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 2016

HIGHLIGHTS

- The Group's turnover for 2016 increased by 12.6% to approximately HK$78.9 million and a loss attributable to equity holders of the Company of approximately HK79.3 million was recorded for the year as compared with a profit of approximately HK$3.9 million in the previous year, mainly due to the substantial increase in legal and professional fees for the various acquisitions and attempted acquisitions of investments and businesses, increase in office rental expenses and substantial decrease in fair value of financial assets at fair value through profit or loss.

- The Group acquired the entire issued share capital of Diamond Frontier Investments Limited on 24 June 2016. Through the acquisition, the Group expands on its core business into the operation of provision of integrated financial payment processing solution services and distribution business through its e-Commerce platform.

- Total Group's operating expenses for 2016 increased by 56.3% to approximately HK$113.5 million as compared with approximately HK$72.6 million in the previous year. The substantial increase was mainly due to the increase in legal and professional fees for the various acquisitions and attempted acquisitions of investments and businesses and the increase in office rental expenses.

- The deferred tax liability for 2016 increased to approximately HK$16.3 million compared to approximately HK$0.2 million for the prior period. The increase in deferred tax liability is mainly attributable to the applicable fair value adjustments for intangible assets acquired arising from the acquisition of the entire issued share capital of Diamond Frontier Investments Limited.

- During the year, the Company completed a placement of 145,880,000 shares under general mandate in November 2016. The gross proceeds from the placing were approximately HK$55.43 million and the net proceeds were approximately HK$55.16 million. The Company intends to use the net proceeds from the placing to strengthen the financial position of the Group's business operation and provide additional funding to further develop the Group's business.

RESULTS

The board (the "Board") of directors (the "Directors") 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 2016, together with comparative figures for 2015, as set out below.

Consolidated Statement of Profit or Loss

		Year ended 31 December	
		2016	2015
	Notes	***HK$'000***	*HK$'000*
Revenue	2	**78,917**	70,115
Cost of sales		**(34,975)**	(34,096)
Gross profit		**43,942**	36,019
Other revenue and income	3	**12,634**	1,271
		56,576	37,290
Selling and distribution expenses		**(4,806)**	(6,130)
Business promotion and marketing expenses		**(2,610)**	(3,248)
Operating and administrative expenses		**(86,259)**	(57,411)
Other operating expenses		**(19,851)**	(5,860)
Loss from operations		**(56,950)**	(35,359)
Finance costs	4	**(3)**	(135)
Share of results of an associate		**7**	–
Share of results of a joint venture		**(25)**	–
Net loss on disposal of financial assets at fair value through profit or loss		**(8,855)**	(5,245)
Net decrease in fair value of financial assets at fair value through profit or loss		**(14,512)**	(6,859)
Gain on disposal of subsidiaries classified as held for sale		**–**	44,808
(Loss)/Gain on disposal of property, plant and equipment		**(42)**	3,967
Gain/(Loss) on disposal of a subsidiary	15	**821**	(67)
(Loss)/Profit before taxation	4	**(79,559)**	1,110
Taxation (charges)/credits	5		
Current tax		**(3,157)**	(5)
Deferred tax		**1,702**	98
		(1,455)	93
(Loss)/Profit for the year		**(81,014)**	1,203

Consolidated Statement of Profit or Loss *(continued)*

		Year ended 31 December	
		2016	2015
	Notes	***HK$'000***	*HK$'000*
(Loss)/Profit for the year attributable to:			
Equity holders of the Company		**(79,264)**	3,882
Non-controlling interests		**(1,750)**	(2,679)
(Loss)/Profit for the year		**(81,014)**	1,203
		HK cents	*HK cents*
(Loss)/Earnings per share	*6*		
Basic and diluted		**(10.6)**	0.6

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
(Loss)/Profit for the year	**(81,014)**	1,203
Other comprehensive loss for the year		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign subsidiaries	**(3,706)**	(915)
Share of other comprehensive loss of a joint venture – Exchange difference on translation	**(19)**	–
Total comprehensive (loss)/income for the year	**(84,739)**	288
Total comprehensive (loss)/income for the year attributable to:		
Equity holders of the Company	**(82,624)**	2,967
Non-controlling interests	**(2,115)**	(2,679)
Total comprehensive (loss)/income for the year	**(84,739)**	288

Consolidated Statement of Financial Position

	Notes	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
Non-current assets			
Goodwill	*7*	**33,464**	1,019
Interest in an associate		**507**	–
Interest in a joint venture		**318**	–
Property, plant and equipment		**14,358**	12,084
Intangible assets	*8*	**82,360**	8,329
Available-for-sale financial asset	*9*	**7,800**	–
Deferred tax assets	*13*	**45**	45
		138,852	21,477
Current assets			
Financial assets at fair value through profit or loss	*10*	**63,199**	51,054
Trade and other receivables	*11*	**57,389**	58,038
Pledged bank deposits		**1,407**	1,427
Cash held by a securities broker		**3,221**	26,817
Cash and bank balances		**45,239**	94,116
		170,455	231,452
Current liabilities			
Trade and other payables	*12*	**81,772**	23,824
Obligations under finance leases		**72**	–
Taxation payable		**4,271**	–
		86,115	23,824
Net current assets		**84,340**	207,628
Total assets less current liabilities		**223,192**	229,105

Consolidated Statement of Financial Position *(continued)*

	Notes	**As at 31 December 2016** *HK$'000*	As at 31 December 2015 *HK$'000*
Non-current liabilities			
Deferred revenue		**557**	787
Deferred tax liabilities	*13*	**16,272**	230
Obligations under finance leases		**110**	–
		16,939	1,017
NET ASSETS		**206,253**	228,088
Capital and reserves			
Share capital	*14*	**8,753**	7,294
Reserves		**202,365**	231,125
Equity attributable to equity holders of the Company		**211,118**	238,419
Non-controlling interests		**(4,865)**	(10,331)
TOTAL EQUITY		**206,253**	228,088

Notes to the Consolidated Financial Statements:

1. Basis of preparation and accounting policies

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

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

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2015 consolidated financial statements. The adoption of the new and revised HKFRSs that are relevant to the Group and effective for the current year had no significant effects on the results and financial position of the Group for the current and prior years.

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 and are not yet in a position to reasonably estimate their impact on the consolidated financial statements of the Group.

2. Revenue and segmental information

The Group's management, who are the chief operating decision makers, determine the operating segments for the purposes of resource allocation and performance assessment. The business segments of the Group comprise telecommunication services, 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, cash held by a securities broker and cash and bank balances. All liabilities are allocated to reportable segments other than corporate liabilities.

2. REVENUE AND SEGMENTAL INFORMATION *(continued)*

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

(a) By business segments

	Year ended 31 December 2016				
	Telecom-munication 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)**

2. REVENUE AND SEGMENTAL INFORMATION *(continued)*

(a) By business segments (continued)

	Year ended 31 December 2015			
	Telecom-munication services *HK$'000*	Other operation *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Revenue				
External sales	68,508	1,607	–	70,115
Inter-segment sales	409	–	(409)	–
	68,917	1,607	(409)	70,115
Results				
Segment results	44,031	(4,092)	–	39,939
Finance costs	(135)	–	–	(135)
	43,896	(4,092)	–	39,804
Other operating income and expenses				(38,694)
Profit before taxation				1,110

Inter-segment sales are charged at prevailing market prices.

2. **REVENUE AND SEGMENTAL INFORMATION** *(continued)*

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

	As at 31 December 2016			
	Telecom-munication 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)

	As at 31 December 2015		
	Telecom-munication services *HK$'000*	Other operation *HK$'000*	Consolidated *HK$'000*
Assets			
Reportable segments	32,030	2,285	34,315
Unallocated assets			218,614
			252,929
Liabilities			
Reportable segments	(12,254)	(6,027)	(18,281)
Unallocated liabilities			(6,560)
			(24,841)

2. **REVENUE AND SEGMENTAL INFORMATION** *(continued)*

(b) By geographically information

The Group generates its revenue from the Asia Pacific region. Its property, plant and equipment and intangible assets are located in the Asia Pacific region.

(c) Information about major customers

For the years ended 31 December 2016 and 31 December 2015, there are no customers that individually accounted for 10% of total revenue of the Group.

3. OTHER REVENUE AND INCOME

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Interest income on bank deposits	**11**	31
Dividend income from financial assets at fair value through profit or loss	**142**	–
Management fee income	**6,277**	–
Reimbursement of expenses from customers	**5,432**	505
Other	**772**	735
	12,634	1,271

4. (LOSS)/PROFIT BEFORE TAXATION

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

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Finance costs:		
Interest on bank loans	**–**	(31)
Interest on other loan from a related company	**–**	(104)
Interest on obligations under finance leases	**(3)**	–
	(3)	(135)
Amortisation of intangible assets	**(9,282)**	(1,904)
Depreciation of property, plant and equipment	**(6,972)**	(2,784)

5. TAXATION (CHARGES)/CREDITS

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**–**	–
Overseas income taxes	**(3,157)**	(5)
	(3,157)	(5)
Deferred tax		
Depreciation allowances	**1,702**	98
	1,702	98
Taxation (charges)/credits	**(1,455)**	93

During the year, Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purpose. In 2015, Hong Kong Profits Tax has not been provided as the Group's assessable profits for the year were wholly absorbed by unrelieved tax losses brought forward from previous years.

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

6. (LOSS)/EARNINGS PER SHARE

The calculation of the loss per share for the year ended 31 December 2016 is based on the consolidated loss attributable to equity holders of the Company of approximately HK$79,264,000 (2015: consolidated profit of approximately HK$3,882,000) and the weighted average number of 746,937,486 (2015: 607,500,274) 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)/earnings per share is the same as the basic (loss)/earnings per share for the years presented.

7. GOODWILL

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Cost at the beginning of the year	**1,019**	–
Additions *(Note 17)*	**33,464**	1,019
Disposal *(Note 15)*	**(1,019)**	–
	33,464	1,019

7. GOODWILL *(continued)*

Goodwill acquired through business combinations is allocated to the Group's cash-generating units ("CGUs") for impairment test as follows:

		As at 31 December	
	Note	**2016** **_HK$'000_**	2015 *HK$'000*
CGU			
Money lending business	*(i)*	**–**	1,019
Financial payment processing solution and software development services business	*(ii)*	**7,945**	–
Distribution business	*(ii)*	**25,519**	–
Cost		**33,464**	1,019

(i) Money lending business

Upon the disposal of Goldyard Finance Limited as detailed in note 15 to this announcement, the goodwill with carrying amount of approximately HK$1,019,000 was derecognised and included in the determination of gain on disposal of subsidiaries.

(ii) Financial payment processing solution and software development services business and distribution business

On 24 June 2016, the Group acquired 100% equity interest in Diamond Frontier Investments Limited ("Diamond Frontier"), at a consideration of Renminbi ("RMB") 80,000,000 (equivalent to approximately HK$94,172,000). Diamond Frontier, through its subsidiary, 杭州蘇頌科技有限公司 (Hangzhou Susong Technology Company Limited) ("Hangzhou Susong"), is engaged in the financial payment processing solution and software development services and distribution business. The excess of the consideration transferred and the amount of non-controlling interests over the acquisition-date fair values of the identifiable assets acquired and liabilities assumed amounted to approximately HK$33,464,000. This has been allocated to the financial payment processing solution and software development services business of approximately HK$7,945,000 and the distribution business of approximately HK$25,519,000 respectively, and recognised as goodwill.

At 31 December 2016, the Group assessed the recoverable amount of the financial payment processing solution and software development services business CGU and the distribution business CGU with reference to value-in-use calculations based on cash flow projections.

7. GOODWILL *(continued)*

(ii) Financial payment processing solution and software development services business and distribution business *(continued)*

The calculation uses cash flow projections based on financial budgets approved by the Directors covering a 4-year period. Cash flows beyond the 4-year period have been extrapolated using a 3% long-term growth rate. This growth rate is based on the relevant growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

The recoverable amount of both the financial payment processing solution and software development services business CGU and the distribution business CGU, based on the value-in-use calculations, exceeded its carrying amounts. Accordingly, goodwill was not impaired.

Key assumptions used for the value-in-use calculation are as follows:

	Financial payment processing solution and software development services business	Distribution business
	%	%
Average growth rate for the 4-year budget period (per annum)	**23**	**24**
Long-term growth rate (per annum)	**3**	**3**
Discount rate (per annum)	**20**	**30**

Management determined the budgeted gross profit margin based on past performance and its expectation of market development. The discount rate used is pre-tax and reflects specific risks relating to the financial payment processing solution and software development services business CGU and the distribution business CGU.

Apart from the considerations described above in determining the recoverable amounts of both the financial payment processing solution and software development services business CGU and the distribution business CGU, the Company's management is not aware of any other probable changes that would necessitate changes in the key assumptions.

8. INTANGIBLE ASSETS

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Cost at the beginning of the year	**18,404**	19,432
Acquisition of a subsidiary *(Note 17)*	**88,032**	–
Exchange adjustments	**(5,004)**	(1,028)
	101,432	18,404
Accumulated amortisation and impairment losses	**(19,072)**	(10,075)
	82,360	8,329

8. INTANGIBLE ASSETS *(continued)*

As a result of the acquisition of Diamond Frontier, as set out in note 17 to this announcement, the Group recognised intangible assets including technical know-how of approximately HK$17,579,000, customer relationships of approximately HK$57,363,000 and software of approximately HK$13,090,000, respectively, which were recognised at their fair value at the date of acquisition.

Technical know-how represented 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.

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.

Software represented 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.

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.

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

9. AVAILABLE-FOR-SALE FINANCIAL ASSET

On 19 February 2016, the Group completed a subscription for new ordinary share capital of Thunder Power Hong Kong Limited ("TPHK") for USD1 million (equivalent to HK$7,800,000) and is interested in 0.20% of the issued shares of TPHK and the unlisted investment is accounted for as an available-for-sale financial asset of the Group.

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.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Held for trading		
Equity investments listed in Hong Kong	**63,199**	51,054

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

11. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**31,351**	10,059
Allowance for doubtful debts	**(2,369)**	(2,006)
	28,982	8,053
Other receivables		
Deposits, prepayments and other debtors	**28,407**	18,735
Refundable deposits paid for acquisition of investments	**–**	31,250
	57,389	58,038

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	
	2016	2015
	HK$'000	*HK$'000*
Less than 1 month	**13,678**	4,661
1 to 3 months	**9,177**	2,462
More than 3 months but less than 12 months	**6,127**	930
	28,982	8,053

12. TRADE AND OTHER PAYABLES

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Trade payables	**9,443**	2,855
Other payables		
Deferred revenue	**2,675**	3,384
Cash consideration payable for acquisition of a subsidiary *(Note 17)*	**37,172**	–
Accrued charges and other creditors	**32,482**	17,585
	81,772	23,824

12. TRADE AND OTHER PAYABLES *(continued)*

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

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Less than 1 month	**5,284**	2,681
1 to 3 months	**1,737**	56
More than 3 months but less than 12 months	**2,422**	118
	9,443	2,855

13. DEFERRED TAX

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

	Tax losses	**Depreciation allowances**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
As at 1 January 2015	41	(347)	(306)
Credit to income statement	–	98	98
Exchange adjustments	–	23	23
As at 31 December 2015	41	(226)	(185)
Acquisition of subsidiaries *(note 17)*	–	(18,735)	(18,735)
Credit to income statement	–	1,702	1,702
Exchange adjustments	–	991	991
As at 31 December 2016	**41**	**(16,268)**	**(16,227)**

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

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Deferred tax assets to be recovered:		
Within 12 months	**41**	41
After 12 months	**4**	4
	45	45
Deferred tax liabilities to be settled:		
Within 12 months	**(3,398)**	(186)
After 12 months	**(12,874)**	(44)
	(16,272)	(230)
As at 31 December	**(16,227)**	(185)

13. DEFERRED TAX *(continued)*

Unrecognised deferred tax assets

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Tax losses	**37,414**	28,777
Deductible temporary differences	**3,050**	849
As at 31 December	**40,464**	29,626

The unrecognised tax losses of approximately HK$226,740,000 (2015: approximately HK$174,389,000) and deductible temporary difference of approximately HK$18,490,000 (2015: approximately HK$5,143,000) have no expiry dates under current tax legislation (2015: no expiry dates under current tax legislation).

14. SHARE CAPITAL

Authorised and issued share capital

	2016		2015	
	Number of shares	**Amount**	*Number of shares*	Amount
		HK$'000		*HK$'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	729,400,000	7,294	521,000,000	5,210
Shares issued upon placing in May 2015	–	–	104,200,000	1,042
Shares issued upon placing in October 2015	–	–	104,200,000	1,042
Shares issued upon placing in November 2016 *(Note)*	145,880,000	1,459	–	–
As at 31 December	**875,280,000**	**8,753**	729,400,000	7,294

Note: On 18 November 2016, the Company allotted and issued an aggregate of 145,880,000 ordinary shares of HK$0.01 each for cash to not less than six independent investors at a placing price of approximately HK$0.38 per share under the general mandate granted by the shareholders at the annual general meeting of the Company held on 13 May 2016. The net proceeds of approximately HK$55,158,000 were used to strengthen the financial position of the Group's business operation and provide additional funding to further develop the Group's business. The net proceeds raised per share issued were approximately HK$0.378 per share. The closing market price of the Company's shares as at issue date was HK$0.48. All shares issued under the placing rank pari passu with the existing shares in all respects.

15. DISPOSAL OF A SUBSIDIARY

On 30 June 2016, the Group disposed of 100% of its equity interest in Goldyard Finance Limited to a company, which has a common director, for a cash consideration of HK$1,700,000. The details are as follows:

	HK$'000
Net assets disposed of:	
Other receivables	**15**
Cash and bank balances	**5**
Other payables	**(160)**
Net liabilities upon disposal	**(140)**
Goodwill derecognized *(Note 7)*	**1,019**
Gain on disposal of a subsidiary	**821**
Consideration, satisfied by cash	**1,700**

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

	HK$'000
Cash consideration	**1,700**
Cash and cash equivalents disposed	**(5)**
Net inflow of cash and cash equivalents	**1,695**

16. CHANGE IN OWNERSHIP INTERESTS IN A SUBSIDIARY THAT DOES NOT RESULT IN A LOSS OF CONTROL

On 16 June 2016, the Group completed the disposal of the Group's 24.99% equity interest in Cyber Insurance Brokers Limited ("Cyber Insurance"), a non wholly-owned subsidiary of the Group, for an aggregate consideration of HK$1,000,000 (the "Cyber Insurance Disposal"). Upon the completion of the Cyber Insurance Disposal, Cyber Insurance continues to be a non wholly-owned subsidiary of the Group and its financial position and results continue to be consolidated by the Group.

	HK$'000
Consideration received from non-controlling interests	**1,000**
Carrying amount of non-controlling interests disposed of	**(835)**
Difference recognised directly in capital reserve	**165**

The consideration was settled by cash of HK$500,000 on 15 June 2016 and the remaining HK$500,000 was settled by transferring 25% issued share capital of AD MediLink Limited, which is controlled by the beneficial owner of the purchaser, to the Group on 1 November 2016.

17. ACQUISITION OF SUBSIDIARIES

On 24 June 2016, Stage Charm Limited ("Stage Charm"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Summer Beach International Limited, an independent third party. Pursuant to the sale and purchase agreement, Stage Charm agreed to purchase the entire issued share capital of Diamond Frontier, at a consideration of RMB80,000,000 (equivalent to approximately HK$94,172,000) (the "Diamond Frontier Acquisition").

The principal activity of Diamond Frontier is investment holding, and it owns 90% equity interests of Hangzhou Susong. Hangzhou Susong is principally engaged in the business of the provision of financial payment processing solution and software development services and distribution business through e-commerce platform. Hangzhou Susong holds a 50% equity interest in the registered capital of 杭州芙蘇科技有限公司 (Hangzhou Fusu Technology Company Limited), which is engaged in the business of research and development of technology information, and this has been recorded as investment in a joint venture in the consolidated financial statements.

As a result of the Diamond Frontier Acquisition, the Group is expected to expand its core business into the operation of provision of financial payment processing solution and software development services and distribution business through e-commerce platform.

The following summarises the consideration paid/payable and the amounts of the assets acquired and liabilities assumed at the date of acquisition:

	HK$'000
Consideration:	
Cash paid/payable	**94,172**

	HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Interests in a joint venture	**2,371**
Intangible assets *(Note 8)*	**88,032**
Trade and other receivables	**10,384**
Bank and cash balances	**9,407**
Trade and other payables	**(22,515)**
Taxation payable	**(1,490)**
Deferred tax liabilities *(Note 13)*	**(18,735)**
Total identifiable net assets	**67,454**
Non-controlling interests recognised	**(6,746)**
Goodwill arising on acquisition *(Note 7)*	**33,464**
	94,172

	HK$'000
Net cash flow on acquisition of subsidiaries:	
Net cash acquired from the subsidiaries	**9,407**
Cash consideration paid	**(57,000)**
	(47,593)

17. ACQUISITION OF SUBSIDIARIES *(continued)*

At 31 December 2016, the unpaid portion of cash consideration for the Diamond Frontier Acquisition amounted to approximately RMB31,578,000 (equivalent to approximately HK$37,172,000), which is included in other payables and is unsecured, interest-free and payable on 30 June 2017.

In respect of the acquired subsidiaries, the fair value of trade and other receivables acquired included trade receivables with a fair value of approximately HK$8,649,000. The total gross contractual amount of the trade receivables is approximately HK$8,649,000, of which no balance is expected to be uncollectible.

The goodwill arising from the acquisition is attributable to the growth and profit potential as a result of benefiting from the growing demand in financial payment processing solution and software development services, and distribution business through e-commerce platform. None of the goodwill recognised is expected to be deductible for income tax purposes.

Since acquisition, the acquired business contributed revenue of approximately HK$16,413,000 and profit of approximately HK$4,387,000 to the Group. If the business combination effected during the year had been taken up at the beginning of the year, the consolidated revenue and loss of the Group would have been approximately HK$88,029,000 and approximately HK$76,325,000 respectively.

The Group has chosen to measure the non-controlling interests at its proportionate interests in the identifiable assets and liabilities of the acquiree.

18. EVENTS AFTER THE REPORTING PERIOD

On 19 November 2016, the Company entered into a sale and purchase agreement to acquire 38,532,110 ordinary shares of Flash Hope Holdings Limited ("Flash Hope"), which held TPHK after reorganisation during the current year, representing approximately 17.70% of the entire issued share capital of Flash Hope, for the consideration of US$42,000,000 (equivalent to approximately HK$325,794,000) (the "Flash Hope Investment"). The Flash Hope Investment was to be settled in cash.

The sale and purchase agreement of the Flash Hope Investment lapsed because the conditions of the agreement were unable to be consummated on or before 17 February 2017.

FINAL DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2016 (2015: Nil).

BUSINESS REVIEW

Overview

The Group's turnover for the year under review increased by 12.6% to approximately HK$78.9 million compared to approximately HK$70.1 million for the prior year. The Group's telecom business in Asia ("ZONE Asia"), comprising the Group's telecom operations in Singapore ("ZONE Singapore") and Hong Kong ("ZONE HK"), remained the major revenue contributor in 2016. Hangzhou Susong Technology Company Limited ("Hangzhou Susong"), comprising the financial solution, advertising and software development services and distribution business in mainland China, became the second revenue contributor since July 2016. The overall gross margin of the Group (as a percentage of its revenue) increased to 55.7% compared to 51.4% for the prior year. Loss attributable to equity holders of the Company of approximately HK$79.3 million was recorded for the year as compared with a profit of approximately HK$3.9 million in the previous year, mainly due to the substantial increase in legal and professional fees for the various acquisitions and attempted acquisitions of investments and businesses, increase in office rental expenses and substantial decrease in fair value of financial assets at fair value through profit or loss. The Group's net assets decreased from approximately HK$228.1 million as at 31 December 2015 to approximately HK$206.3 million as at 31 December 2016.

ZONE Asia

Total revenue recorded by ZONE Asia, which comprises the Group's telecom-related service operations in Hong Kong and Singapore, was approximately HK$58.5 million, representing a 14.6% decrease as compared to approximately HK$68.5 million for the prior year. The legacy voice business in both operations recorded further decline in revenue and margin, more significantly in Hong Kong due to the loss of some key customers. ZONE Hong Kong continues its efforts in adapting to the current difficult market environment, which includes exploring different avenues to rationalise its infrastructure and operating cost-base relating to the voice business, and enhancing its sales channels and creativity for project-related businesses.

2016 has also been a taxing year for ZONE Singapore. The telecom industry in Singapore witnessed a surge in the level of competition especially in the corporate market. While the contribution from the voice business continued to decrease, the competitive pressure in the data connectivity business intensified with the sizable ISPs raising their competitive stakes. In particular those industry players having mature infrastructure with large data capacity were competing for a larger market share by lowering subscription fee levels and offering higher bandwidth services. ZONE Singapore endeavours to defend its market position by more targeted marketing and sales efforts, but if ZONE Asia is to remain its competitiveness, it will require significant investments in its infrastructure in order to reach the required capacity and bandwidth so that it can offer comparable services at similar price levels.

BUSINESS REVIEW *(continued)*

ZONE Asia *(continued)*

Cybersite Services Pte Ltd, a member of ZONE Singapore, further enhanced its Cloud service offerings to capitalise on the growth in the Cloud industry. The rate of revenue growth however was not in line with the expected pace to offset the drop in the legacy voice and data connectivity business segments as the Cloud industry in Singapore has not received as wide as acceptance as generally anticipated. The situation is further exacerbated by the influx of international and regional Cloud service providers into the Singapore market which has intensified the competitive landscape as compared with the last few years.

Hangzhou Susong

During the year, the Group has acquired all the issued shares of an investment holding company, Diamond Frontier Investments Limited ("Diamond Frontier"), which holds 90% equity interests of Hangzhou Susong. Hangzhou Susong is engaged in the business of provision of financial solution, advertising and software development services by using e-commerce platform to facilitate businesses and distribution business. Hangzhou Susong is a comprehensive payment support operation business partner with China Unicom, China Mobile and China UnionPay, focusing on providing integrated financial payment processing solutions. Hangzhou Susong owns 50% equity interests in the registered capital of Hangzhou Fusu, a company established in 2015 which conducts the business of research and development relating to information technology. The total revenue recorded relating to financial payment processing solution and software development services and distribution business is approximately HK$16.4 million.

Outlook

The Group finds that, similar to other developed countries like the United States, telecom markets in Hong Kong and Singapore have matured to the stage where capacity and scale have become the only critical factors. A business focusing on high service levels and close customer relationships, which ZONE Asia has always been proud of, does not guarantee generating enough traction. In 2017, ZONE Asia will continue its cost rationalising efforts to realign its business margin. ZONE Singapore will also focus on growing its Cloud business with promoting ease-of-use service offerings and overseas marketing efforts. For the financial solution, advertising and software development services business under Diamond Frontier, the Company is also actively exploring potential acquisition opportunities to acquire businesses or companies in the same industry in order to expand the market share and increase the profitability of the Company. The Group strives to find the right balance in deploying its resources between maintaining the ZONE Asia businesses to be sustainable and relevant in the competitive market, and building its new businesses and investments which offer a more promising return to the Group and its shareholders as a whole.

FINANCIAL REVIEW

Turnover and Results

The Group turnover for the year amounted to approximately HK$78.9 million, representing an increase of 12.6% compared to the prior year, mainly due to the increase in revenue from Hangzhou Susong operations.

FINANCIAL REVIEW *(continued)*

Turnover and Results *(continued)*

The overall gross margin of the Group was 55.7%, compared to 51.4% for the prior year. The gross profit for the year increased by 22.0% to approximately HK$43.9 million, compared to approximately HK$36.0 million for the previous year.

Total operating expenses of the Group amounted to approximately HK$113.5 million, compared to approximately HK$72.6 million in the previous year.

The operating loss of the Group amounted to approximately HK$57.0 million, as compared to a loss of approximately HK$35.4 million for the previous year.

The consolidated loss attributable to the equity holders of the Company amounts to approximately HK$79.3 million, compared to a profit of approximately HK$3.9 million for the previous year.

Capital Structure, Liquidity and Financing

As at 31 December 2016, the net assets of the Group amounted to approximately HK$206.3 million compared to approximately HK$228.1 million as at 31 December 2015, equivalent to a net asset value per share of approximately HK$0.236 as at 31 December 2016 (2015: approximately HK$0.313).

Capital expenditures for the year amounted to approximately HK$9.3 million mainly in respect of network and general office equipment enhancements in Singapore and Hong Kong.

As at 31 December 2016, the number of issued shares had increased from 729,400,000 to 875,280,000. All shares issued during the year rank pari passu with the existing shares in all respects. On 18 November 2016, the Company allotted and issued an aggregate of 145,880,000 ordinary shares of HK$0.01 each for cash to six independent investors at a placing price of approximately HK$0.38 per share under the general mandate granted by the shareholders at the annual general meeting of the Company held on 13 May 2016. The net proceeds were approximately HK$55.16 million.

The Company intends to use the net proceeds from the Placing to strengthen the financial position of the Group's business operation and provide additional funding to further develop the Group's business.

Cash and bank balances together with cash held by a securities broker (excluding pledged bank deposits) amounted to approximately HK$48.5 million as at 31 December 2016 (2015: approximately HK$120.9 million). On the same date, total pledged bank deposits amounted to approximately HK$1.4 million (2015: approximately HK$1.4 million). Bank guarantees of approximately HK$1.4 million (2015: approximately HK$1.4 million) were issued to suppliers for operation requirements.

As at 31 December 2016, the Group had no bank or other borrowings (2015: Nil). As at 31 December 2016, the Group had total obligations under finance leases amounting to approximately HK$200,000 (31 December 2015: Nil).

As at 31 December 2016, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets was 0.1% (2015: 0%).

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 2016, no related currency hedges had been undertaken by the Group.

Contingent Liabilities and Commitments

As at 31 December 2016, other than disclosed elsewhere in this announcement, there were no material contingent liabilities or commitments.

Significant Investments Held and Performance

As at 31 December 2016, the Group held for trading investments in securities in Hong Kong (collectively, the "Investments") with a market value of approximately HK$63.2 million (31 December 2015: approximately HK$51.1 million), representing an investment portfolio of seven (31 December 2015: seven) listed equities in Hong Kong. The Group recorded unrealised fair value loss and a realised loss on disposal of approximately HK$14.5 million and approximately HK$8.9 million (31 December 2015: approximately HK$6.9 million of unrealised fair value losses and approximately HK$5.2 million of realized loss on disposal) in respect of investment in listed securities held for trading as at 31 December 2016. The significant loss is caused by the performance of the Group's securities trading and investment and was impacted by the continuous unfavorable stock market condition in Hong Kong for these securities. The details of the Investments as at 31 December 2016 are as follows:

	Company name	Stock code	Number of shares held	% of shareholdings in equity investment	Realised gain (loss) for the year	Unrealised gain (loss) on fair value change for the year	Cost of acquisition	Fair value as at 31 December 2016	% of net assets	Principal activities
					HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		
1	China Baoli Technologies Holdings Ltd	00164	73,150,000	0.22%	581	23	16,802	16,825	8.16%	Entertainment and cruise ship business, property business, gamma ray irradiation services, resources business and securities trading and investment.
2	Sincere Watch (Hong Kong) Ltd.	00444	30,450,000	0.61%	–	(18,879)	24,969	6,090	2.95%.	Distribution of branded luxury watches, timepieces and accessories in Hong Kong, Macau, Taiwan and the PRC, dining business and property investment.
3	Noble Century Investment Holdings Ltd.	02322	10,320,000	0.28%	–	1,253	8,035	9,288	4.50%	Vessel chartering, trading, money lending and finance leasing.

Significant Investments Held and Performance *(continued)*

	Company name	Stock code	Number of shares held	% of shareholdings in equity investment	Realised gain (loss) for the year HK$'000	Unrealised gain (loss) on fair value change for the year HK$'000	Cost of acquisition HK$'000	Fair value as at 31 December 2016 HK$'000	% of net assets	Principal activities
4	BEP International Holdings Ltd.	02326	1,000,000	0.00%	(196)	(200)	650	450	0.22%	Sourcing and sale of metal minerals and related industrial materials, production and sale of industrial products, sale of electrical and electronic consumer products, provision of logistics services and production and sale of utilities.
5	Casablanca Group Ltd.	02223	1,544,000	0.60%	(302)	(3,134)	5,064	1,930	0.94%	Manufacture and trading of home textile products and accessories.
6	Beijing Gas Blue Sky Holdings Limited	06828	26,256,000	0.27%	–	1,135	14,881	16,016	7.77%	Sales and distribution of natural gas and other related products; sales of book products; sales of specialised products.
7	SingAsia Holdings Ltd.	08293	3,000,000	1.20%	–	5,290	7,310	12,600	6.11%	Provide manpower outsourcing services, manpower recruitment services and manpower training services based in Singapore.
	Other equity disposed during the year									
	Beijing Enterprises Clean Energy Group Ltd.	01250			9					
	Modern Land (China) Co., Ltd.	01107			(1,335)					
	Tech Pro Technology Development Ltd.	03823			(7,205)					
	King Stone Energy Group Ltd.	00663			(7)					
	Other fee and commission expenses				(400)					
					(8,938)					
					(8,855)	(14,512)	77,711	63,199		

Significant Investments Held and Performance *(continued)*

During the year, the Group received approximately HK$0.1 million of dividends from the securities held.

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.

EMPLOYEE REMUNERATION POLICIES

As at 31 December 2016, the Group had 118 (2015: 82) employees in China, Hong Kong and Singapore and its total staff costs for 2016 were approximately HK$47.1 million (2015: approximately HK$32.6 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 are committed to maintaining high standards of corporate governance in performing their obligations to act in the best interests of shareholders of the Company and enhance long term shareholder value. Except for the deviations described below, no Director is aware of any information which would reasonably indicate that the Company is not, or was not at any time during the year ended 31 December 2016, acting in compliance with code provisions of the Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") as set out in Appendix 14 to the Listing Rules.

CORPORATE GOVERNANCE *(continued)*

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

The positions of both chairman and chief executive officer of the Company have been held by Mr. Yeung Chun Wai Anthony ("Mr. Yeung") during the year. The Board from time to time re-assesses the possible negative impact of the Company deviating from Code Provision A.2.1 of the Corporate Governance Code, and believes that vesting the roles of both chairman and chief executive in the same person enables corporate planning and directing execution of business plans and growth strategies to be more effective. In addition, the Board believes that the balance of power and authority is adequately ensured by an effective Board which comprises of experienced and high calibre individuals with three thereof being independent non-executive Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), as set out in Appendix 10 to the Listing Rules, as its own securities code. All Directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standards set out in the Model Code throughout the year ended 31 December 2016.

AUDIT COMMITTEE

The Audit Committee reviewed, with management, the external auditor and the internal auditor of the Company, the accounting principles and practices adopted by the Group and discussed/assessed all key auditing, risk management and 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 2016 and the audited consolidated financial statements of the Group for the year ended 31 December 2016.

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 2016 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

As of 31 December 2016, Mr. Yeung held 222,820,000 Shares representing 25.46% of the entire issued share capital of the Company, among which 50,800,000 Shares were held by Mr. Yeung in person and 172,020,000 Shares were held by his Spouse. As of the release date of this announcement ("Latest Practicable Date"), to the best knowledge and belief of the Directors, save as the interest of disclosure disclosed above, 70,950,000 shares were held by Mr. Zeng Zhaoxing.

APPRECIATION

The Board would like to thank all our customers, shareholders, business associates and professional advisers for their continuous support and extends its appreciation to all fellow directors and employees for their invaluable efforts and hard work, dedication and commitment to the Group during the period.

By Order of the Board
Yeung Chun Wai Anthony
Chairman and Chief Executive Officer

Hong Kong, 30 March 2017

As at the date of this announcement, the Board comprises four executive Directors, Mr. Yeung Chun Wai Anthony, Mr. Chan Chi Yuen, Mr. Wong Xiang Hong and Mr. Yeung Chun Sing Standly; and three independent non-executive Directors, Mr. Chan Chiu Hung Alex, Mr. Fung Chan Man Alex and Mr. Chan Fong Kong Francis.