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e-KONG
e-Kong Group Limited
(Incorporated in Bermuda with limited liability)
www.e-kong.com
(Stock Code: 524)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

HIGHLIGHTS FOR THE PERIOD

- The Group's revenue for the period increased by approximately 24.4% to approximately HK\$37.5 million compared to approximately HK\$30.2 million for the prior period. The increase in revenue is mainly attributable to financial payment processing solution and software development services and distribution business segment broaden the Group's revenue stream.
- Total operating expenses of the Group for the period amounted to approximately HK\$59.1 million, representing an increase of approximately 10.3% over the same period in the prior year. The increase was mainly due to the increase in amortisation of intangible assets arising from acquisition of the entire issued share capital of Diamond Frontier Investments Limited (which, through its subsidiaries, is engaged in financial processing solution, software development services and distribution business) in June 2016 and the increase in staff cost.
- The Group recorded unrealised fair value gain and a realised loss on disposal of approximately HK\$21.4 million and approximately HK\$9.0 million respectively (period ended 30 June 2016: approximately HK\$8.0 million of unrealised fair value losses and approximately HK\$0.4 million of realised gain on disposal) in respect of investment in listed securities held for trading for the period ended 30 June 2017.
- The Board does not recommend payment of a dividend for the six months ended 30 June 2017.

RESULTS

The board (the "Board") of directors (the "Directors") of e-Kong Group Limited (the "Company") herein presents the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2017, together with comparative figures for the corresponding period in 2016. The results are unaudited but have been reviewed by the audit committee (the "Audit Committee") of the Company and the external auditor of the Company.

Condensed Consolidated Statement of Profit or Loss

		Six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	<i>Notes</i>		
Revenue	2	37,545	30,173
Cost of sales		(15,796)	(15,039)
Gross profit		21,749	15,134
Other revenue and income	3	5,228	6,701
		26,977	21,835
Selling and distribution expenses		(2,374)	(2,431)
Business promotion and marketing expenses		(1,201)	(1,527)
Operating and administrative expenses		(42,714)	(42,989)
Other operating expenses		(12,835)	(6,640)
Loss from operations		(32,147)	(31,752)
Finance costs	4	(3)	(1)
Net (loss)/gain on disposal of financial assets at fair value through profit or loss		(8,995)	393
Net increase/(decrease) in fair value of financial assets at fair value through profit or loss		21,403	(7,959)
Share of results of an associate		143	–
Loss on disposal of interest in an associate	7	(258)	–
Gain on disposal of property, plant and equipment		4	4
Gain on disposal of a subsidiary		–	821
Loss before taxation	4	(19,853)	(38,494)
Taxation charges	5	(526)	–
Loss for the period		(20,379)	(38,494)
Loss for the period attributable to:			
Equity holders of the Company		(19,304)	(36,952)
Non-controlling interests		(1,075)	(1,542)
Loss for the period		(20,379)	(38,494)
		HK cents	HK cents
Loss per share	6		
Basic and diluted		(2.2)	(5.1)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	(20,379)	(38,494)
Other comprehensive income for the period		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences on translation of foreign subsidiaries	2,532	628
Share of other comprehensive income of a joint venture		
– Exchange difference in translation	10	–
Total comprehensive loss for the period	(17,837)	(37,866)
Total comprehensive loss for the period attributable to:		
Equity holders of the Company	(16,973)	(36,324)
Non-controlling interests	(864)	(1,542)
Total comprehensive loss for the period	(17,837)	(37,866)

Condensed Consolidated Statement of Financial Position

		As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
	Notes		
Non-current assets			
Goodwill		33,464	33,464
Interest in an associate	7	–	507
Interest in a joint venture		328	318
Property, plant and equipment	8	6,571	14,358
Intangible assets		76,602	82,360
Available-for-sale financial asset		7,800	7,800
Deferred tax assets	11	45	45
		<u>124,810</u>	<u>138,852</u>
Current assets			
Financial assets at fair value through profit or loss		46,705	63,199
Trade and other receivables	9	65,452	57,389
Pledged bank deposits		1,474	1,407
Cash held by a securities broker		–	3,221
Cash and bank balances		96,914	45,239
		<u>210,545</u>	<u>170,455</u>
Current liabilities			
Trade and other payables	10	124,350	81,772
Obligation under finance leases		77	72
Taxation payable		6,286	4,271
		<u>130,713</u>	<u>86,115</u>
Net current assets		<u>79,832</u>	<u>84,340</u>
Total assets less current liabilities		<u>204,642</u>	<u>223,192</u>

Condensed Consolidated Statement of Financial Position *(continued)*

		As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
	Notes		
Non-current liabilities			
Deferred revenue		1,063	557
Deferred tax liabilities	11	15,075	16,272
Obligation under finance leases		88	110
		<u>16,226</u>	<u>16,939</u>
NET ASSETS		<u>188,416</u>	<u>206,253</u>
Capital and reserves			
Share capital		8,753	8,753
Reserves		185,392	202,365
		<u>194,145</u>	<u>211,118</u>
Equity attributable to equity holders of the Company		(5,729)	(4,865)
Non-controlling interests			
TOTAL EQUITY		<u>188,416</u>	<u>206,253</u>

Notes to the Condensed Consolidated Interim Financial Statements

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

These interim financial statements are unaudited, but have been reviewed by the Company’s auditor in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

These interim financial statements should be read in conjunction with the 2016 annual financial statements. The accounting policies adopted in preparing these interim financial statements for the six months ended 30 June 2017 are consistent with those in the preparation of the Group’s annual financial statements for the year ended 31 December 2016, except for the adoption of the new/revised standard of Hong Kong Financial Reporting Standards (“HKFRS”) which are relevant to the Group’s operation and are effective for the Group’s financial year beginning on 1 January 2017 as described below.

Amendments to HKAS 7
Amendments to HKAS 12

Disclosure initiative
Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of these amendments to HKFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current and prior periods.

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

2. REVENUE AND SEGMENTAL INFORMATION

The Group’s management, who are the chief operating decision-makers, determine the operating segments for the purposes of resource allocation and performance assessment. The business segments of the Group comprise telecommunication services, 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 period are set out below. Inter-segment sales are charged at prevailing market prices.

(a) By business segments

Six months ended 30 June 2017					
	Telecom- munication services (Unaudited) HK\$'000	Financial payment processing solution and software development services and distribution business (Unaudited) HK\$'000	Other operation (Unaudited) HK\$'000	Eliminations (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Revenue					
External sales	25,606	10,071	1,868	–	37,545
Inter-segment sales	45	–	–	(45)	–
	<u>25,651</u>	<u>10,071</u>	<u>1,868</u>	<u>(45)</u>	<u>37,545</u>
Results					
Segment results	(5,918)	2,103	(1,957)	–	(5,772)
Finance costs	(3)	–	–	–	(3)
	<u>(5,921)</u>	<u>2,103</u>	<u>(1,957)</u>	<u>–</u>	<u>(5,775)</u>
Other operating income and expenses					<u>(14,078)</u>
Loss before taxation					<u>(19,853)</u>

Six months ended 30 June 2016				
	Telecom- munication services (Unaudited) HK\$'000	Other operation (Unaudited) HK\$'000	Eliminations (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Revenue				
External sales	29,175	998	–	30,173
Inter-segment sales	145	–	(145)	–
	<u>29,320</u>	<u>998</u>	<u>(145)</u>	<u>30,173</u>
Results				
Segment results	(2,519)	(2,524)	–	(5,043)
Finance costs	(1)	–	–	(1)
	<u>(2,520)</u>	<u>(2,524)</u>	<u>–</u>	<u>(5,044)</u>
Other operating income and expenses				<u>(33,450)</u>
Loss before taxation				<u>(38,494)</u>

2. REVENUE AND SEGMENTAL INFORMATION (continued)

(a) By business segments (continued)

	As at 30 June 2017			
	Telecom- munication services (Unaudited) HK\$'000	Financial payment processing solution and software development services and distribution business (Unaudited) HK\$'000	Other operation (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Assets				
Reportable segments	22,701	140,254	8,238	171,193
Unallocated assets				164,162
				<u>335,355</u>
Liabilities				
Reportable segments	(14,293)	(34,872)	(16,133)	(65,298)
Unallocated liabilities				(81,641)
				<u>(146,939)</u>
	As at 31 December 2016			
	Telecom- munication services (Audited) HK\$'000	Financial payment processing solution and software development services and distribution business (Audited) HK\$'000	Other operation (Audited) HK\$'000	Consolidated (Audited) HK\$'000
Assets				
Reportable segments	25,375	137,185	4,820	167,380
Unallocated assets				141,927
				<u>309,307</u>
Liabilities				
Reportable segments	(11,567)	(35,512)	(10,653)	(57,732)
Unallocated liabilities				(45,322)
				<u>(103,054)</u>

2. REVENUE AND SEGMENTAL INFORMATION *(continued)*

(b) By geographical information

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

3. OTHER REVENUE AND INCOME

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income on bank deposits	2	2
Dividend income from financial assets at fair value through profit or loss	–	137
Management fee income	2,006	4,272
Reimbursement of expenses from customers	3,086	1,950
Others	134	340
	<u>5,228</u>	<u>6,701</u>

4. LOSS BEFORE TAXATION

Loss before taxation is stated after charging the following:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Finance costs		
Interest on obligation under finance leases	<u>(3)</u>	<u>(1)</u>
Other items		
Amortisation of intangible assets	(8,489)	(956)
Depreciation of property, plant and equipment	(2,943)	(3,285)
Impairment loss on property, plant and equipment	(1,153)	–
Operating lease charges on premises	<u>(11,408)</u>	<u>(12,788)</u>

5. TAXATION CHARGES

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax		
Overseas income taxes	2,233	–
Deferred tax		
Depreciation allowances	(1,707)	–
Taxation charges	<u>526</u>	<u>–</u>

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes for the six months ended 30 June 2017 and 30 June 2016.

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 basic loss per share for the six months ended 30 June 2017 is based on the loss for the period attributable to equity holders of the Company of approximately HK\$19,304,000 (30 June 2016: approximately HK\$36,952,000) and on the weighted-average number of 875,280,000 ordinary shares (30 June 2016: 729,400,000 ordinary shares) in issue during the period.

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

7. INTEREST IN AN ASSOCIATE

On 27 June 2017, the Group disposed of its entire equity interest in AD MediLink Limited at a consideration of approximately HK\$392,000. The loss on disposal was approximately HK\$258,000.

8. ACQUISITIONS AND DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment at a cost of approximately HK\$142,000 (year ended 31 December 2016: approximately HK\$9,295,000) and disposed of certain property, plant and equipment at a cost of approximately HK\$5,735,000 (year ended 31 December 2016: approximately HK\$290,000).

After impairment loss, the net book value of the property, plant, and equipment includes an amount of HK\$Nil (31 December 2016: approximately HK\$200,000) in respect of assets held under finance leases.

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Trade receivables	28,074	28,982
Other receivables		
Deposits, prepayments and other debtors	<u>37,378</u>	<u>28,407</u>
	<u>65,452</u>	<u>57,389</u>

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 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Less than 1 month	14,517	13,678
1 to 3 months	2,224	9,177
More than 3 months but less than 12 months	<u>11,333</u>	<u>6,127</u>
	<u>28,074</u>	<u>28,982</u>

10. TRADE AND OTHER PAYABLES

	As at 30 June 2017 (Unaudited) <i>HK\$'000</i>	As at 31 December 2016 (Audited) <i>HK\$'000</i>
Trade payables	11,453	9,443
Other payables		
Deferred revenue	3,175	2,675
Cash consideration payable for acquisition of a subsidiary	37,172	37,172
Accrued charges and other creditors	30,997	32,482
Amount due to a director (<i>Note 12</i>)	41,553	–
	112,897	72,329
	124,350	81,772

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

	As at 30 June 2017 (Unaudited) <i>HK\$'000</i>	As at 31 December 2016 (Audited) <i>HK\$'000</i>
Less than 1 month	2,925	5,284
1 to 3 months	1,166	1,737
More than 3 months but less than 12 months	7,362	2,422
	11,453	9,443

11. DEFERRED TAXATION

The movements for the period/year in the Group's deferred tax assets and (liabilities) are as follows:

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
At the beginning of the period/year	(16,227)	(185)
Acquisition of subsidiaries	–	(18,735)
Credit to statement of profit or loss	1,707	1,702
Exchange adjustments	(510)	991
	(15,030)	(16,227)

Recognised deferred tax assets and (liabilities) at the end of the period/year represent the following:

	As at 30 June 2017 (Unaudited)			As at 31 December 2016 (Audited)		
	Assets HK\$'000	Liabilities HK\$'000	Total HK\$'000	Assets HK\$'000	Liabilities HK\$'000	Total HK\$'000
Tax losses	41	–	41	41	–	41
Depreciation allowances	4	(15,075)	(15,071)	4	(16,272)	(16,268)
	45	(15,075)	(15,030)	45	(16,272)	(16,227)

12. RELATED PARTY TRANSACTIONS

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 Chun Wai Anthony (“Mr. Yeung”), a director of the Company with total consideration of HK\$26,505,000 (the “Disposal”). Despite that the Agreed Disposal Price for the Disposal being HK\$4.65 per share of the SingAsia Shares, Mr. Yeung executed the 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\$41,553,000 at an average price of HK\$7.316.

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 Disposal from its independent shareholders. The Company will arrange to issue a circular for the Disposal and shall form an independent board committee and appoint independent financial adviser to provide an opinion on the Disposal. The Company anticipates that the circular will be circulated no later than 30 September 2017.

12. RELATED PARTY TRANSACTIONS *(continued)*

As at the end of the reporting period and date of this announcement, the completion of the Disposal is still pending the outcome of the approval for the Disposal from its independent shareholders. As the Disposal has not been completed, the total amount of approximately HK\$41,553,000 received from Mr. Yeung is accounted for as amount due to a director and the investment in 5,700,000 SingAsia Shares is classified as financial assets at fair value through profit or loss as at 30 June 2017.

In addition, during the period, the Group had management fee income from a related company of approximately HK\$1,886,000 (30 June 2016: HK\$Nil).

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Outstanding balances		
Amount due to a director	41,553	–
Amount due to an associate	–	80

13. EVENTS AFTER THE REPORTING PERIOD

- (a) On 28 July 2017, the Company entered into a memorandum of understanding with 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”), which holds approximately 25.46% of the total issued share capital of the Company through its subsidiary that constituted as a substantial shareholder and a connected person of the Company under the Listing Rules, in respect of the possible investment by the Group in a company incorporated and owned by The Great Wall Film & Culture Company Group in Wusu City of the Xinjiang Autonomous Region of the People’s Republic of China.

* *For identification purpose only*

- (b) On 25 August 2017, Relevant Marketing Group Limited (“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 approximately 37.59% and resulted in loss of control over RMGL. This transaction is regarded as a deemed disposal of subsidiaries. RMGL and its subsidiaries then become associates of the Group upon the completion of deemed disposal on 25 August 2017.

As the initial accounting for the deemed disposal of RMGL is not completed yet, it is not practicable to reliably estimate its financial effect.

INTERIM DIVIDEND

The Board does not recommend payment of a dividend for the six months ended 30 June 2017 (30 June 2016: Nil).

BUSINESS REVIEW AND OUTLOOK

Overview

During the period under review, in view of the ongoing process of re-engineering its telecom businesses and the impact of newly acquired financial payment processing solution and software development services and distribution business in June 2016, the Group's revenue increased by approximately 24.4% to approximately HK\$37.5 million compared to approximately HK\$30.2 million for the prior period. The overall gross margin of the Group (as a percentage of its revenue) during the period amount to approximately 57.9% compared to that of the prior period of approximately 50.2%.

Operating Businesses

ZONE Asia operations, which comprise the Group's telecom-related service operations in Hong Kong and Singapore, recorded revenue of approximately HK\$25.7 million during the period, representing an approximately 12.5% decrease as compared to approximately HK\$29.3 million for the prior period. The challenges in the market environment subsist, but the rate of decline in ZONE Asia's revenue and margin appears to be contained following the various steps taken by the Group in focusing its efforts and resources on higher-margin services, for example, project-based services in Hong Kong which ZONE Asia excels in its high service level. The Group is also looking into collaboration opportunities to leverage on a combined capacity and scale with other telecom and/or technology service providers like ZONE Asia, so that a better economies of scale could be enjoyed by the Group through the joint collaboration with these service providers.

Hangzhou Susong operations, which mainly engaged in offering integrated financial payment processing solution, software development services and distribution business in China, recorded total revenue of approximately HK\$10.1 million during the period under review, which represents approximately 26.8% of the Group's consolidated revenue for the same period.

Outlook

Looking ahead, the Group will carry on its journey in finding a delicate 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.

In July 2017, the Company entered into a memorandum of understanding with Great Wall Film & Culture Company Group Limited* (長城影視文化企業集團有限公司), which holds approximately 25.46% of the total issued share capital of the Company through its subsidiary and therefore is a substantial shareholder and a connected person of the Company under the Listing Rules, in respect of the possible co-development of the Characteristic Town Project (特色小鎮項目) in Wusu City of the Xinjiang Autonomous Region of the People's Republic of China.

Through the optimisation of the financial payment processing solution, software development and distribution business and actively pursuing other investment opportunities to improve business performance, increase operational efficiency and realise business synergy, thereby achieving sustainable and steady business growth and offering a more promising return to the Group and its shareholders as a whole.

* For identification purpose only

FINANCIAL REVIEW

Revenue and Results

The Group's revenue for the period amounted to approximately HK\$37.5 million, representing an increase of approximately 24.4% from the corresponding period in the prior year.

The overall gross margin of the Group for the period was approximately 57.9%, compared to approximately 50.2% for the first half of 2016. The gross profit for the period increased by approximately 43.7% to approximately HK\$21.7 million, compared to approximately HK\$15.1 million for the previous corresponding period.

Total operating expenses of the Group for the period amounted to approximately HK\$59.1 million or an increase of approximately 10.3% over the same period in the prior year. The increase was mainly due to the increase in amortisation of intangible assets arising from acquisition of the entire issued share capital of Diamond Frontier Investments Limited (which, through its subsidiaries, is engaged in financial processing solution, software development services and distribution business) in June 2016 and the increase in staff cost.

The operating loss of the Group for the period amounted to approximately HK\$32.1 million, compared to a loss of approximately HK\$31.8 million for the previous corresponding period.

The Group disposed of its entire equity interest in AD MediLink Limited on 27 June 2017. A one-off loss of approximately HK\$0.26 million was recorded by the Group in regards to the transaction.

The Group recorded unrealised fair value gain and a realised loss on disposal of approximately HK\$21.4 million and approximately HK\$9.0 million respectively (period ended 30 June 2016: approximately HK\$8.0 million of unrealised fair value losses and approximately HK\$0.4 million of realised gain on disposal) in respect of investment in listed securities held for trading for the period ended 30 June 2017.

The consolidated loss attributable to equity holders of the Company for the period amounted to approximately HK\$19.3 million, compared to a loss of approximately HK\$37.0 million for the prior period.

Capital Structure, Liquidity and Financing

As at 30 June 2017, the net assets of the Group amounted to approximately HK\$188.4 million compared to approximately HK\$206.3 million as at 31 December 2016.

Cash and bank balances together with cash held by a securities broker (excluding pledged bank deposits) amounted to approximately HK\$96.9 million as at 30 June 2017 (31 December 2016: approximately HK\$48.5 million). As at 30 June 2017, approximately HK\$1.5 million (31 December 2016: approximately HK\$1.4 million) was pledged as bank deposits to collateralise a letter of credit issued to a bank in respect of a banking facility extended to a subsidiary. In addition, bank guarantees of approximately HK\$1.5 million as at 30 June 2017 (31 December 2016: approximately HK\$1.4 million) were issued to suppliers for operations requirements.

The Group had no bank borrowings as at 30 June 2017 and 31 December 2016. As at 30 June 2017, the Group had total obligations under finance leases amounting to approximately HK\$0.2 million (31 December 2016: approximately HK\$0.2 million).

FINANCIAL REVIEW *(continued)*

Capital Structure, Liquidity and Financing *(continued)*

As at 30 June 2017, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets was approximately 0.1% (31 December 2016: approximately 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 exchange rates of each of Singapore dollar, Hong Kong dollar and Renminbi and will, whenever appropriate, take appropriate action to mitigate such exchange risks. As at 30 June 2017, no related currency hedges had been undertaken by the Group.

Contingent Liabilities and Commitments

As at 30 June 2017, there were no material contingent liabilities or commitments and the Directors are not aware of any other material changes from information disclosed in the Company's 2016 Annual Report.

Significant Investments Held and Performance

As at 30 June 2017, the Group held investments in securities in Hong Kong (collectively, the "Investments") with a market value of approximately HK\$46.7 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 recorded unrealised fair value gain and a realised loss on disposal of approximately HK\$21.4 million and approximately HK\$9.0 million respectively (period ended 30 June 2016: approximately HK\$8.0 million of unrealised fair value losses and approximately HK\$0.4 million of realised gain on disposal) in respect of investment in listed securities held for trading for the period ended 30 June 2017.

The details of the Investments as at 30 June 2017 are as follows:

Company name	Stock code	Number of shares held	% of shareholdings in equity investment	Realised loss for the period HK\$'000	Unrealised gain/(loss) on fair value change for the period HK\$'000	Cost of acquisition HK\$'000	Unrealised gain/(loss) on fair value since acquisition HK\$'000	Fair value as at 30 June 2017 HK\$'000	% of net assets	Principal activities
1 BEP International Holdings Ltd.	02326	1,000,000	0.01%	-	(200)	650	(400)	250	0.13%	Sourcing and sales of metal minerals and related industrial materials, production and sale of industrial products, provision of logistics services and production and sale of utilities

FINANCIAL REVIEW (continued)

Significant Investments Held and Performance (continued)

Company name	Stock code	Number of shares held	% of shareholdings in equity investment	Realised loss for the period HK\$'000	Unrealised gain/(loss) on fair value change for the period HK\$'000	Cost of acquisition HK\$'000	Unrealised gain/(loss) on fair value since acquisition HK\$'000	Fair value as at 30 June 2017 HK\$'000	% of net assets	Principal activities
2 SingAsia Holdings Ltd.	08293	5,700,000	2.28%	–	21,603	19,562	26,893	46,455	24.66%	Provide manpower outsourcing services, manpower recruitment services and manpower training services based in Singapore.
Other equity disposed during the period										
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 Limited	06828			(2,363)						
				(8,799)	21,403	20,212	26,493	46,705		
Other fee and commission expenses				(196)						
				(8,995)						

On 9 June 2017, the Group disposed of 5,700,000 ordinary shares of SingAsia Holdings Limited to Mr. Yeung Chun Wai Anthony with total consideration of HK\$26,505,000 (the “Disposal”). Mr. Yeung, being a director of the Company, is a connected person of the Company. This transaction constituted as a connected transaction for the Company under Chapter 14A of the Listing Rules. As at the end of the reporting period and the date of this announcement, the completion of the Disposal is still pending the outcome of the approval for the Disposal from the independent shareholders of the Company. For details, please refer to the announcements of the Company dated 16 June 2017 and 21 July 2017. Had the Disposal been completed on 9 June 2017 with total consideration of HK\$26,505,000, the gain on the Disposal would have been approximately HK\$1,653,000; the unrealised fair value loss and the realised loss on disposal in respect of investment in listed securities held for trading for the period ended 30 June 2017 would have been approximately HK\$200,000 and approximately HK\$7,342,000 respectively; and the loss for the period attributable to equity holders of the Company would have been approximately HK\$39,254,000.

The Board acknowledges that the performance of the equities may be affected by the degree of volatility in the Hong Kong stock market, global economy and susceptible to other external factors that may affect their values. Accordingly, the Board reduces the portion of investment portfolio held in short term in order to reduce possible financial risks related to the equities. The Board will continue to closely monitor the performance of the global economic market conditions and seeks new investment opportunities from time to time.

EMPLOYEE REMUNERATION POLICIES

As at 30 June 2017, the Group had 107 (31 December 2016: 118) employees in China, Hong Kong and Singapore and its total staff costs for the six months ended 30 June 2017 were approximately HK\$23.7 million (30 June 2016: approximately HK\$21.9 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 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 six months ended 30 June 2017, acting in compliance with code provisions (the "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.

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 (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 of the Company 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 of the Company have been held by Mr. Yeung Chun Wai, Anthony, during the period.

The Board 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. 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, and is considering appointing new chairman and/or chief executive to ensure a balance of power and authority.

CORPORATE GOVERNANCE *(continued)*

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 and it is required to appoint independent non-executive Directors representing at least one-third of the Board. At least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise.

Pursuant to Rule 3.21 of the Listing Rules, the Audit Committee must comprise a minimum of three members, the majority of which must be independent non-executive Directors. At least one of the members of the Audit Committee is an independent non-executive Director 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 independent non-executive Director.

Pursuant to Rule 3.25 of the Listing Rules, the remuneration committee of the Company (the “Remuneration Committee”) must be chaired by an independent non-executive Director and be comprised of a majority of independent non-executive Directors.

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 independent non-executive Directors.

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 independent non-executive Director. In the meantime, 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 has also ceased to be a member of the Audit Committee. As the 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.

However, the Company has made its best endeavours to identify suitable candidates to be additional independent non-executive Directors 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 independent non-executive Director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee; Mr. Zhao Guangming was appointed as an independent non-executive Director and a member of the Audit Committee; and Mr. Fung Chan Man, Alex, an existing independent non-executive Director, 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own securities code. All Directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standards set out in the Model Code throughout the six months ended 30 June 2017.

AUDIT COMMITTEE

The Audit Committee has reviewed, with management and the external auditor of the Company, the accounting principles and practices adopted by the Group and the unaudited interim consolidated financial report of the Group for the six months ended 30 June 2017. The review conducted by the external auditor of the Company was in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

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

PUBLICATION OF FURTHER INFORMATION

The 2017 Interim Report of the Company containing all information required by Appendix 16 to the Listing Rules will be published on both the websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

By Order of the Board
Yeung Chun Wai Anthony
Chairman

Hong Kong, 29 August 2017

As at the date of this announcement, the Board comprises four executive Directors, namely 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, namely Mr. Fung Chan Man, Alex, Mr. Fung Wai Shing and Mr. Zhao Guangming.