
Equity holders of the Company		**(15,735)**	(79,264)
Non-controlling interests		**(1,536)**	(1,750)
Loss for the year		**(17,271)**	(81,014)
		HK cents	HK cents
Loss per share	*9*		
Basic and diluted		**(1.8)**	(10.6)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
Loss for the year	**(17,271)**	(81,014)
Other comprehensive income/(loss) for the year		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign subsidiaries	**5,835**	(3,706)
Share of other comprehensive income/(loss) of a joint venture		
– Exchange difference on translation	**25**	(19)
Total comprehensive loss for the year	**(11,411)**	(84,739)
Total comprehensive loss for the year attributable to:		
Equity holders of the Company	**(10,411)**	(82,624)
Non-controlling interests	**(1,000)**	(2,115)
Total comprehensive loss for the year	**(11,411)**	(84,739)

Consolidated Statement of Financial Position

As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Goodwill	10	**12,430**	33,464
Interest in associates	11	**280**	507
Interest in a joint venture	12	**343**	318
Property, plant and equipment	13	**3,996**	14,358
Intangible assets	14	**71,199**	82,360
Available-for-sale financial asset	15	**7,800**	7,800
Deferred tax assets	23	**–**	45
		96,048	138,852
Current assets			
Financial assets at fair value through profit or loss	17	**101,958**	63,199
Trade and other receivables	18	**69,792**	57,389
Pledged bank deposits	19	**1,316**	1,407
Cash held by a securities broker		**–**	3,221
Cash and bank balances	20	**69,409**	45,239
		242,475	170,455
Current liabilities			
Trade and other payables	21	**106,632**	81,772
Obligations under finance leases	22	**79**	72
Taxation payable		**8,690**	4,271
		115,401	86,115
Net current assets		**127,074**	84,340
Total assets less current liabilities		**223,122**	223,192
Non-current liabilities			
Deferred revenue		**958**	557
Deferred tax liabilities	23	**13,782**	16,272
Obligations under finance leases	22	**51**	110
		14,791	16,939
NET ASSETS		**208,331**	206,253
Capital and reserves			
Share capital	24	**8,753**	8,753
Reserves	26	**191,954**	202,365
Equity attributable to equity holders of the Company		**200,707**	211,118
Non-controlling interests	26	**7,624**	(4,865)
TOTAL EQUITY		**208,331**	206,253

These consolidated financial statements on pages 41 to 108 were approved and authorised for issue by the Board of Directors on 28 March 2018 and signed on its behalf by

Zhao Ruiyong
Director

Li Bing
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Equity attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 January 2017	8,753	241,329	(643)	25	2,242	83,489	(124,077)	211,118	(4,865)	206,253
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(15,735)**	**(15,735)**	**(1,536)**	**(17,271)**
Other comprehensive income for the year										
Items that may be subsequently reclassified to profit or loss:										
Exchange differences on translation of foreign subsidiaries	**–**	**–**	**5,302**	**–**	**–**	**–**	**–**	**5,302**	**533**	**5,835**
Share of other comprehensive income of a joint venture – Exchange difference in translation	**–**	**–**	**22**	**–**	**–**	**–**	**–**	**22**	**3**	**25**
Total comprehensive income/(loss) for the year	**–**	**–**	**5,324**	**–**	**–**	**–**	**(15,735)**	**(10,411)**	**(1,000)**	**(11,411)**
Transaction with equity holders of the Company										
Change in ownership interests:										
Deemed disposal of subsidiaries *(note 28)*	**–**	**–**	**–**	**–**	**(2,306)**	**–**	**2,306**	**–**	**13,489**	**13,489**
Total transactions with equity holders of the Company	**–**	**–**	**–**	**–**	**(2,306)**	**–**	**2,306**	**–**	**13,489**	**13,489**
As at 31 December 2017	**8,753**	**241,329**	**4,681**	**25**	**(64)**	**83,489**	**(137,506)**	**200,707**	**7,624**	**208,331**

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES			
Cash generated from/(used in) operations	*27(a)*	**16,617**	(95,745)
Income taxes paid		**(364)**	(267)
Interest received		**114**	11
Interest paid		**(9)**	(3)
Net cash generated from/(used in) operating activities		**16,358**	(96,004)
INVESTING ACTIVITIES			
Acquisition of subsidiaries		**–**	(47,593)
Disposal of a subsidiary		**–**	1,695
Deemed disposal of subsidiaries	*28*	**(437)**	–
Proceeds from disposal of ownership interests in a subsidiary that does not result in loss of control		**–**	500
Purchase of available-for-sale financial asset		**–**	(7,800)
Purchase of property, plant and equipment	*13*	**(509)**	(9,078)
Proceeds from disposal of property, plant and equipment		**3,891**	8
Proceeds from disposal of assets of a business unit	*29*	**1,000**	–
Release of pledged deposits		**200**	–
Deposit refund for acquisition of investments		**–**	31,250
Net cash generated from/(used in) investing activities		**4,145**	(31,018)
FINANCING ACTIVITIES			
Proceeds from shares issued upon placings		**–**	55,158
Repayment of obligations under finance leases	*27(b)*	**(69)**	(35)
Net cash (used in)/generated from financing activities		**(69)**	55,123
Net increase/(decrease) in cash and cash equivalents		**20,434**	(71,899)
Cash and cash equivalents as at 1 January		**48,460**	120,933
Exchange gains/(losses) on cash and cash equivalents		**515**	(574)
Cash and cash equivalents as at 31 December		**69,409**	48,460
Analysis of the balances of cash and cash equivalents:			
Cash and bank balances	*20*	**69,409**	45,239
Cash held by a securities broker		**–**	3,221
		69,409	48,460

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 Suite 1402, 14/F, Henley Building, No.5 Queen's Road Central, Central, Hong Kong. The principal activity of the Company is investment holding. Details of the principal subsidiaries of the Company and their principal activities are disclosed in note 16 to the consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which such collective term includes all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622) (the "HKCO") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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 2016 consolidated financial statements except for the adoption of the new and revised HKFRSs that are relevant to the Group and effective from the current year as follows which had no significant effects on the results and financial position of the Group for the current and prior years.

ADOPTION OF NEW/REVISED HKFRSs

Amendments to HKAS 7: Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The adoption of the amendments results in the additional disclosures in note 27(b) to the consolidated financial statements. In accordance with the transitional provisions therein, the comparative information is not presented in the first year of adoption.

Amendments to HKAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify, among others, how to account for deferred tax assets related to debt instruments measured at fair value.

The adoption of the amendments did not have any significant impact on the consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

ADOPTION OF NEW/REVISED HKFRSs *(continued)*

Annual Improvements 2014-2016 Cycle: HKFRS 12 – Clarification of the scope

The amendments clarify that except for the summarised financial information for subsidiaries, joint ventures and associates in which the interests are classified or included in a disposal group that is classified as held for sale in accordance with HKFRS 5, the requirements of HKFRS 12 apply to interests in entities within the scope of HKFRS 5.

The adoption of the amendments did not have any significant impact on the consolidated financial statements.

A summary of the principal accounting policies adopted by the Group is set out below.

BASIS OF MEASUREMENT

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

BASIS OF CONSOLIDATION

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

BASIS OF CONSOLIDATION *(continued)*

Allocation of total comprehensive income

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

Changes in ownership interests

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

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

SUBSIDIARIES

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

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

ASSOCIATES AND JOINT VENTURES

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

ASSOCIATES AND JOINT VENTURES *(continued)*

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

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

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

GOODWILL

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

INTANGIBLE ASSETS

Intangible assets acquired separately

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

Research and development costs

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

INTANGIBLE ASSETS *(continued)*

Intangible assets acquired in a business combination

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

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

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

FINANCIAL INSTRUMENTS

Recognition and derecognition

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

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

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

Classification and measurement

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

Financial assets at fair value through profit or loss

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

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

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

Loans and receivables

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

Available-for-sale financial assets

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

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

Financial liabilities

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

Impairment of financial assets

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

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Impairment of financial assets *(continued)*

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

CASH EQUIVALENTS

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

IMPAIRMENT OF NON-FINANCIAL ASSETS, OTHER THAN GOODWILL

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, intangible assets and interests in associates and a joint venture to determine whether there are any indications that such assets have suffered impairment losses or that impairment losses previously recognised no longer exist or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit). If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or a cash-generating unit 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, and financial payment processing solution and software development services and distribution services and management services provided to customers is recognised when the services are rendered.

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

LEASES

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

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

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

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

BORROWING COSTS

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

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

SEGMENT REPORTING

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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 ("HK$"), which is the Company's functional currency.

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

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

TAXATION

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

EMPLOYEE BENEFITS

Short-term employee benefits

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

Retirement benefit schemes

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

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

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

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

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

SHARE BASED PAYMENTS

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

RELATED PARTIES

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group.

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

(i) The entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly-controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Allowance for doubtful debts

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

Impairment of goodwill

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

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

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

Impairment of investments and receivables

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

Useful lives of intangible assets

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

FUTURE CHANGES IN HKFRSs

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

Annual Improvements to HKFRSs	2014–2016 Cycle: HKFRS 1 and HKAS 28 [1]
Amendments to HKAS 40	Transfers of Investment Property [1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions [1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts [1]
HKFRS 9	Financial Instruments [1]
HKFRS 15	Revenue from Contracts with Customers [1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration [1]
Annual Improvements to HKFRSs	2015–2017 Cycle [2]
HKFRS 16	Leases [2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments [2]
Amendments to HKAS 28	Investments in Associates and Joint Ventures [2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation [2]
HKFRS 17	Insurance Contracts [3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after 1 January 2021
[4] The effective date to be determined

Except for HKFRS 9, HKFRS 15 and HKFRS 16 as set out below, the directors do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the Group's consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

FUTURE CHANGES IN HKFRSs *(continued)*

HKFRS 9

HKFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 that are relevant to the Group are:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading and contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss; and

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies at 31 December 2017, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale financial assets, which currently stated at cost less impairment loss will either be measured as fair value through profit or loss or be designated as fair value through other comprehensive income (subject to fulfilment of the designation criteria). For financial assets at fair value through profit or loss, there will be no material impact after application of HKRFS 9. In addition, the expected credit loss model may result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for classification of the Group's available-for-sale financial assets and estimation of expected credit losses on its financial assets measured at amortised cost upon the adoption of HKFRS 9.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

FUTURE CHANGES IN HKFRSs *(continued)*

HKFRS 15

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The management of the Group preliminarily considers that the performance obligations that may be identified under HKFRS 15 are similar to the current identification of revenue components under the Group's existing revenue recognition policy developed under HKAS 18 and therefore, the adoption of HKFRS 15 in the future will have no significant impact on recognition of revenue. However, the application of HKFRS 15 in future may result in more disclosures.

HKFRS 16

HKFRS 16 significantly changes the lessee accounting by replacing the dual model under HKAS 17 with a single model which requires a lessee to recognise assets and liabilities for the rights and obligations created by leases unless the exemptions apply. Besides, among other changes, it requires enhanced disclosures to be provided by lessees and lessors. Based on the preliminary assessment, the management is of the opinion that the leases of certain properties by the Group which are currently classified as operating leases under HKAS 17 will trigger the recognition of right-of-use assets and lease liabilities in accordance with HKFRS 16. In subsequent measurement, depreciation (and, if applicable, impairment loss) and interest will be recognised on the right-of-use assets and the lease liabilities respectively, of which the amount in total for each reporting period is not expected to be significantly different from the periodic operating lease expenses recognised under HKAS 17. Apart from the effects as outlined above, it is not expected that HKFRS 16 will have a material impact on the future financial position, financial performance and cash flows of the Group upon adoption.

As set out in note 34 to the consolidated financial statements, at 31 December 2017, the total future minimum lease payments under non-cancellable operating leases of the Group in respect of office premises amounted to approximately HK$24,700,000. The management expects that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. The Group will perform a more detailed analysis for estimation of the financial impact upon the adoption of HKFRS 16.

3. REVENUE

	2017 HK$'000	2016 HK$'000
Telecommunication services income	**46,668**	58,475
Financial payment processing solution and software development income	**13,325**	10,722
Distribution business income	**9,367**	5,691
Other	**2,315**	4,029
	71,675	78,917

4. OTHER REVENUE AND INCOME

	2017 HK$'000	2016 HK$'000
Dividend income from financial assets at fair value through profit or loss	**–**	142
Exchange gains, net	**10**	–
Interest income on bank deposits	**114**	11
Management fee income	**4,847**	6,277
Reimbursement of expenses from customers	**4,106**	5,432
Other	**486**	772
	9,563	12,634

5. LOSS BEFORE TAXATION

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

		2017 HK$'000	2016 HK$'000
(a)	**Finance costs**		
	Interest on obligations under finance leases	**9**	3
(b)	**Other items**		
	Employee salaries and other benefits (including directors' emoluments)	**38,891**	44,534
	Retirement benefit scheme contributions	**2,211**	2,568
	Total staff costs	**41,102**	47,102
	Auditors' remuneration	**1,305**	1,504
	Cost of services provided	**32,464**	34,975
	Depreciation of property, plant and equipment	**5,404**	6,972
	Amortisation of intangible assets (included in other operating expenses)	**18,016**	9,282
	Allowance for doubtful debts	**1,746**	372
	Operating lease charges on premises	**23,596**	25,476
	Exchange (gains)/losses, net	**(10)**	1,663

6. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION

(a) INFORMATION ABOUT THE BENEFITS OF DIRECTORS

(i) Directors' remuneration

The aggregate amounts of remuneration received and receivable by the Company's directors pursuant to the Listing Rules and the disclosure requirements of the HKCO are as follows:

	2017				
	Director fees HK$'000	Salaries and other emoluments HK$'000	Discretionary Bonus HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors					
Zhao Ruiyong *(appointed on 1 November 2017)*	–	40	–	–	40
Li Bing *(appointed on 1 September 2017)*	–	80	–	–	80
Cheung Ka Heng Frankie *(appointed on 1 September 2017)*	–	80	–	4	84
Yeung Chun Sing Standly	–	744	–	18	762
Chan Chi Yuen	–	1,200	–	18	1,218
Wong Xiang Hong	–	600	–	18	618
Yeung Chun Wai Anthony ("Mr. Yeung") *(resigned on 23 November 2017)*	–	2,584	–	17	2,601
Independent non-executive directors					
Fung Chan Man Alex	150	–	–	–	150
Fung Wai Shing *(appointed on 16 August 2017)*	68	–	–	–	68
Zhao Guangming *(appointed on 16 August 2017)*	45	–	–	–	45
Huang Tao *(appointed on 1 November 2017)*	20	–	–	–	20
Chan Chiu Hung Alex *(ceased on 17 May 2017)*	57	–	–	–	57
Chan Fong Kong Francis *(ceased on 17 May 2017)*	95	–	–	–	95
	435	5,328	–	75	5,838

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

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

(i) Directors' remuneration *(continued)*

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

There were no arrangements under which a director waived or agreed to waive any emoluments for the year *(2016: 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 *(2016: 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 2017 and 2016.

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

After consideration, other than disclosed in notes 30 and 36(a) to this consolidated financial statements and note 28 to the consolidated financial statements for the year ended 31 December 2016, the directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 December 2017 and 2016.

(b) INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two *(2016: two)* are directors whose emoluments are disclosed above. The aggregate of the emoluments in respect of the remaining three *(2016: three)* highest paid individuals, who are not directors, are as follows:

	2017 HK$'000	2016 HK$'000
Salaries and other emoluments	**5,400**	5,282
Retirement benefit scheme contributions	**161**	153
	5,561	5,435

The emoluments of the three *(2016: three)* individuals with the highest emoluments are within the following bands:

	2017 Number of individuals	2016 Number of individuals
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**1**	1
	3	3

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

During the year, no remuneration was paid by the Group to any of the three *(2016: three)* highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office *(2016: Nil)*. There were no arrangements under which any of the three *(2016: three)* highest paid individuals waived or agreed to waive any remuneration during the year *(2016: Nil)*.

7. TAXATION (CHARGES)/CREDITS

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purpose for the year.

Overseas (including the PRC and Singapore) taxation represents income tax provisions in respect of certain subsidiaries, calculated at the tax rates prevailing in the countries in which the subsidiaries of the Group operate.

	2017 **HK$'000**	2016 HK$'000
Current tax		
Hong Kong Profits Tax	**–**	–
Overseas income taxes	**(4,533)**	(3,157)
	(4,533)	(3,157)
Deferred tax		
Tax losses	**(41)**	–
Depreciation allowances	**3,849**	1,702
	3,808	1,702
Taxation charges	**(725)**	(1,455)

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

RECONCILIATION OF EFFECTIVE TAX RATE

	2017 **%**	2016 %
Applicable tax rate	**(26)**	(16)
Non-deductible expenses	**91**	4
Tax exempt revenue	**(82)**	(1)
Unrecognised tax losses	**18**	11
Unrecognised temporary differences	**4**	4
Utilisation of previously unrecognised tax losses	**(1)**	–
Effective tax rate for the year	**4**	2

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% *(2016: from 16.5% to 25%)*.

8. DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2017 *(2016: Nil)*.

9. LOSS PER SHARE

The calculation of the loss per share for the year ended 31 December 2017 is based on the consolidated loss attributable to equity holders of the Company of approximately HK$15,735,000 *(2016: approximately HK$79,264,000)* and the weighted average number of 875,280,000 *(2016: 746,937,486)* shares in issue during the year.

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

10. GOODWILL

	2017 HK$'000	2016 HK$'000
As at 1 January	**33,464**	1,019
Additions	**–**	33,464
Disposal	**–**	(1,019)
Impairment losses	**(21,034)**	–
As at 31 December	**12,430**	33,464
Costs	**33,464**	33,464
Accumulated impairment losses	**(21,034)**	–
	12,430	33,464

Goodwill acquired through business combinations is allocated to the Group's cash-generating units ("CGUs") under the business segment of financial payment processing solution and software development services business and distribution business for impairment testing as follows:

	2017 HK$'000	2016 HK$'000
CGU		
Financial payment processing solution and software development services business	**7,945**	7,945
Distribution business	**25,519**	25,519
Cost	**33,464**	33,464

10. GOODWILL *(continued)*

	2017 HK$'000	2016 HK$'000
CGU		
Financial payment processing solution and software development services business	–	–
Distribution business	21,034	–
Accumulated impairment losses	21,034	–

	2017 HK$'000	2016 HK$'000
CGU		
Financial payment processing solution and software development services business	7,945	7,945
Distribution business	4,485	25,519
Net book value	12,430	33,464

The Group has appointed independent professional valuers to perform an appraisal of the values of the financial payment processing solution and software development services business and distribution business as at 31 December 2017.

The recoverable amounts of these CGUs have been determined based on value in use calculations. The calculation uses cash flow projections based on financial budgets approved by the Board of Directors covering a 5-year period. Cash flows beyond the 5-year period has been extrapolated using a 3% long-term growth rate per annum. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

Key assumptions used for the calculation of the value in use of these CGUs are as follows:

	Financial payment processing solution and software development services business		Distribution business	
	2017 %	2016 %	2017 %	2016 %
Average growth rate for the 5-year budget period (per annum)	12	23	22	24
Long-term growth rate (per annum)	3	3	3	3
Discount rate (per annum)				
Post-tax	22	20	21	30
Pre-tax	27	26	29	39

10. GOODWILL *(continued)*

Management determined the budgeted average growth rate based on past performance and its expectation of market development. The discount rate used reflects specific risks relating to the financial payment processing solution and software development services business CGU and the distribution business CGU.

In light of the keen competition, increase in labour cost and the actual growth of revenue in 2017 being lower than expectation in year 2016, the recoverable amount of the distribution business CGU of approximately HK$46,325,000 was estimated to be less than its carrying amount. Accordingly, the goodwill allocated to the distribution business CGU was impaired by approximately HK$21,034,000.

Apart from the considerations described above in determining the recoverable amount of the CGUs, the Group's management is not aware of any other probable changes that would necessitate changes in the key assumptions.

SENSITIVITY OF KEY ASSUMPTIONS

The management identified that average growth rate is the key assumption in the assessment of the recoverable amounts of the CGUs and considered that a reasonably possible change in the key assumption on an individual CGU basis would not cause significant additional impairment loss.

11. INTEREST IN ASSOCIATES

	2017 **HK$'000**	2016 HK$'000
Share of net assets	**280**	7
Goodwill	**–**	500
	280	507

(I) AD MEDILINK LIMITED ("AD MEDILINK")

As at 31 December 2016, the Group held 25% issued share capital of AD MediLink. On 27 June 2017, the Group disposed of its entire equity interest in AD MediLink at a consideration of approximately HK$392,000. The loss on disposal of approximately HK$258,000 was recognised during the year ended 31 December 2017.

(II) RELEVANT MARKETING GROUP LIMITED ("RMGL")

Upon completion of the deemed disposal of RMGL on 25 August 2017 as detailed in note 28 to the consolidated financial statements, the Group's equity interest in RMGL was diluted from 50.1% to 37.59% and the Group retains only 1/3 voting rights in the board of directors of RMGL which resulted in loss of control over RMGL. Because strategic and operating decisions in relation to RMGL's operation require the consent of at least 2 members in the board meetings, the Group has significant influence over RMGL and accounts for the investment as an associate from 25 August 2017 onward.

RMGL and its subsidiaries (collectively referred to as the "RMI Group") are not material to the Group.

Upon completion of the deemed disposal, the Group's share of losses of the RMI Group exceeds its interest in the RML Group, the Group discontinues recognising the share of further losses of the RMI Group as the Group has not incurred legal or constructive obligations or made payments on behalf of the RMI Group. The unrecognised share of profits of RMGL Group for the current year amounted to HK$2,037,000 *(2016: Nil)* and the related share of losses cumulatively up to the end of the reporting period amounted to HK$8,298,000 *(2016: Nil)*.

11. INTEREST IN ASSOCIATES *(continued)*

(III) ASIACLOUD (HK) LIMITED (FORMERLY KNOWN AS ASIACLOUD LIMITED) ("ASIACLOUD")

On 1 December 2017, the Group obtained 20% issued share capital of AsiaCloud as partial consideration received from the disposal of certain assets of the Group's VoIP business in Hong Kong as detailed in note 29 to the consolidated financial statements.

The Group holds 20% of total voting rights, while a valid shareholders' meeting resolution requires more than half of the total votes. In addition, the Group and the other shareholders of AsiaCloud are entitled to appoint 1 and 2, respectively, out of 3 board members of AsiaCloud. Because strategic and operating decisions in relation to AsiaCloud's operation require the consent of at least 2 members in the board meetings, the Group has significant influence over AsiaCloud and accounts for the investment as an associate from 1 December 2017 onward.

The principal place of business and place of incorporation of AsiaCloud is in Hong Kong. The principal activity of AsiaCloud is provision of telecommunication services.

AsiaCloud is not material to the Group.

Fair value of investments

All of the above associates are not listed and there is no quoted market price available for the investments.

Financial information of immaterial associates

The table below shows, in aggregate, the carrying amount and the Group's share of results of associates that are not material and accounted for using the equity method.

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Group's share of profit and total comprehensive income	**247**	7

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Carrying amount of interests	**280**	507

12. INTEREST IN A JOINT VENTURE

	2017 HK$'000	2016 HK$'000
Share of net assets	**343**	318

The Group holds 50% issued share capital of 杭州芙蘇科技有限公司 (Hangzhou Fusu Technology Company Limited*) ("Hangzhou Fusu") with 50% of total voting rights, while a valid shareholders' meeting resolution requires more than half of the total votes. Therefore, the Group has joint control over Hangzhou Fusu and accounted for the investment as a joint venture.

The principal place of business and place of incorporation of Hangzhou Fusu is the PRC. The principal activity of Hangzhou Fusu is conducting the business of research and development of technology information.

Hangzhou Fusu is not material to the Group.

* *For identification purpose only*

FAIR VALUE MEASUREMENTS

The joint venture is not listed and there is no quoted market price available for the investment.

FINANCIAL INFORMATION OF INDIVIDUALLY IMMATERIAL JOINT VENTURE

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

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Group's share of		
– Loss from operations	**–**	(25)
– Other comprehensive income/(loss)	**25**	(19)
Group's share of total comprehensive income/(loss)	**25**	(44)

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Carrying amount of interests	**343**	318

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Office equipment, furniture and fittings HK$'000	Motor vehicles HK$'000	Total HK$'000
As at 1 January 2016	185	127	4,025	7,747	12,084
Additions	7,487	158	1,650	–	9,295
Disposals	(283)	–	(7)	–	(290)
Write-back of accumulated depreciation on disposals	233	–	7	–	240
Depreciation	(3,167)	(72)	(2,120)	(1,613)	(6,972)
Exchange adjustments	–	–	1	–	1
As at 31 December 2016	4,455	213	3,556	6,134	14,358
As at 1 January 2017	4,455	213	3,556	6,134	14,358
Additions	88	–	421	–	509
Disposals of assets	–	–	(38)	(5,700)	(5,738)
Disposal of assets of a business unit	–	(17,586)	(1,316)	–	(18,902)
Deemed disposal of subsidiaries	(306)	(3,904)	(1,342)	–	(5,552)
Write-back of accumulated depreciation on disposals	306	21,404	2,595	1,817	26,122
Depreciation	(3,034)	(127)	(1,295)	(948)	(5,404)
Impairment loss	–	–	(1,462)	–	(1,462)
Exchange adjustments	–	–	65	–	65
As at 31 December 2017	**1,509**	**–**	**1,184**	**1,303**	**3,996**
Representing:					
Cost	**7,793**	**27,673**	**26,175**	**9,468**	**71,109**
Accumulated depreciation	**(3,338)**	**(27,460)**	**(22,619)**	**(3,334)**	**(56,751)**
As at 1 January 2017	**4,455**	**213**	**3,556**	**6,134**	**14,358**
Cost	**7,575**	**6,748**	**25,871**	**3,768**	**43,962**
Accumulated depreciation and impairment loss	**(6,066)**	**(6,748)**	**(24,687)**	**(2,465)**	**(39,966)**
As at 31 December 2017	**1,509**	**–**	**1,184**	**1,303**	**3,996**

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

The net book value of the Group's property, plant and equipment includes an amount of approximately HK$Nil *(2016: HK$200,000)* in respect of assets held under finance leases.

As a result of loss in the telecommunication business in Singapore in consecutive years, the Group carried out a review of the recoverable amount of the office equipment, furniture and fittings associated with the operation determined based on value in use calculation. The review led to the recognition of an impairment loss of approximately HK$1,462,000 *(2016: HK$Nil)* in the profit or loss for the year ended 31 December 2017.

14. INTANGIBLE ASSETS

	Development costs	Customer contracts	Software	Customer relationships	Technical know-how	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2016	–	8,329	–	–	–	8,329
Acquisition of subsidiary	–	–	13,090	57,363	17,579	88,032
Amortisation	–	(1,901)	(701)	(5,480)	(1,200)	(9,282)
Exchange adjustments	–	(80)	(694)	(3,016)	(929)	(4,719)
As at 31 December 2016	–	6,348	11,695	48,867	15,450	82,360
As at 1 January 2017	–	6,348	11,695	48,867	15,450	82,360
Amortisation	–	(1,919)	(1,529)	(11,952)	(2,616)	(18,016)
Exchange adjustments	–	519	957	4,104	1,275	6,855
As at 31 December 2017	**–**	**4,948**	**11,123**	**41,019**	**14,109**	**71,199**
Representing:						
Cost	**3,597**	**14,510**	**12,390**	**54,296**	**16,639**	**101,432**
Accumulated amortisation and impairment losses	**(3,597)**	**(8,162)**	**(695)**	**(5,429)**	**(1,189)**	**(19,072)**
As at 1 January 2017	**–**	**6,348**	**11,695**	**48,867**	**15,450**	**82,360**
Cost	**3,597**	**15,836**	**13,372**	**58,598**	**17,957**	**109,360**
Accumulated amortisation and impairment losses	**(3,597)**	**(10,888)**	**(2,249)**	**(17,579)**	**(3,848)**	**(38,161)**
As at 31 December 2017	**–**	**4,948**	**11,123**	**41,019**	**14,109**	**71,199**

14. INTANGIBLE ASSETS *(continued)*

Technical know-how represents the know-how of operating a financial payment processing solution business, including but not limited to technical skills on mature e-commerce payment platform developed for the financial payment processing solution services. Technical know-how has a finite useful life and is amortised on a straight-line basis over its estimated economic useful life of 7 years. The remaining useful life is 5.5 years.

Customer relationships represent the existing business relationships with the users of an e-commerce platform maintained by the Group. The customer relationships have a finite useful life and are amortised on a straight-line basis over the estimated economic useful lives of 5 years. The remaining useful life is 3.5 years.

Software represents an e-commerce platform exclusively used for the purpose of provision of financial payment processing solution and software development services. The software has a finite useful life and is amortised on a straight-line basis over 9 years. The remaining useful life is 7.5 years.

Intangible assets related to development costs and customer contracts in respect of domain name registration, web/data hosting and other services. Development costs and customer contracts have a finite useful life and are amortised on a straight-line basis over their estimated economic useful life of 8 years. The remaining useful life of customer contracts is 2.5 years.

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

15. AVAILABLE-FOR-SALE FINANCIAL ASSET

The Group is interested in 0.2% of issued share capital of Thunder Power Hong Kong Limited ("TPHK") for US$1 million (equivalent to HK$7,800,000) and the unlisted investment is accounted for as an available-for-sale financial asset of the Group. Upon completion of the reorganisation during year 2017, the Group held such investment through interested in 0.2% of issued share capital of Thunder Power Holdings Limited (formerly known as "Flash Hope Holdings Limited") ("TPHL"). No change in equity interest in TPHK after the reorganisation.

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

TPHL is a company incorporated in the British Virgin Islands. The principal activity of TPHL is investment holdings and its subsidiaries are principally engaged in the development of battery-powered electric vehicles in Italy, the PRC and Hong Kong.

16. SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ operation	Particulars of issued share capital	Effective ownership interest held by the Company		Principal activities
			Directly	*Indirectly*	
ZONE Telecom Pte Ltd *(i)*	Singapore	Singapore dollars ("S$") 100,000	–	100%	Provision of telecommunication services
ZONE Resources Limited	the British Virgin Islands	US$10,000	–	100%	Asset holding
ZONE Enterprises Limited	Hong Kong	HK$1	–	100%	Provision of consultancy services
ZONE Limited ("ZONE HK")	Hong Kong	HK$2	–	100%	Provision of telecommunication services
ZONE Asia Holdings Limited	the British Virgin Islands	US$1	–	100%	Investment holding
Stage Charm Limited ("Stage Charm")	the British Virgin Islands	US$1	100%	–	Investment holding
speedinsure Global Limited	the British Virgin Islands	US$10,102	–	100%	Investment holding
e-Kong Pillars Holdings Limited	the British Virgin Islands	US$1	100%	–	Investment holding
Cybersite Services Pte Limited ("Cybersite") *(i)*	Singapore	S$100,000	–	100%	Provision of domain name registration and hosting services

16. SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ operation	Particulars of issued share capital	Effective ownership interest held by the Company		Principal activities
			Directly	*Indirectly*	
China Portal Limited	the British Virgin Islands	US$1	–	100%	Provision of consultancy services
B&R Management Limited	Hong Kong	HK$1,000	100%	–	Provision of consultancy services
B&R Investment Holdings Limited (“B&R Investment”)	Hong Kong	HK$1,000	100%	–	Investment holding
深圳盈港科技有限公司 *(i) & (ii)*	The PRC	Renminbi (“RMB”) 1,000,000 Registered capital	–	100%	Provision of technical consultancy services
杭州蘇頌科技有限公司 (Hangzhou Susong Technology Company Limited*) (“Hangzhou Susong”) *(i) & (iii)*	The PRC	RMB2,000,000 Registered capital	–	90%	Provision of financial payment processing solution and software development services, and distribution business through e-commerce platform

(i) *Statutory audited financial statements not audited by Mazars CPA Limited.*
(ii) *A wholly foreign-owned enterprise established in the PRC.*
(iii) *A limited liability enterprise established in the PRC.*

* *For identification purpose only*

16. SUBSIDIARIES *(continued)*

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 2017 and 2016.

FINANCIAL INFORMATION OF SUBSIDIARIES WITH INDIVIDUALLY MATERIAL NCI

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

	Hangzhou Susong	RMI Group
As at 31 December 2017		
Proportion of NCI's ownership interests	10.0%	N/A
	HK$'000	HK$'000
Non-current assets	66,596	–
Current assets	45,320	–
Current liabilities	(35,680)	–
Net assets	76,236	–
Carrying amount of NCI	7,624	–
	HK$'000	HK$'000
Year ended 31 December 2017 (or up to date of deemed disposal)		
Revenue	22,692	6,068
Expenses	(20,018)	(9,876)
Profit/(Loss) for the year	2,674	(3,808)
Other comprehensive income for the year	5,352	–
Total comprehensive income/(loss) for the year	8,026	(3,808)
NCI	803	(1,900)
NCI of Cyber Insurance Brokers Limited ("Cyber Insurance"), non-wholly own subsidiary of RMI Group	–	97
Total comprehensive income/(loss) for the year attributable to NCI	803	(1,803)
Dividend to NCI	–	–
Net cash flows used in operating activities and net decrease in cash and cash equivalents	(615)	(383)

16. SUBSIDIARIES *(continued)*

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

	Hangzhou Susong	RMI Group
As at 31 December 2016		
Proportion of NCI's ownership interests	10.0%	49.9%
	HK$'000	HK$'000
Non-current assets	76,331	1,535
Current assets	27,390	2,000
Current liabilities	(35,511)	(28,389)
Net assets/(liabilities)	68,210	(24,854)
NCI	6,821	(12,402)
NCI of Cyber Insurance	–	716
Carrying amount of NCI	6,821	(11,686)
	HK$'000	HK$'000
Year ended 31 December 2016 (or since acquisition)		
Revenue	16,413	3,563
Expenses	(12,010)	(8,045)
Profit/(Loss) for the year	4,403	(4,482)
Other comprehensive loss for the year	(3,647)	–
Total comprehensive income/(loss) for the year	756	(4,482)
NCI	76	(2,237)
NCI of Cyber Insurance	–	46
Total comprehensive income/(loss) for the year attributable to NCI	76	(2,191)
Dividend to NCI	–	–

16. SUBSIDIARIES *(continued)*

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

	Hangzhou Susong HK$'000	RMI Group HK$'000
Year ended 31 December 2016 (or since acquisition)		
Net cash flows (used in)/generated from operating activities	(7,998)	4,176
Net cash flows used in investing activities	–	(670)
Net cash flows used in financing activities	–	(4,137)
Net decrease in cash and cash equivalents	(7,998)	(631)

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK$'000	2016 HK$'000
Held for trading		
Equity investments listed in Hong Kong	**101,958**	63,199

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

The equity investments listed in Hong Kong of approximately HK$101,802,000 are held by Mr. Yeung on behalf of the Group at the end of the reporting period, the details of the arrangement are set out in note 30(i) to the consolidated financial statements.

18. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables		
From third parties	**31,954**	31,351
From an associate	**545**	–
	32,499	31,351
Allowance for doubtful debts	**(4,163)**	(2,369)
	28,336	28,982
Other receivables		
Deposits	**8,062**	7,618
Prepayments	**2,570**	4,204
Other debtors *(a)*	**28,724**	16,585
Due from an associate *(b)*	**2,100**	–
	69,792	57,389

18. 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:

	2017 **HK$'000**	2016 HK$'000
Less than 1 month	**20,491**	13,678
1 to 3 months	**890**	9,177
More than 3 months but less than 12 months	**352**	6,127
More than 12 months	**6,603**	–
	28,336	28,982

The Group's credit policy is set out in note 31.

The movements in allowance for doubtful debts are as follows:

	2017 **HK$'000**	2016 HK$'000
As at 1 January	**2,369**	2,006
Increase in allowance	**1,746**	372
Exchange adjustments	**48**	(9)
As at 31 December	**4,163**	2,369

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

	2017 **HK$'000**	2016 HK$'000
Less than 3 months past due	**1,148**	10,680
More than 3 months but less than 12 months past due	**265**	5,899
More than 12 months past due	**6,603**	–
Amounts past due	**8,016**	16,579
Neither past due nor impaired	**20,320**	12,403
	28,336	28,982

18. TRADE AND OTHER RECEIVABLES *(continued)*

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

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there has been no history of defaults. For the amounts past due over more than 12 months, the beneficial owner of those debtors agreed to indemnify the Group against any losses from non-recovery of those balances should there be any default in repayment.

(a) Included in other debtors at 31 December 2017 was an advancement to a company which provides human resources management and administration services to the Group of approximately HK$21,095,000 *(2016: approximately HK$5,618,000)*.

(b) Apart from consideration receivable of HK$2,000,000 as set out in note 29 to the consolidated financial statements, the remaining amount due from an associate is unsecured, interest-free and repayable on demand.

19. PLEDGED BANK DEPOSITS

At the end of the reporting period, the Group had pledged bank deposits amounting to approximately HK$1,316,000 *(2016: approximately HK$1,407,000)*. At the end of the reporting period, bank guarantees of approximately HK$1,316,000 *(2016: approximately HK$1,407,000)* were issued to suppliers for operational requirements. The directors do not consider it is probable that a claim will be made against the Group under these guarantees. The amounts utilised by the Group at the end of the reporting period under these guarantees were approximately HK$495,000 *(2016: approximately HK$794,000)*, representing the outstanding amounts payable to these suppliers.

20. CASH AND BANK BALANCES

	2017 **HK$'000**	2016 HK$'000
Cash at bank and in hand	**69,409**	45,239

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

21. TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables	**5,206**	9,443
Other payables		
Deferred revenue	**3,392**	2,675
Consideration payable *(a)*	**37,172**	37,172
Accrued charges and other creditors	**18,998**	32,402
Due to an ex-director *(Note 30(i))*	**41,552**	–
Due to associates *(b)*	**312**	80
	106,632	81,772

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

	2017 HK$'000	2016 HK$'000
Less than 1 month	**3,413**	5,284
1 to 3 months	**804**	1,737
More than 3 months but less than 12 months	**989**	2,422
	5,206	9,443

(a) The amount due is the cash consideration payable for a business combination in 2016 which is unsecured, interest-free and payable on 30 June 2018 *(2016: payable on 30 June 2017)*.

As set out in the Company's circular dated 11 December 2017, in respect of the SingAsia Disposal (as defined in note 30(i)), the management planned to utilise the net proceeds from the SingAsia Disposal to settle the remaining consideration payable. The SingAsia Disposal was finally not approved. After further negotiation with the vendor of the business combination in 2016, the Group agreed with the vendor to extend the date of payment of the consideration payable to 30 June 2018.

(b) The amounts due to associates are unsecured, interest-free and repayable on demand.

22. OBLIGATIONS UNDER FINANCE LEASES

The Group's leased certain of its office equipment under finance leases. The lease terms are ranged between 2 and 3 years *(2016: ranged between 2 and 3 years)*. Interest rates underlying the obligations under finance leases are fixed at respective contract dates 3% per annum *(2016: 3% per annum)*.

	Minimum lease payments		Present value of minimum lease payments	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Amount payable				
Within one year	**86**	79	**79**	72
One to two years	**56**	79	**51**	72
Two to three years	**–**	41	**–**	38
	142	199	**130**	182
Future finance charges	**(12)**	(17)		
Present value of lease obligations	**130**	182		
Less: Amount due for settlement within 12 months			**(79)**	(72)
Amount due for settlement after 12 months			**51**	110

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

Finance lease obligations are denominated in S$.

23. DEFERRED TAX

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

	Tax losses HK$'000	Depreciation allowances HK$'000	Total HK$'000
As at 1 January 2016	41	(226)	(185)
Acquisition of subsidiaries	–	(18,735)	(18,735)
Credit to profit or loss	–	1,702	1,702
Exchange adjustments	–	991	991
As at 31 December 2016	41	(16,268)	(16,227)
(Charge) Credit to profit or loss	(41)	3,849	3,808
Exchange adjustments	–	(1,363)	(1,363)
As at 31 December 2017	**–**	**(13,782)**	**(13,782)**

23. DEFERRED TAX *(continued)*

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

	2017 HK$'000	2016 HK$'000
Deferred tax assets to be recovered:		
Within 12 months	**–**	41
After 12 months	**–**	4
	–	45
Deferred tax liabilities to be settled:		
Within 12 months	**(3,571)**	(3,398)
After 12 months	**(10,211)**	(12,874)
	(13,782)	(16,272)
As at 31 December	**(13,782)**	(16,227)

UNRECOGNISED DEFERRED TAX ASSETS

	2017 HK$'000	2016 HK$'000
Tax losses	**25,878**	37,414
Deductible temporary differences	**1,704**	3,050
As at 31 December	**27,582**	40,464

The unrecognised tax losses of approximately HK$156,801,000 *(2016: approximately HK$226,740,000)* and deductible temporary difference of approximately HK$10,328,000 *(2016: approximately HK$18,490,000)* have no expiry dates under current tax legislation *(2016: no expiry dates under current tax legislation)*.

The accumulated profits of Hangzhou Susong would be subject to withholding taxation if they are distributed. At the end of the reporting period, the estimated withholding tax effect on the distribution of accumulated profits of Hangzhou Susong was approximately HK$3,248,000 *(2016: approximately HK$1,774,000)*. In the opinion of the directors, these accumulated profits at the present time are required for financing the continuing operation of Hangzhou Susong and no distribution would be made in the foreseeable future. Accordingly, no provision for additional deferred taxation have been made.

24. SHARE CAPITAL

	2017		**2016**	
	Number of shares	**Amount HK$'000**	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each				
Authorised:				
As at 1 January and **31 December**	**12,000,000,000**	**120,000**	12,000,000,000	120,000
Issued and fully paid:				
As at 1 January	**875,280,000**	**8,753**	729,400,000	7,294
Shares issued upon placing in November 2016	**–**	**–**	145,880,000	1,459
As at 31 December	**875,280,000**	**8,753**	875,280,000	8,753

25. SHARE OPTIONS

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

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

SUMMARY OF PRINCIPAL TERMS

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

(i) Purpose

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

(ii) Maximum number of shares

The total number of shares in respect of which share options may be granted (together with share options exercised and then outstanding) under the scheme shall not in aggregate exceed 10% of the shares in issue as at the date of approval of the schemes unless shareholder approval has been obtained. As at 31 December 2017 and 2016, there were no outstanding share options under the share option scheme adopted by the Company.

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

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

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

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

(iv) Basis of determining the subscription price

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

(v) Remaining life of the scheme

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

26. RESERVES

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

26. RESERVES *(continued)*

	Attributable to equity holders of the Company								
	Share premium HK$'000	Exchange reserve HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total Reserves HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 January 2017	241,329	(643)	25	2,242	83,489	(124,077)	202,365	(4,865)	197,500
Loss for the year	–	–	–	–	–	(15,735)	(15,735)	(1,536)	(17,271)
Other comprehensive income for the year									
Items that may be subsequently reclassified to profit or loss:									
Exchange differences on translation of foreign subsidiaries	–	5,302	–	–	–	–	5,302	533	5,835
Share of other comprehensive income of a joint venture – Exchange difference in translation	–	22	–	–	–	–	22	3	25
Total comprehensive income/(loss) for the year	–	5,324	–	–	–	(15,735)	(10,411)	(1,000)	(11,411)
Transactions with equity holders of the Company									
Change in ownership interests:									
Deemed disposal of subsidiaries (note 28)	–	–	–	(2,306)	–	2,306	–	13,489	13,489
Total transactions with equity holders of the Company	–	–	–	(2,306)	–	2,306	–	13,489	13,489
As at 31 December 2017	241,329	4,681	25	(64)	83,489	(137,506)	191,954	7,624	199,578

26. RESERVES *(continued)*

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

SHARE PREMIUM

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

EXCHANGE RESERVE

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

CAPITAL RESERVE

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

CONTRIBUTED SURPLUS

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

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

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

As at 31 December 2017 and 2016, there were no reserves available for distribution to the equity holders of the Company.

27. OTHER CASH FLOW INFORMATION

27(a) CASH GENERATED FROM/(USED IN) OPERATIONS

	2017 HK$'000	2016 HK$'000
Loss before taxation	(16,546)	(79,559)
Interest income	(114)	(11)
Interest expenses	9	3
Depreciation of property, plant and equipment	5,404	6,972
Net (increase)/decrease in fair value of financial assets at fair value through profit or loss held at the end of the year	(76,656)	14,512
Amortisation of intangible assets	18,016	9,282
Impairment losses on goodwill	21,034	–
Impairment losses on property, plant and equipment	1,462	–
Share of results of associates	(247)	(7)
Share of result of a joint venture	–	25
Exchange differences	(534)	(323)
(Gain)/Loss on disposal of property, plant and equipment	(7)	42
Loss on deemed disposal of subsidiaries	3,888	–
Gain on disposal of a subsidiary	–	(821)
Loss on disposal of an associate	258	–
Gain on disposal of assets of a business unit	(3,053)	–
Allowance for doubtful debts	1,746	372
Changes in working capital:		
Financial assets at fair value through profit or loss	37,897	(26,657)
Trade and other receivables	(16,852)	(19,186)
Trade and other payables	40,912	(389)
Cash generated from/(used in) operations	16,617	(95,745)

27(b) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Details of the changes in the Group's liabilities from financing activities are as follows:

2017

	Obligations under finance leases HK$'000
At beginning of the year	182
Net cash flows	(69)
Exchange adjustments	17
At end of the year	130

28. DEEMED DISPOSAL OF SUBSIDIARIES

On 25 August 2017, RMGL, a non-wholly owned subsidiary of the Company, allotted and issued additional shares to one of its shareholders. Consequently, the Group's equity interest in RMGL was diluted from 50.10% to 37.59% which resulted in loss of control over RMGL. This transaction is considered as a deemed disposal of subsidiaries. The RMI Group then became associates of the Group upon the completion of deemed disposal on 25 August 2017. The details are as follows:

	HK$'000
Net liabilities disposed of:	
Property, plant and equipment	(163)
Trade and other receivables	(8,211)
Cash and bank balances	(437)
Trade and other payable	17,674
Net liabilities upon disposal	8,863
Non-controlling interests	(13,489)
	(4,626)
Amounts due from the RMI Group recognised upon loss of control	738
Investment retained in RMGL	–
Net loss on deemed disposal of subsidiaries	(3,888)

Analysis of net outflow of cash and cash equivalents in respect of disposal of the subsidiaries is as follows:

	HK$'000
Cash and cash equivalents disposed of	(437)
Net outflow of cash and cash equivalents	(437)

The gross amounts due from the RMI Group upon the deemed disposal were approximately HK$18,986,000. However, in light of net liabilities of the RMI Group, the Company carried out a valuation of the amounts due from the RMI Group retained, which was marked down by HK$18,248,000, to HK$738,000.

29. DISPOSAL OF ASSETS OF A BUSINESS UNIT

On 1 December 2017, ZONE HK, a wholly owned subsidiary of the Company, disposed of certain of its assets together with subsisting customer contracts and associated customer records, which were not qualified to recognise as intangible assets in VoIP business in Hong Kong, to AsiaCloud, at a consideration of HK$3,000,000 in cash and 20% equity interest in AsiaCloud (the "AsiaCloud Interest"). Upon completion, the Group obtained significant influence to AsiaCloud and the AsiaCloud Interest is accounted for as investment in associate. The details of the disposal are as follows:

	HK$'000
Assets disposed of:	
Property, plant and equipment	**23**
Deposits, prepayments and other debtors	**100**
Assets upon disposal	**123**
Gain on disposal of assets of a business unit	**3,053**
Consideration	**3,176**

	HK$'000
Consideration:	
Cash consideration	**3,000**
The AsiaCloud Interest	**176**
	3,176

Analysis of net inflow of cash and cash equivalents in respect of disposal of assets of the business unit is as follows:

	HK$'000
Cash consideration received and **net inflow of cash and cash equivalents**	**1,000**

As at 31 December 2017, the unpaid portion of cash consideration amounted to HK$2,000,000, which is included in "other receivables" (note 18) and is unsecured, interest-free and repayable on or before 1 December 2018.

30. RELATED PARTY AND CONNECTED TRANSACTIONS

(i) On 9 June 2017, the Group disposed of 5,700,000 ordinary shares of SingAsia Holdings Limited ("SingAsia Shares") at a price of HK$4.65 per share (the "Agreed Disposal Price") to Mr. Yeung, the then-director of the Company who resigned on 23 November 2017, with total consideration of HK$26,505,000 (the "SingAsia Disposal"). Despite that the Agreed Disposal Price for the SingAsia Disposal being HK$4.65 per share of the SingAsia Shares, Mr. Yeung executed the SingAsia Disposal by buying the SingAsia Shares in the market from the Company at the then market price in three tranches, resulting in buying the total 5,700,000 SingAsia Shares with a total amount of approximately HK$41,552,000 at an average price of HK$7.316 per share.

In July 2017, the Company determined to convene a members' meeting pursuant to the Listing Rules and in accordance with the requirements set out by the Listing Rules for the purpose of obtaining the approval for the SingAsia Disposal from its independent shareholders.

On 29 December 2017, a special general meeting was convened and the SingAsia Disposal was not approved. According to a deed of undertaking executed by Mr. Yeung and the Group, Mr. Yeung agreed to return all 5,700,000 SingAsia Shares to the Group in exchange for the aggregate consideration previously paid to the Group on or before 31 March 2018.

As at 31 December 2017, the total amount of approximately HK$41,552,000 received from Mr. Yeung was accounted for as "other payable" (note 21) and the SingAsia Shares approximately of HK$101,802,000 are classified as "financial assets at fair value through profit or loss" (note 17).

Up to the date of these consolidated financial statements, total of 2,000,000 SingAsia Shares were returned back to the Group by Mr. Yeung in exchanging for the Group's settlement amount of approximately HK$14,579,000.

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

	2017 HK$'000	2016 HK$'000
Nature of transactions		
Management fee income from related companies	**4,229**	2,006
Sundry income from associates	**264**	–
Management fee expense to an associate	**238**	–
Purchases of financial assets at fair value through profit or loss from Mr. Yeung <*Remark*>	**9,060**	–
Disposals of financial assets at fair value through profit or loss to Mr. Yeung <*Remark*>	**13,653**	1,329

30. RELATED PARTY AND CONNECTED TRANSACTIONS *(continued)*

(ii) (continued)

	2017 HK$'000	2016 HK$'000
Outstanding balances		
Trade receivable due from an associate	**545**	–
Other receivable due from an associate	**2,100**	–
Due to associates	**(312)**	(80)

<Remark>

Those purchases and disposals of financial assets at fair value through profit or loss, which were taken place in the open market, were in substance transacted with Mr. Yeung. Details of those transactions are set out in the Company's circular dated 11 December 2017.

The related companies represented a company with Mr. Yeung who is also a substantial shareholder of the related companies.

The related party transaction in respect of purchase/disposal of financial assets at fair value through profit or loss from/to Mr. Yeung constitute connected transactions as defined in Chapter 14 of the Listing Rules. Other than that, the above transactions do not fall under the definition of connected transactions or continuing connected transactions under the Listing Rules.

31. 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 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 and obligations under finance leases 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 35% *(2016: 9%)* higher/lower while all other variables were held constant, the Group's net loss *(2016: net loss)* would be decreased/increased by approximately HK$35,685,000 *(2016: approximately HK$5,688,000)* due to change in the fair value of financial assets at fair value through profit or loss.

CURRENCY RISK

Since most of the Group's assets and liabilities are denominated in HK$, the Group considers there are no significant exposures to foreign exchange fluctuations. Moreover, certain revenue and payments of the Group are denominated in RMB and S$. The Group continues to closely monitor the S$–HK$ and RMB–HK$ exchange rates and will, whenever appropriate, take appropriate action to mitigate such exchange risks.

31. 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.

At the end of the reporting period, the Group had a concentration risk as 18% *(2016: 25%)* and 71% *(2016: 74%)* of the total trade receivables were made up by the Group's largest customers and the five largest customers' outstanding balances respectively.

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 HK$'000	**Less than 3 months HK$'000**	**3 to 12 months HK$'000**	**After 1 year but within 5 years HK$'000**	**Total HK$'000**
As at 31 December 2017					
Obligations under finance leases	**–**	**–**	**79**	**51**	**130**
Trade and other payables	**56,314**	**7,143**	**39,693**	**–**	**103,150**
Bank guarantee commitments	**806**	**–**	**–**	**–**	**806**
	57,120	**7,143**	**39,772**	**51**	**104,086**

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

32. 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	
	2017 HK$'000	2016 HK$'000
Financial assets at fair value through profit or loss		
Equity investments listed in Hong Kong	**101,958**	63,199

During the years ended 31 December 2017 and 2016, 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 2017 and 2016.

33. 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 2017 and 2016.

33. CAPITAL MANAGEMENT *(continued)*

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

	2017 HK$'000	2016 HK$'000
Trade and other payables	**(106,632)**	(81,772)
Obligations under finance leases	**(130)**	(182)
Taxation payable	**(8,690)**	(4,271)
Less: Cash and bank balances	**69,409**	45,239
Cash held by a securities broker	**–**	3,221
Pledged bank deposits	**1,316**	1,407
Financial assets at fair value through profit or loss	**101,958**	63,199
Net surplus	**57,231**	26,841
Total equity	**208,331**	206,253
Net debt-to-equity ratio	**N/A**	N/A

34. COMMITMENTS AND CONTINGENCIES

COMMITMENTS UNDER OPERATING LEASES

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

	2017 HK$'000	2016 HK$'000
Within one year	**18,426**	22,229
In the second to fifth years inclusive	**6,274**	15,610
	24,700	37,839

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

LITIGATION

The Company is involved in a dispute on certain of the proceeds from the disposal of a subsidiary in year 2015. The Group's management believes that the claim is without merit and the possibility of a significant loss arising from the dispute is remote and therefore no provision of the claims was considered necessary.

35. SEGMENTAL INFORMATION

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

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

35. SEGMENTAL INFORMATION *(continued)*

Analysis 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 2017

	Tele-communication services HK$'000	Financial payment processing solution and software development services and distribution business HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
Revenue					
External sales	46,668	22,692	2,315	–	71,675
Inter-segment sales	515	–	–	(515)	–
	47,183	22,692	2,315	(515)	71,675
Results					
Segment results	(10,781)	(17,469)	(2,775)	–	(31,025)
Finance costs	(9)	–	–	–	(9)
Loss on disposal of an associate	–	–	(258)	–	(258)
Share of results of associates	105	–	142	–	247
	(10,685)	(17,469)	(2,891)	–	(31,045)
Other operating income and expenses					14,499
Loss before taxation					(16,546)

Inter-segment sales are charged at prevailing market prices.

35. SEGMENTAL INFORMATION *(continued)*

(a) BY BUSINESS SEGMENTS *(continued)*

Year ended 31 December 2017

	Tele-communication services HK$'000	Financial payment processing solution and software development services and distribution business HK$'000	Other operations HK$'000	Consolidated HK$'000
Assets				
– Reportable segments	18,006	124,346	–	142,352
– Unallocated assets				196,171
				338,523
Liabilities				
– Reportable segments	(12,927)	(35,680)	–	(48,607)
– Unallocated liabilities				(81,585)
				(130,192)
Other information				
Capital expenditures				
– Reportable segments	368	3	–	371
– Unallocated assets				138
				509
Interests in a joint venture and associates				
– Reportable segments	280	343	–	623
Interest income				
– Reportable segments	4	–	–	4
– Unallocated income				110
				114
Amortisation and depreciation				
– Reportable segments	(2,779)	(16,099)	(89)	(18,967)
– Unallocated expenses				(4,453)
				(23,420)

35. SEGMENTAL INFORMATION *(continued)*

(a) BY BUSINESS SEGMENTS *(continued)*

Year ended 31 December 2017

	Tele-communication services HK$'000	Financial payment processing solution and software development services and distribution business HK$'000	Other operations HK$'000	Consolidated HK$'000
Other information				
Impairment of property, plant and equipment				
– Reportable segments	(1,462)	–	–	(1,462)
– Unallocated				–
				(1,462)
Impairment of goodwill				
– Reportable segments	–	(21,034)	–	(21,034)
– Unallocated				–
				(21,034)
Non-cash items other than amortisation, depreciation and impairment				
– Reportable segments	(1,849)	–	–	(1,849)
– Unallocated				(3,888)
				(5,737)

35. SEGMENTAL INFORMATION *(continued)*

(a) BY BUSINESS SEGMENTS *(continued)*

Year ended 31 December 2016

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

Inter-segment sales are charged at prevailing market prices.

35. SEGMENTAL INFORMATION *(continued)*

(a) BY BUSINESS SEGMENTS *(continued)*

Year ended 31 December 2016

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

35. SEGMENTAL INFORMATION *(continued)*

(b) BY GEOGRAPHICAL INFORMATION

The Group's operations are principally located in Hong Kong, Singapore and the PRC. The following table provides an analysis of the Group's revenue from external customers by geographical market in which the operations are located:

	2017 **HK$'000**	2016 HK$'000
Hong Kong	**15,040**	22,034
Singapore	**33,943**	40,470
The PRC	**22,692**	16,413
	71,675	78,917

The following is an analysis of the carrying amounts of non-current assets (excluding financial instruments and deferred tax assets) by geographical area in which the assets are located:

	2017 **HK$'000**	2016 HK$'000
Hong Kong	**3,948**	12,712
Singapore	**5,259**	8,485
The PRC	**79,041**	109,810
	88,248	131,007

(c) INFORMATION ABOUT MAJOR CUSTOMERS

For the years ended 31 December 2017 and 2016, there are no customers that individually accounted for 10% or more of total revenue of the Group.

36. EVENTS AFTER THE REPORTING PERIOD

(a) On 8 September 2017, B&R Investment, a wholly-owned subsidiary of the Company, entered into a joint venture agreement with Great Wall Film & Culture Company Group Limited* (長城影視文化企業集團有限公司), which held approximately 25.46% of the total issued share capital of the Company through its subsidiary, in respect of forming an investee to cooperate in the development of characteristic cultural town in Wusu City of the Xinjiang Autonomous Region of the PRC.

On 1 February 2018, the investee, Wusu Silk Road Small Towns Cultural Tourism Company Limited* (烏蘇絲路小鎮文旅有限公司) ("Wusu Silk Road"), was established. On 7 February 2018, B&R Investment had completed its capital contribution of RMB50,000,000 in cash to Wusu Silk Road and B&R Investment held 25% of the equity interests in Wusu Silk Road. Upon completion of the capital contribution to Wusu Silk Road, Wusu Silk Road is accounted for as an associate of the Group.

(b) In February 2018, the Board had put forward a proposal to the Shareholders to change the English name of the Company from "e-Kong Group Limited" to "Great Wall Belt & Road Holdings Limited" and to adopt the Chinese name "長城一帶一路控股有限公司". The proposed new names will better reflect the business development of the Group and will create a new corporate image. A special general meeting of the Company will be held on 6 April 2018.

(c) On 6 March 2018, the Company allotted and issued an aggregate of 175,000,000 ordinary shares of HK$0.01 each for cash to not less than six independent investors at a placing price of approximately HK$0.30 per share under the general mandate. The net proceeds of approximately HK$50,700,000 were intended to be used for replenishing the working capital of the Group. All shares issued under the placing rank pari passu with the existing shares in all respects.

(d) On 7 March 2018, an indirect wholly-owned subsidiary of the Company entered into an agreement for the sale of its 100% equity interest in Cybersite to an independent third party for a consideration of S$2,200,000 *(equivalent to approximately HK$13,103,000)* which such consideration will be subject to adjustments. Upon completion of the transaction, the Group expects to record an estimated one-off gain of approximately HK$12,216,000. Details of the transaction have been set out in the Company's announcement dated 7 March 2018. The transaction was completed on 22 March 2018.

(e) On 14 March 2018, the Company passed a resolution in relation to the proposed issue of unlisted bonds in an aggregate principal amount of up to HK$50,000,000 carrying a coupon rate of 5% with a maturity date ranged from 4 to 8 years from the date of issue of the respective bonds for cash at par, and the net proceeds from such proposed issue of bonds to be used as general working capital, including but not limited to, funding of business development of the Group. Up to the date of these consolidated financial statements, no binding agreement was entered into in respect of the bonds. Details of the proposed issue of bonds have been set out in the Company's announcement dated 14 March 2018.

(f) On 21 March 2018, the Company entered into a memorandum of understanding with an independent third party to dispose of 100% equity interest in Stage Charm, which holds the entire issued share capital of Diamond Frontier Investment Limited and 90% equity interest in the registered capital of Hangzhou Susong. Up to the date of these consolidated financial statements, no binding agreement was entered into in respect of the proposed disposal. Details of the proposed disposal have been set out in the Company's announcement dated 21 March 2018.

* *For identification purpose only*

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	Note	**2017 HK$'000**	2016 HK$'000
Non-current assets			
Property, plant and equipment		**2,337**	10,091
Interests in subsidiaries		**120,539**	109,980
		122,876	120,071
Current assets			
Other receivables		**11,880**	18,001
Pledged bank deposits		**79**	278
Cash and bank balances		**59,840**	34,360
		71,799	52,639
Current liability			
Trade and other payables		**133,992**	68,795
Net current liabilities		**(62,193)**	(16,156)
NET ASSETS		**60,683**	103,915
Capital and reserves			
Share capital	*24*	**8,753**	8,753
Reserves	*37(a)*	**51,930**	95,162
TOTAL EQUITY		**60,683**	103,915

Approved and authorised for issue by the Board of Directors on 28 March 2018 and signed on its behalf by

Zhao Ruiyong
Director

Li Bing
Director

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

(a) MOVEMENTS OF THE RESERVES

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2016	187,630	25	83,489	(180,258)	90,886
Loss for the year and total comprehensive loss for the year	–	–	–	(49,423)	(49,423)
Transaction with equity holders of the Company					
Contributions and distributions:					
Shares issued upon placing in November 2016	53,699	–	–	–	53,699
As at 31 December 2016	241,329	25	83,489	(229,681)	95,162
As at 1 January 2017	**241,329**	**25**	**83,489**	**(229,681)**	**95,162**
Loss for the year and total comprehensive loss for the year	**–**	**–**	**–**	**(43,232)**	**(43,232)**
As at 31 December 2017	**241,329**	**25**	**83,489**	**(272,913)**	**51,930**

Summary of Results, Assets and Liabilities of the Group

	Results of the Group for the five years ended 31 December				
	Continued and discontinued operations				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**71,675**	78,917	70,115	75,471	77,345
(Loss)/Profit before taxation	**(16,546)**	(79,559)	1,110	(73,958)	(33,286)
Taxation (charges)/credits	**(725)**	(1,455)	93	298	(1,305)
(Loss)/Profit for the year	**(17,271)**	(81,014)	1,203	(73,660)	(34,591)
	HK cents	HK cents	HK cents	HK cents	HK cents
(Loss)/Earnings per share					
Basic and diluted	**(1.8)**	(10.6)	0.6	(13.6)	(6.3)

	Assets and liabilities of the Group as at 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**96,048**	138,852	21,477	17,398	151,708
Current assets	**242,475**	170,455	231,452	182,531	130,104
Total assets	**338,523**	309,307	252,929	199,929	281,812
Non-current liabilities	**14,791**	16,939	1,017	1,131	80,621
Current liabilities	**115,401**	86,115	23,824	94,837	22,841
Total liabilities	**130,192**	103,054	24,841	95,968	103,462
Net assets	**208,331**	206,253	228,088	103,961	178,350

Shareholder Information

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:

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

Branch Share Registrar and Transfer Office 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
Suite 1402, 14/F
Henley Building
No.5 Queen's Road Central
Central
Hong Kong

Telephone: +852 2522 3800
Facsimile: +852 2111 2665
Email: investor@e-kong.com

CORPORATE COMMUNICATIONS

On 15 September 2003, the Company sent a letter to its shareholders (the "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 2017 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 2017 Annual Report in the language other than that he/she now receives upon request to the Company's branch share registrar and transfer office 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)索取此二零一七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 2017 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 and transfer office in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong a prescribed instruction slip by mail or by email to *ekong524-ecom@hk.tricorglobal.com*, a copy of which is printed at the end of this 2017 Annual Report and is available on the Company's website *(www.e-kong.com)*.

INSTRUCTION SLIP
ON RECEIVING FUTURE CORPORATE COMMUNICATIONS

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

Please tick only one box of this instruction slip

1. PRINTED FORM

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

In future,

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

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

In future,

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

2. ELECTRONIC MEANS

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

  My/Our E-mail Address: ______________________________

  (for notification of Corporate Communication release)

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

  My/Our New E-mail Address: ______________________________

  (for notification of Corporate Communication release)

  With effect from: ______________________________

Signature: ______________________ Date: ______________________

Name of Shareholder: ______________________________

Address: ______________________________

Contact telephone number: ______________________________

Notes:

1. The above instruction will apply to all future Corporate Communications to be sent to shareholders of the Company ("Shareholders") until you notify the Company the otherwise by reasonable notice in writing.

2. All future Corporate Communications in both the English and Chinese languages will be available from the Company or Tricor Secretaries Limited, the Company's Branch Share Registrar in Hong Kong, upon request.

3. Shareholders are entitled to change the choice of language of and means of receiving Corporate Communications at any time by completing, signing and returning this instruction slip to the Company or Tricor Secretaries Limited, the Company's Branch Share Registrar in Hong Kong, by mail or by email to *ekong524-ecom@hk.tricorglobal.com*.

4. A soft copy of this instruction slip is available on the Company's website.

關於將來收取公司通訊之
指示回條

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

請只在指示回條中一個方格內劃上 ✓ 號

1.　印刷形式

(a)　*完整財務報告及其他公司通訊(英文、中文或中英文)*
於將來，
☐　本人／吾等願意僅收取完整財務報告及其他的公司通訊之英文印刷版本；或
☐　本人／吾等願意僅收取完整財務報告及其他的公司通訊之中文印刷版本；或
☐　本人／吾等願意收取完整財務報告及其他的公司通訊之中英文印刷版本。

(b)　*財務摘要報告及其他公司通訊(英文、中文或中英文)*
於將來，
☐　本人／吾等願意僅收取財務摘要報告(如有)及其他的公司通訊之英文印刷版本；或
☐　本人／吾等願意僅收取財務摘要報告(如有)及其他的公司通訊之中文印刷版本；或
☐　本人／吾等願意收取財務摘要報告(如有)及其他的公司通訊之中英文印刷版本。

2.　電子形式

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

本人／吾等之電郵地址：____

(通知發佈公司通訊適用)

☐　本人／吾等願意更改本人／吾等之電郵地址如下：

本人／吾等之新電郵地址：____

(通知發佈公司通訊適用)

生效日期：____

簽署：______________________ 日期：______________________

股東姓名：____

地址：____

聯絡電話號碼：____

附註：

1.　上述指示適用於將來寄發予本公司股東(「股東」)之所有公司通訊，直至　閣下於合理時間以書面通知本公司另作選擇為止。

2.　將來所有公司通訊之中英文版本均在本公司或本公司之股份過戶登記處香港分處卓佳秘書商務有限公司可供索閱。

3.　股東有權於任何時間填妥及簽署本指示回條並以郵寄方式或電郵至*ekong524-ecom@hk.tricorglobal.com*，將其交回本公司或本公司之股份過戶登記處香港分處卓佳秘書商務有限公司，要求更改收取公司通訊之語言版本及形式。

4.　本指示回條之電子格式檔於本公司網頁登載。

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