e-Kong Group Limited

(Incorporated in Bermuda with limited liability)

www.e-kong.com

(Stock Code: 524)

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2014

HIGHLIGHTS

- The Group's turnover for 2014 decreased slightly by 2.4% to HK$75.5 million and a higher loss attributable to equity holders of the Company of HK$71.0 million was recorded for the year as compared with a loss of HK$32.6 million in the previous year mainly due to a considerable loss incurred by ANZ, the Group's share of which was HK$48.2 million

- In November 2014, the Group entered into an agreement to dispose of its entire shareholding of ZONE Global Limited, whose primary asset is the Group's holding of 50% of the voting units of ANZ, for a cash consideration of HK$130 million

- Following the completion of the disposal transaction in January 2015, the Group currently has a healthy balance sheet with a much improved cash position and a significantly reduced gearing ratio

- The Group is continuing its transformation and diversification efforts of the ZONE telecommunications businesses in Asia and has made further progress in the roll-out of its RMI's insurance distribution business, while it pursues other investment opportunities in the Asian region which the Board believes will deliver business diversity and enhance shareholder value

RESULTS

The board of directors (the "Board") of e-Kong Group Limited (the "Company") herein announces the audited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2014, together with comparative figures for 2013, as set out below.

Consolidated Statement of Profit or Loss

		Year ended 31 December	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
Turnover	*2*	**75,471**	77,345
Cost of sales		**(35,948)**	(39,358)
Gross profit		**39,523**	37,987
Other revenue and income	*3*	**1,601**	1,622
		41,124	39,609
Selling and distribution expenses		**(6,232)**	(5,313)
Business promotion and marketing expenses		**(4,217)**	(3,279)
Operating and administrative expenses		**(49,438)**	(49,500)
Other operating expenses		**(5,490)**	(5,505)
Loss from operations		**(24,253)**	(23,988)
Finance costs	*4*	**(1,474)**	(1,118)
Share of results of joint ventures	*8*	**(48,231)**	(8,180)
Loss before taxation	*4*	**(73,958)**	(33,286)
Taxation credit / (charges)	*5*		
Current tax		**298**	(1,352)
Deferred tax		**–**	47
		298	(1,305)
Loss for the year		**(73,660)**	(34,591)

Consolidated Statement of Profit or Loss *(continued)*

		Year ended 31 December	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
Loss for the year attributable to:			
Equity holders of the Company		**(71,011)**	(32,629)
Non-controlling interests		**(2,649)**	(1,962)
Loss for the year		**(73,660)**	(34,591)
		HK cents	*HK cents*
Loss per share	*6*		
Basic and diluted		**(13.6)**	(6.3)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Loss for the year	**(73,660)**	(34,591)
Other comprehensive loss for the year		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign subsidiaries and joint ventures	**(729)**	(581)
Total comprehensive loss for the year	**(74,389)**	(35,172)
Total comprehensive loss for the year attributable to:		
Equity holders of the Company	**(71,740)**	(33,210)
Non-controlling interests	**(2,649)**	(1,962)
Total comprehensive loss for the year	**(74,389)**	(35,172)

Consolidated Statement of Financial Position

	Notes	As at 31 December 2014 HK$'000	As at 31 December 2013 HK$'000
Non-current assets			
Property, plant and equipment		**6,466**	6,503
Intangible assets	*7*	**10,887**	13,505
Interests in joint ventures	*8*	**–**	131,655
Deferred tax assets		**45**	45
		17,398	151,708
Current assets			
Inventories		**–**	847
Trade and other receivables	*9*	**14,401**	17,041
Pledged bank deposits		**1,504**	79,402
Cash and bank balances		**42,087**	32,814
		57,992	130,104
Assets classified as held for sale	*10*	**124,539**	–
		182,531	130,104
Current liabilities			
Trade and other payables	*11*	**43,436**	19,606
Current portion of bank and other borrowings		**9,635**	2,968
Taxation payable		**–**	267
		53,071	22,841
Liabilities associated with assets classified as held for sale	*10*	**41,766**	–
		94,837	22,841
Net current assets		**87,694**	107,263
Total assets less current liabilities		**105,092**	258,971

Consolidated Statement of Financial Position *(continued)*

	As at 31 December 2014 HK$'000	As at 31 December 2013 HK$'000
Non-current liabilities		
Deferred revenue	**780**	775
Bank and other borrowings	**–**	79,478
Deferred tax liabilities	**351**	368
	1,131	80,621
NET ASSETS	**103,961**	178,350
Capital and reserves		
Share capital	**5,210**	5,210
Reserves	**106,403**	178,143
Equity attributable to equity holders of the Company	**111,613**	183,353
Non-controlling interests	**(7,652)**	(5,003)
TOTAL EQUITY	**103,961**	178,350

Notes to the Consolidated Financial Statements:

1. Basis of preparation and accounting policies

These consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable HKFRS, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The accounting policies and bases of preparation adopted in these consolidated financial statements are consistent with those adopted in the Company's 2013 Annual Report. The adoption of the new and revised HKFRS that are relevant to the Group and effective from the current year had no significant effects on results and financial position of the Group for current and prior years.

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

2. Turnover and segmental information

The Group's management, who are the chief operating decision-makers, determine the operating segments for the purposes of resource allocation and performance assessment. The business segments of the Group comprise telecommunication services and other operations, representing the provision of insurance-related product distribution services and consultancy services.

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

2. Turnover and segmental information *(continued)*

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

(a) By business segments

	Year ended 31 December							
	2014				2013			
	Telecom-munication services	**Other operations**	**Eliminations**	**Consolidated**	Telecom-munication services	Other operations	Eliminations	Consolidated
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover								
External sales	**74,018**	**1,453**	**–**	**75,471**	75,992	1,353	–	77,345
Inter-segment sales	**288**	**–**	**(288)**	**–**	269	–	(269)	–
	74,306	**1,453**	**(288)**	**75,471**	76,261	1,353	(269)	77,345
Results								
Segment results	**(243)**	**(5,577)**	**–**	**(5,820)**	(724)	(4,826)	–	(5,550)
Finance costs	**(1,474)**	**–**	**–**	**(1,474)**	(1,118)	–	–	(1,118)
Share of results of joint ventures	**(48,231)**	**–**	**–**	**(48,231)**	(8,180)	–	–	(8,180)
	(49,948)	**(5,577)**	**–**	**(55,525)**	(10,022)	(4,826)	–	(14,848)
Other operating income and expenses				**(18,433)**				(18,438)
Loss before taxation				**(73,958)**				(33,286)

Inter-segment sales are charged at prevailing market prices.

2. Turnover and segmental information *(continued)*

(a) By business segments *(continued)*

	As at 31 December 2014			As at 31 December 2013		
	Tele-communication services	Other operations	Consolidated	Tele-communication services	Other operations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets						
Reportable segments	**164,607**	**5,878**	**170,485**	177,701	1,962	179,663
Unallocated assets			**29,444**			102,149
			199,929			281,812
Liabilities						
Reportable segments	**(66,768)**	**(2,597)**	**(69,365)**	(99,221)	(2,347)	(101,568)
Unallocated liabilities			**(26,603)**			(1,894)
			(95,968)			(103,462)

(b) By geographically information

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

3. Other revenue and income

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Interest income on bank deposits	**183**	585
Other	**1,418**	1,037
	1,601	1,622

4. Loss before taxation

Loss before taxation is stated after charging the following:

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Finance costs:		
Interest on bank loans	**(876)**	(1,118)
Interest on other loan from a related company	**(598)**	–
	(1,474)	(1,118)
Amortisation of intangible assets	**(2,066)**	(2,094)
Depreciation of property, plant and equipment	**(2,291)**	(2,571)

The above bank and other loans are wholly repayable within five years.

5. Taxation credit / (charges)

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**–**	–
Overseas income taxes	**(77)**	(1,352)
	(77)	(1,352)
Over-provisions on overseas income taxes in prior years	**375**	–
	298	(1,352)
Deferred tax		
Tax losses	**–**	(71)
Depreciation allowances	**–**	118
	–	47
	298	(1,305)

During the year, Hong Kong Profits Tax has not been provided as the Group's assessable profits for the year were wholly absorbed by unrelieved tax losses brought forward from previous years. In 2013, no provision for Hong Kong Profits Tax has been made as the Group incurred a loss for taxation purposes.

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

6. Loss per share

The calculation of the basic loss per share for the year ended 31 December 2014 is based on the consolidated loss attributable to equity holders of the Company of HK$71,011,000 (2013: HK$32,629,000) and on the number of 521,000,000 (2013: 521,000,000) shares in issue during the year.

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

7. Intangible assets

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Cost at the beginning of the year	**20,218**	20,786
Exchange adjustments	**(786)**	(568)
	19,432	20,218
Accumulated amortisation and impairment losses	**(8,545)**	(6,713)
	10,887	13,505

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

8. Interests in joint ventures

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Share of total equity	**94,749**	104,230
Goodwill	**27,425**	27,425
	122,174	131,655
Reclassified as held for sale *(notes 10 & 12)*	**(122,174)**	–
	–	131,655

8. Interests in joint ventures *(continued)*

As at 31 December 2014, the Group had interests in the following joint ventures:

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

All of the above joint ventures are accounted for using the equity method in the consolidated financial statements up to the time transferred to assets classified as held for sale.

As at 31 December 2014, the Group had a 50% equity interest in ANZ. ANZ is an investment holding company and its subsidiaries are principally engaged in the business of provision of voice and data telecommunication services, and is in the course of investing and executing its plan to roll-out Unified Communication hosted solutions and cloud applications, in the United States.

As at 31 December 2014, the Group held 50% of the voting units outstanding in ANZ and controlled 50% of the voting power in general meetings. Since the major financing and operational decisions of ANZ need to be unanimously approved by the Group and another joint venturer, ANZ and its subsidiaries were regarded as joint ventures of the Group.

8. **Interests in joint ventures** *(continued)*

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

	As at 31 December 2014		As at 31 December 2013	
	100%	**The Group's 50% share**	100%	The Group's 50% share
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Non-current assets	**120,566**	**60,283**	130,700	65,350
Current assets	**142,748**	**71,374**	193,114	96,557
Current liabilities	**(73,816)**	**(36,908)**	(115,354)	(57,677)
Total equity	**189,498**	**94,749**	208,460	104,230

	Year ended 31 December			
	2014		2013	
	100%	**The Group's 50% share**	100%	The Group's 50% share
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Revenue	**642,188**	**321,094**	807,964	403,982
Expenses *(note)*	**(738,650)**	**(369,325)**	(824,324)	(412,162)
Loss for the year	**(96,462)**	**(48,231)**	(16,360)	(8,180)
Other comprehensive income for the year	**–**	**–**	–	–
Total comprehensive loss for the year	**(96,462)**	**(48,231)**	(16,360)	(8,180)
Distributions from joint venture	**–**	**–**	1,134	567

Note: The amounts include cost of sales and all operating expenses.

Please refer also to notes 10 and 12 to these consolidated financial statements.

9. Trade and other receivables

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**8,242**	9,350
Other receivables		
Deposits, prepayments and other debtors	**6,159**	7,691
	14,401	17,041

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 allowances for doubtful debts) with the following ageing analysis by invoice date:

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Less than 1 month	**5,232**	5,766
1 to 3 months	**1,870**	2,164
More than 3 months but less than 12 months	**1,140**	1,420
	8,242	9,350

10. Assets classified as held for sale

On 4 November 2014, an indirect wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement for the sale of 100% of its equity interest in ZONE Global Limited (the "Equity Interest") to Distacom International Limited, a company controlled by Mr. Richard John Siemens, the then Chairman of the Company, for a cash consideration of HK$130,000,000. Details of this transaction have been set out in the Company's circular dated 28 November 2014. The transaction was approved on 16 December 2014 at a special general meeting of shareholders of the Company and was completed on 22 January 2015.

Based on the above facts, the Company considers that the Equity Interest holdings met the criteria to classify as held for sale because the carrying amount is recovered principally through a sale transaction rather than through continuing use and the Equity Interest is available for sale in its present condition. Accordingly, the assets and liabilities of ZONE Global Limited were reclassified as held for sale.

Please refer also to notes 8 and 12 to these consolidated financial statements.

11. Trade and other payables

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Trade payables	**2,313**	2,229
Other payables		
Deferred revenue	**3,382**	3,390
Accrued charges and other creditors	**11,741**	11,868
Deposit from disposal of assets classified as held for sale	**26,000**	–
Due to a joint venture	**–**	2,119
	43,436	19,606

The amount due to a joint venture was unsecured, interest-free and had no fixed term of repayment.

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

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Less than 1 month	**1,576**	1,828
1 to 3 months	**346**	323
More than 3 months but less than 12 months	**391**	78
	2,313	2,229

12. Events after the reporting period

On 4 November 2014, an indirect wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement for the sale of its 100% equity interest in ZONE Global Limited (the "Equity Interest") to Distacom International Limited, a company controlled by Mr. Richard John Siemens, the then Chairman of the Company, for a cash consideration of HK$130,000,000. Details of this transaction have been set out in the Company's circular dated 28 November 2014.

An ordinary resolution to approve the above sale and purchase agreement was duly passed by shareholders of the Company at a special general meeting held on 16 December 2014 and the transaction was completed on 22 January 2015.

Upon completion of the transaction, the Group expects to record an estimated one-off gain of approximately HK$44.8 million for the financial year ending 31 December 2015, which calculation is based on the consideration, the carrying value and the release of an exchange reserve attributable to the Equity Interest as reflected in the consolidated financial statements and after taking into account other expenses paid and payable in relation to the transaction.

Please refer also to notes 8 and 10 to these consolidated financial statements.

FINAL DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2014 (2013: Nil).

BUSINESS REVIEW

Overview

During the year under review, the Group continued to invest in its operating companies and its joint ventures as they transformed and diversified themselves in their respective markets. While the investments made into the operating companies were mainly funded by internal resources of the Group, the capital injection made in response to a cash call for US$10 million by its then joint venture, ANZ Communications LLC (ANZ), to its two equity holders in July 2014 was funded for its US$5 million share by the Group through a director's loan.

The Group's turnover for the year under review decreased slightly by 2.4% to HK$75.5 million compared to HK$77.3 million for the prior year. ZONE Asia, comprising the Group's telecom operations in Singapore and Hong Kong, remained the major revenue contributor in 2014. The overall gross margin of the Group (as a percentage of its revenue) improved from 49.1% for the prior year to 52.4%. A higher loss attributable to equity holders of the Company of HK$71.0 million was recorded for the year as compared with a loss of HK$32.6 million in the previous year mainly due to a considerable loss incurred by ANZ, the Group's share of which was HK$48.2 million compared to HK$8.2 million for the prior year. The Group's net asset value decreased from HK$178.4 million as at 31 December 2013 to HK$104.0 million as at 31 December 2014.

ANZ, United States

In the United States, turnover of ANZ decreased by 20.5% from HK$808.0 million in the prior year to HK$642.2 million in 2014 mainly due to further declines in minutes of use as well as a decrease in the average per unit rate of its traditional voice business. During the year under review, ANZ continued to invest significant resources into its new business of providing hosted Unified Communication (UC) solutions and cloud-based applications.

In the fourth quarter of 2014, the management of ANZ advised its board members that the execution of its business plan and its working capital requirements would likely be negatively impacted by the faster-than-expected decline in the revenue from the traditional voice business and longer sales cycle and delays in the roll-out of certain back-office functionalities of its hosted UC solutions.

BUSINESS REVIEW *(continued)*

ANZ, United States (continued)

Thereafter, the Group reviewed the potential risk / return of its holdings in ANZ against the possible additional capital demand from ANZ as well as the need for the Group to be adequately capitalised to pursue other business opportunities. It was concluded that it would be in the best interests of the Group and its shareholders to divest its interest in ANZ. As a result, in November 2014, the Group entered into an agreement to dispose of the entire shareholding of ZONE Global Limited, whose primary asset is the Group's holding of 50% of the voting units in ANZ, to an entity controlled by Mr. Richard John Siemens, the then Chairman of the Company, for a cash consideration of HK$130 million (and the assumption of the US$5 million loan utilised for capital contribution to ANZ) and the completion of this transaction took place in January 2015.

Zone Telecom, Asia

In 2014, ZONE Asia recorded total turnover of HK$74.0 million, a 2.6% decrease as compared to HK$76.0 million for the prior year. The decline was mainly due to the drop in revenue derived from ZONE's Hong Kong operations following its exit from the non-performing infrastructure sales segment, while its operations in Singapore continued to record a year-on-year revenue increase. In terms of financial performance, ZONE's Singapore and Hong Kong operations each continued to generate positive EBITDA in 2014 and, thereby, build a solid base for growth in 2015. Both ZONE businesses continue to follow through on their operational strategies in increasing market awareness, focussing on acquisition of customers with sizable recurring telecom needs, and promoting higher margin products and services.

While the transformation of ZONE Hong Kong into a total communications solution provider to local and overseas customers is near completion with contributions from its project-based revenue segment now exceeding the traditional voice service segment, ZONE Singapore is on track with its strategy to transform itself from a telecoms-centric provider to a leading service provider of business solutions and applications. The revenue increase in 2014 was mainly derived from subscription-based data and cloud services and solutions targeted at the business segment. The growth drivers included revenue from ZONE Singapore's data services that recorded an over 70% increase compared to the prior year. In line with the rapid growth of the cloud-based services industry, Cybersite, ZONE's web / data-hosting subsidiary, also recorded healthy revenue growth in 2014. With the completion of its new infrastructure, Cybersite now offers new and enhanced cloud services including Virtual Private Servers (VPS) and enterprise-grade web services which are generating higher Average Revenue Per User (ARPU). With system automation, productivity is expected to improve which leads to cost savings and better margins. ZONE Asia is well positioned in 2015 to continue its growth path to become a leading organisation to meet the information technology and business solution needs of today's modern businesses in Hong Kong and Singapore and across the geographical boundaries.

BUSINESS REVIEW *(continued)*

RMI, Hong Kong

During the year under review, RMI's proprietary C-O-T programme "RetailAssurance", as facilitated by its mass-market insurance distribution platform, further established its retail presence both in Hong Kong and internationally. RMI's efforts as an insurance intermediary and marketing services company in assisting non-insurance entities to enter this space have proven to be successful in the supermarket, telecommunications and other mass-market sectors. In 2014, RMI successfully rolled out its CARE "BillProtector" programme jointly with the HKT Group, RMI's network partner and the leading telecom service provider in Hong Kong. Looking ahead, RMI, in collaboration with leading insurers and its retail partners, is also preparing other attractive retail-orientated insurance products for launch in the coming months.

Armed with a strong product portfolio, established processes and supporting systems, and a blue chip customer base, RMI is preparing to aggressively enter a 5-year "RetailAssurance" rollout plan. Demonstrated success and industry leading metrics will ensure both customer acceptance and strategic partner alliance support to achieve a multi-country rollout plan.

Outlook

Following strategic reviews conducted by the Board, the Group is re-focussing on its Asian presence and has realigned its resources and efforts in the development of its existing businesses as well as pursuing other growth opportunities in the region, in particular China. Following the completion of the disposal transaction in January 2015, the Group currently has a healthy balance sheet with a much improved cash position and a significantly reduced gearing ratio. The Company is also looking into rationalising its corporate setup and augmenting the Board leadership by adding new board members with diverse industry disciplines and business backgrounds.

Looking ahead, for the year 2015, the Group will build upon a robust foundation of its existing ZONE telecommunication operations and a promising RMI insurance distribution business, and pursue other investment opportunities, in particular those in China and other parts of Asia, which the Board believes will deliver business diversity and enhance shareholder value.

FINANCIAL REVIEW

Turnover and Results

The Group turnover for the year amounted to HK$75.5 million, representing a decrease of 2.4% compared to the prior year, mainly due to the reduction in revenue from ZONE Hong Kong operations.

The overall gross margin of the Group was 52.4%, compared to 49.1% for the prior year. The gross profit for the year increased by 4.0% to HK$39.5 million, compared to HK$38.0 million for the previous year.

FINANCIAL REVIEW *(continued)*

Turnover and Results (continued)

Total operating expenses of the Group amounted to HK$65.4 million, compared to HK$63.6 million in the previous year.

The operating loss of the Group amounted to HK$24.3 million, as compared to a loss of HK$24.0 million for the previous year.

The Group's share of results of joint ventures reported a loss of HK$48.2 million compared to a loss of HK$8.2 million for the prior year. The material increase in net loss was primarily a result of a decrease in revenue and margin contributions from ANZ's traditional voice business and increased sales, marketing and personnel costs relating to the roll-out of its new hosted solution services.

The consolidated loss attributable to the equity holders of the Company amounts to HK$71.0 million, comparing to a loss of HK$32.6 million for the previous year.

Disposal of ZONE Global Limited

In November 2014, an agreement to dispose of the entire shareholdings of ZONE Global Limited for a consideration of HK$130 million was entered into with a company controlled by the then Chairman of the Company. Details of this transaction have been set out in the Company's circular dated 28 November 2014. The transaction was approved on 16 December 2014 at a special general meeting of shareholders of the Company and was completed on 22 January 2015. A one-off gain arising from the transaction is expected to be recorded for the financial year ending 31 December 2015. For information purposes, had the transaction been completed on 31 December 2014, the Group would have recorded an estimated one-off gain of approximately HK$44.7 million in the financial year ended 31 December 2014, which is calculated based on the consideration, the carrying value and the release of an exchange transaction reserve attributable to the equity interest as reflected in the consolidated financial statements and after taking into account other expenses paid and payable in relation to the transaction.

Capital Structure, Liquidity and Financing

As at 31 December 2014, the net assets of the Group amounted to HK$104.0 million compared to HK$178.4 million as at 31 December 2013 or a net asset value per share of HK$0.200 as at 31 December 2014 (2013: HK$0.342).

Capital expenditures for the year amounted to HK$2.3 million mainly in respect of network and general office equipment enhancements in Singapore and Hong Kong.

FINANCIAL REVIEW *(continued)*

Capital Structure, Liquidity and Financing (continued)

Cash and bank balances (excluding pledged bank deposits) amounted to HK$42.1 million as at 31 December 2014 (2013: HK$32.8 million). On the same date, total pledged bank deposits amounted to HK$1.5 million (2013: HK$79.4 million). As at 31 December 2013, the Group had pledged deposits of HK$77.5 million, which were pledged as bank deposits to collateralise a letter of credit issued to a bank in respect of a banking facility extended to a subsidiary, and these deposits were subsequently released during 2014. The bank guarantees of HK$1.5 million (2013: HK$1.9 million) were issued to suppliers for operation requirements.

As at 31 December 2014, total bank and other borrowings of the Group amounted to HK$9.6 million (2013: HK$82.4 million), of which HK$1.9 million (2013: HK$82.4 million) was bank borrowing and the remaining balance of HK$7.7 million (2013: Nil) represented another borrowing described further below. As at 31 December 2013, the Group had another bank borrowing of HK$77.5 million, which was denominated in United States dollars equivalent to US$10,000,000, and such bank borrowing was fully repaid during 2014. As at 31 December 2014, the bank borrowing of HK$1.9 million (2013: HK$4.9 million) was denominated in Singapore dollars. The loan and interest, at a floating rate, are repayable monthly in Singapore dollars over a period of three years. This loan, which was utilised for the acquisition of assets during 2012, is secured by the net assets of subsidiaries in Singapore. The other borrowing of HK$7.7 million (2013: Nil) is denominated in United States dollars and was made by a company controlled by the then Chairman of the Company for a term commencing from July 2014 and expiring in November 2015. Such loan is unsecured and bears interest at a fixed rate.

As at 31 December 2014, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets was 9.3% (2013: 46.2%). The decrease in the gearing ratio is due to the repayment on bank borrowings during the year.

Foreign Exchange Exposure

Since most of the Group's assets and liabilities are denominated in Hong Kong and United States dollars, the Group considers there are no significant exposures to foreign exchange fluctuations as long as the Hong Kong-United States dollar exchange rate remains pegged. Moreover, a substantial portion of the Group's revenue and payments are denominated in Singapore dollars. The Group continues to closely monitor the Singapore-Hong Kong dollar exchange rates and will, whenever appropriate, take appropriate action to mitigate such exchange risks. In this regard, as at 31 December 2014, no related currency hedges had yet been undertaken by the Group.

FINANCIAL REVIEW *(continued)*

Contingent Liabilities and Commitments

A joint venture was involved in certain legal actions and claims arising in the ordinary course of business, subject to which certain representations, warranties and indemnities had been provided by a subsidiary of the Company. Subsequent to the year end, in respect of the outstanding legal action, the court dismissed all those claims against the joint venture and awarded the joint venture with damages under its counterclaim plus costs and reasonable attorney's fees. Management believes that it is remote that those representations, warranties and indemnities provided in respect of the said legal action and claims would have a material effect on the Group's financial position. In any event, the contingent liabilities of the Group associated with these representations, warranties and indemnities have been extinguished following the completion of the disposal of ZONE Global Limited referred to above.

Save as disclosed above, as at 31 December 2014, there were no material contingent liabilities or commitments.

EMPLOYEE REMUNERATION POLICIES

As at 31 December 2014, the Group had 84 (2013: 77) employees in China, Hong Kong and Singapore and its total staff costs for 2014 were HK$37.3 million (2013: HK$36.2 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.

CORPORATE GOVERNANCE

The directors of the Company are committed to maintaining high standards of corporate governance in performing their obligations to act in the best interests of shareholders and enhance long term shareholder value. Except for the deviations described below, no director of the Company is aware of any information which would reasonably indicate that the Company is not, or was not at any time during the year ended 31 December 2014, acting in compliance with code provisions of the Corporate Governance Code and Corporate Governance Report ("Corporate Governance Code") as set out in Appendix 14 to the Listing Rules.

Code Provision A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual so that the responsibilities are not concentrated with any one person. The Company has, as part of its written corporate policies, established and recorded in writing the respective responsibilities of the Chairman and the chief executive, being undertaken by the managing director, of the Company, in which it is specified that the Chairman is responsible for providing leadership to and effective running of the Board, while the managing director is delegated with the authority and responsibility for overseeing the realisation of the budgets and objectives set by the Board. Nevertheless, during the year 2014, with the unanimous approval of the Board, Mr. Richard John Siemens, Chairman, also assumed the role of the chief executive of the Company.

Mr. Siemens resigned as a director of the Company on 10 February 2015 and, following his resignation, the role of the Chairman of the Company became vacant and Mr. Lim Shyang Guey was re-designated as the Managing Director to undertake the role of the chief executive of the Company. The Nomination Committee is tasked to look for a suitable candidate to fill the vacancy of the Chairman and, in the meantime, the executive directors are collectively responsible for the Board operations. The Board believes that having the Chairmanship vacant is only temporary and the Board, comprised of experienced and high calibre individuals, with a significant number thereof being independent non-executive directors, will continue to be function effectively during this interim period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), as set out in Appendix 10 to the Listing Rules, as its own securities code. All directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standards set out in the Model Code throughout the year ended 31 December 2014.

AUDIT COMMITTEE

The Audit Committee reviewed, with management and the external auditor of the Company, the accounting principles and practices adopted by the Group and discussed / assessed all key auditing, internal controls and financial reporting matters, including a review of the interim consolidated financial statements of the Group for the six months ended 30 June 2014 and the audited consolidated financial statements of the Group for the year ended 31 December 2014.

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.

PUBLICATION OF FURTHER INFORMATION

The 2014 Annual Report of the Company containing all information required by Appendix 16 to the Listing Rules will be published on both the websites of Hong Kong Exchanges and Clearing Limited and the Company in due course.

SHAREHOLDER MATTER

On 28 January 2015, the Board was informed by Mr. Richard John Siemens, then an executive Director and a substantial shareholder of the Company, that on 28 January 2015, he, through Goldstone Trading Limited and Siemens Enterprises Limited (both being substantial shareholders of the Company and companies controlled by Mr. Siemens), disposed of an aggregate of 128,010,000 shares of HK$0.01 each in the share capital of the Company at a price of HK$0.70 per share to not less than six purchasers (the "Disposal"). The shares so disposed represent approximately 24.57% of the issued share capital of the Company. To the best of the Directors' knowledge and information, immediately prior to the Disposal, the purchasers of the disposed shares are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

APPRECIATION

Mr. Siemens resigned on 10 February 2015 following the divestment of substantially all of his shareholding interests in the Company. Mr. Siemens had held the leadership position in the Group since January 2000. The Board would like to express its gratitude and immense appreciation to Mr. Siemens for his leadership and guidance as the Chairman of the Board and an Executive Director during his tenure of office. Separately, Mr. Thaddeus Thomas Beczak resigned as an Independent Non-executive Director on 25 February 2015 to pursue his personal interests. Mr. Chan Chiu Hung Alex and Mr. Fung Chan Man Alex were appointed as Independent Non-executive Directors of the Company on 25 February 2015. The Board would like to express its appreciation to Mr. Beczak for his valuable contribution during his tenure and welcome Mr. Chan and Mr. Fung to the Board.

The Board would also like to thank all fellow directors and employees for their invaluable efforts and hard work, dedication and commitment to the Group and to thank all our customers, shareholders, business associates and professional advisers for their continued support.

By Order of the Board
Lim Shyang Guey
Managing Director

Hong Kong, 31 March 2015

As at the date of this announcement, the Board of the Company comprises three executive Directors, Lim Shyang Guey, Chi Chi Hung Kenneth and Lau Wai Ming Raymond; and four Independent Non-executive Directors, John William Crawford J.P., Gerald Clive Dobby, Chan Chiu Hung Alex and Fung Chan Man Alex.