e-Kong Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 524)

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2017

HIGHLIGHTS

- The Group's revenue for 2017 decreased by 9.1% to approximately HK$71.7 million, which was mainly due to the decrease in revenue from our telecommunication and information technology business as a result of intensified competition in this market.

- Loss attributable to equity holders of the Company of approximately HK$15.7 million was recorded for the year as compared with approximately HK$79.3 million for the prior year, mainly due to the net effect of the significant net increase in fair value of financial assets at fair value through profit or loss held at the end of 2017 amounting to approximately HK$76.7 million and an impairment loss on goodwill in our financial payment processing solution and software development services and distribution business (the "IT and Distribution Business") amounting to approximately HK$21.0 million.

- The Group recorded a net increase in fair value of approximately HK$76.7 million for financial assets at fair value through profit or loss held at the end of 2017, compared with a net decrease in fair value of approximately HK$14.5 million for 2016. The significant net increase in fair value for those held at the end of 2017 is mainly contributed by the stock price increase of SingAsia Holdings Limited during 2017.

- The Group's IT and Distribution Business was underperformed in 2017 due to the increasingly strict regulations in this business in China. In light of the keen competition, increase in labour cost and actual growth of revenue in 2017 being lower than our expectation in 2016, goodwill of this business was impaired by approximately HK$21.0 million (2016: Nil).

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 2017, together with comparative figures for 2016, as set out below.

Consolidated Statement of Profit or Loss

		Year ended 31 December	
		2017	2016
	Note	***HK$'000***	*HK$'000*
Revenue	*2*	**71,675**	78,917
Cost of sales		**(32,464)**	(34,975)
Gross profit		**39,211**	43,942
Other revenue and income	*3*	**9,563**	12,634
		48,774	56,576
Selling and distribution expenses		**(4,116)**	(4,806)
Business promotion and marketing expenses		**(2,328)**	(2,610)
Operating and administrative expenses		**(78,808)**	(86,259)
Other operating expenses		**(24,385)**	(19,851)
Loss from operations		**(60,863)**	(56,950)
Finance costs	*4*	**(9)**	(3)
Impairment losses on goodwill	*7*	**(21,034)**	–
Impairment losses on property, plant and equipment		**(1,462)**	–
Share of results of associates		**247**	7
Share of results of a joint venture		**–**	(25)
Net increase/(decrease) in fair value of financial assets at fair value through profit or loss			
– Disposed of during the year		**(8,995)**	(8,855)
– Held at the end of the year		**76,656**	(14,512)
Gain/(Loss) on disposal of property, plant and equipment		**7**	(42)
Net gain on disposal of a subsidiary		**–**	821
Net loss on deemed disposal of subsidiaries	*14*	**(3,888)**	–
Loss on disposal of an associate		**(258)**	–
Gain on disposal of assets of a business unit	*15*	**3,053**	–
Loss before taxation	*4*	**(16,546)**	(79,559)
Taxation (charges)/credits	*5*		
Current tax		**(4,533)**	(3,157)
Deferred tax		**3,808**	1,702
		(725)	(1,455)
Loss for the year		**(17,271)**	(81,014)

Consolidated Statement of Profit or Loss *(continued)*

	Note	Year ended 31 December 2017 HK$'000	2016 HK$'000
Loss for the year attributable to:			
Equity holders of the Company		**(15,735)**	(79,264)
Non-controlling interests		**(1,536)**	(1,750)
Loss for the year		**(17,271)**	(81,014)
		HK cents	*HK cents*
Loss per share	*6*		
Basic and diluted		**(1.8)**	(10.6)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Loss for the year	**(17,271)**	(81,014)
Other comprehensive income/(loss) for the year		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign subsidiaries	**5,835**	(3,706)
Share of other comprehensive income/(loss) of a joint venture		
– Exchange difference on translation	**25**	(19)
Total comprehensive loss for the year	**(11,411)**	(84,739)
Total comprehensive loss for the year attributable to:		
Equity holders of the Company	**(10,411)**	(82,624)
Non-controlling interests	**(1,000)**	(2,115)
Total comprehensive loss for the year	**(11,411)**	(84,739)

Consolidated Statement of Financial Position

	Note	**As at 31 December 2017** *HK$'000*	As at 31 December 2016 *HK$'000*
Non-current assets			
Goodwill	*7*	**12,430**	33,464
Interest in associates		**280**	507
Interest in a joint venture		**343**	318
Property, plant and equipment		**3,996**	14,358
Intangible assets	*8*	**71,199**	82,360
Available-for-sale financial asset		**7,800**	7,800
Deferred tax assets	*12*	**–**	45
		96,048	138,852
Current assets			
Financial assets at fair value through profit or loss	*9*	**101,958**	63,199
Trade and other receivables	*10*	**69,792**	57,389
Pledged bank deposits		**1,316**	1,407
Cash held by a securities broker		**–**	3,221
Cash and bank balances		**69,409**	45,239
		242,475	170,455
Current liabilities			
Trade and other payables	*11*	**106,632**	81,772
Obligations under finance leases		**79**	72
Taxation payable		**8,690**	4,271
		115,401	86,115
Net current assets		**127,074**	84,340
Total assets less current liabilities		**223,122**	223,192

Consolidated Statement of Financial Position *(continued)*

	Note	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Non-current liabilities			
Deferred revenue		**958**	557
Deferred tax liabilities	*12*	**13,782**	16,272
Obligations under finance leases		**51**	110
		14,791	16,939
NET ASSETS		**208,331**	206,253
Capital and reserves			
Share capital	*13*	**8,753**	8,753
Reserves		**191,954**	202,365
Equity attributable to equity holders of the Company		**200,707**	211,118
Non-controlling interests		**7,624**	(4,865)
TOTAL EQUITY		**208,331**	206,253

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 ("HKFRSs"), which such collective term includes all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622) (the "HKCO") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2016 consolidated financial statements except for the adoption of the new and revised HKFRSs that are relevant to the Group and effective for the current year as follows which had no significant effects on the results and financial position of the Group for the current and prior years.

Adoption of new/revised HKFRSs

Amendments to HKAS 7: Disclosure Initiative

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

The adoption of the amendments results in the additional disclosures in the consolidated financial statements.

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

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

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

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

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

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

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 and cash and bank balances. All liabilities are allocated to reportable segments other than corporate liabilities.

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

(a) By business segments

	Year ended 31 December 2017				
	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	46,668	22,692	2,315	–	71,675
Inter-segment sales	515	–	–	(515)	–
	47,183	22,692	2,315	(515)	71,675
Results					
Segment results	(10,781)	(17,469)	(2,775)	–	(31,025)
Finance costs	(9)	–	–	–	(9)
Loss on disposal of an associate	–	–	(258)	–	(258)
Share of results of associates	105	–	142	–	247
	(10,685)	(17,469)	(2,891)	–	(31,045)
Other operating income and expenses					14,499
Loss before taxation					(16,546)

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

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

	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)

Inter-segment sales are charged at prevailing market prices.

2. REVENUE AND SEGMENTAL INFORMATION *(continued)*

(a) By business segments *(continued)*

	As at 31 December 2017			
	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	**18,006**	**124,346**	**–**	**142,352**
Unallocated assets				**196,171**
				338,523
Liabilities				
Reportable segments	**(12,927)**	**(35,680)**	**–**	**(48,607)**
Unallocated liabilities				**(81,585)**
				(130,192)

	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)

2. REVENUE AND SEGMENTAL INFORMATION *(continued)*

(b) By geographical information

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

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**15,040**	22,034
Singapore	**33,943**	40,470
The PRC	**22,692**	16,413
	71,675	78,917

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

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**3,948**	12,712
Singapore	**5,259**	8,485
The PRC	**79,041**	109,810
	88,248	131,007

(c) Information about major customers

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

3. OTHER REVENUE AND INCOME

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Dividend income from financial assets at fair value through profit or loss	**–**	142
Exchange gains, net	**10**	–
Interest income on bank deposits	**114**	11
Management fee income	**4,847**	6,277
Reimbursement of expenses from customers	**4,106**	5,432
Other	**486**	772
	9,563	12,634

4. LOSS BEFORE TAXATION

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

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Finance costs:		
Interest on obligations under finance leases	**9**	3
Other items		
Employee salaries and other benefits (including directors' emoluments)	**38,891**	44,534
Retirement benefit scheme contributions	**2,211**	2,568
Total staff costs	**41,102**	47,102
Auditors' remuneration	**1,305**	1,504
Cost of services provided	**32,464**	34,975
Depreciation of property, plant and equipment	**5,404**	6,972
Amortisation of intangible assets (included in other operating expenses)	**18,016**	9,282
Allowance for doubtful debts	**1,746**	372
Operating lease charges on premises	**23,596**	25,476
Exchange (gains)/losses, net	**(10)**	1,663

5. TAXATION (CHARGES)/CREDITS

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**–**	–
Overseas income taxes	**(4,533)**	(3,157)
	(4,533)	(3,157)
Deferred tax		
Tax losses	**(41)**	–
Depreciation allowances	**3,849**	1,702
	3,808	1,702
Taxation charges	**(725)**	(1,455)

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

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

6. LOSS PER SHARE

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

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

7. GOODWILL

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Cost at the beginning of the year	**33,464**	1,019
Additions	**–**	33,464
Disposal	**–**	(1,019)
Impairment losses	**(21,034)**	–
	12,430	33,464

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

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
CGU		
Financial payment processing solution and software development services business	**7,945**	7,945
Distribution business	**25,519**	25,519
Cost	**33,464**	33,464
Less: Impairment losses – Distribution business	**(21,034)**	–
Net book value	**12,430**	33,464

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

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

7. GOODWILL *(continued)*

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

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

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

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

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

Sensitivity of key assumptions

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

8. INTANGIBLE ASSETS

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Carrying value at the beginning of the year	**82,360**	8,329
Acquisition of a subsidiary	**–**	88,032
Amortisation	**(18,016)**	(9,282)
Exchange adjustments	**6,855**	(4,719)
Carrying value at the end of reporting period	**71,199**	82,360

8. INTANGIBLE ASSETS *(continued)*

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

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

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

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

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

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Held for trading		
Equity investments listed in Hong Kong	**101,958**	63,199

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

The equity investments listed in Hong Kong of approximately HK$101,802,000, which represented 5,700,000 ordinary shares of SingAsia Holdings Limited ("SingAsia") are held by Mr. Yeung Chun Wai Anthony ("Mr. Yeung"), the then-director of the Company who resigned on 23 November 2017, on behalf of the Group at the end of the reporting period and the details of the arrangement are set out in the Company's circular dated 11 December 2017 and the Company's announcement dated 5 February 2018. As at the date of this announcement, total of 2,000,000 SingAsia shares were returned back to the Group by Mr. Yeung in exchange for Group's settlement amounted of approximately HK$14,579,000.

10. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**32,499**	31,351
Allowance for doubtful debts	**(4,163)**	(2,369)
	28,336	28,982
Other receivables		
Deposits, prepayments and other debtors	**39,356**	28,407
Due from an associate *(Note 15)*	**2,100**	–
	69,792	57,389

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

11. TRADE AND OTHER PAYABLES

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Trade payables	**5,206**	9,443
Other payables		
Deferred revenue	**3,392**	2,675
Consideration payable	**37,172**	37,172
Accrued charges and other creditors	**18,998**	32,402
Due to an ex-director	**41,552**	–
Due to associates	**312**	80
	106,632	81,772

11. 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	
	2017	2016
	HK$'000	*HK$'000*
Less than 1 month	**3,413**	5,284
1 to 3 months	**804**	1,737
More than 3 months but less than 12 months	**989**	2,422
	5,206	9,443

12. 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 2016	41	(226)	(185)
Acquisition of subsidiaries	–	(18,735)	(18,735)
Credit to profit or loss	–	1,702	1,702
Exchange adjustments	–	991	991
As at 31 December 2016	41	(16,268)	(16,227)
(Charge)/Credit to profit or loss	(41)	3,849	3,808
Exchange adjustments	–	(1,363)	(1,363)
As at 31 December 2017	**–**	**(13,782)**	**(13,782)**

13. SHARE CAPITAL

Authorised and issued share capital

	2017		2016	
	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	**875,280,000**	**8,753**	729,400,000	7,294
Shares issued upon placing in November 2016	**–**	**–**	145,880,000	1,459
As at 31 December	**875,280,000**	**8,753**	875,280,000	8,753

14. DEEMED DISPOSAL OF SUBSIDIARIES

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 37.59% which resulted in loss of control over RMGL. This transaction is considered as a deemed disposal of subsidiaries. RMGL and its subsidiaries (collectively referred to as the "RMI Group") then became associates of the Group upon the completion of deemed disposal on 25 August 2017. The details are as follows:

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

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

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

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

15. DISPOSAL OF ASSETS OF A BUSINESS UNIT

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

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

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

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

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

As at 31 December 2017, the unpaid portion of cash consideration amounted to HK$2,000,000, which is included in "other receivables" (note 10) and is unsecured, interest-free and repayable on or before 1 December 2018.

16. EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

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

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

(f) On 21 March 2018, the Company entered into a memorandum of understanding with an independent third party to dispose of 100% equity interest in Stage Charm Limited, which holds the entire issued share capital of Diamond Frontier Investment Limited and 90% equity investment in the registered capital of Hangzhou Susong Technology Company Limited* (杭州蘇頌科技有限公司). Up to the date of this announcement, no binding agreement was entered into in respect of the proposed disposal. Details of the proposed disposal have been set out in the Company's announcement dated 21 March 2018.

* *For identification purpose only*

FINAL DIVIDEND

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

BUSINESS REVIEW

Overall Review

Over the past decade, the Group has been focusing on telecommunications and information technology business (the "Telecom Business"). On the other hand, the Group has also been actively pursuing other opportunities that are complementary to its existing operations or have high growth potential, with ability to generate healthy cashflows and capabilities to maximise the Group's long-term value. In June 2016, the Group acquired a company, which owns a subsidiary that operates financial payment processing solution and software development services, and distribution business (the "IT and Distribution Business").

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

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

Telecom Business *(telecommunication and information technology business)*

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

BUSINESS REVIEW *(continued)*

Telecom Business ***(telecommunication and information technology business)*** *(continued)*

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

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

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

IT and Distribution Business ***(financial payment processing solution and software development services, and distribution business)***

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

* *For identification purpose only*

BUSINESS REVIEW *(continued)*

IT and Distribution Business ***(financial payment processing solution and software development services, and distribution business)*** *(continued)*

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

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

Other Business

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

BUSINESS REVIEW *(continued)*

Outlook

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

Moreover, the Board hopes to leverage the resources of its new substantial shareholder, 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"), to engage in new projects and explore fresh opportunities in the future development of the Group, such as the opportunities of characteristic towns and the related industries in the PRC.

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

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

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

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

* *For identification purpose only*

FINANCIAL REVIEW

Revenue and Results

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

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

FINANCIAL REVIEW *(continued)*

Revenue and Results *(continued)*

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

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

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

Capital Structure, Liquidity and Financing

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

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

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

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

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

Foreign Exchange Exposure

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

FINANCIAL REVIEW *(continued)*

Contingent Liabilities and Commitments

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

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

Significant Investments Held and Performance

As at 31 December 2017, the Group held for trading investments in securities in Hong Kong (collectively, the "Investments") with a market value of approximately HK$102.0 million (31 December 2016: approximately HK$63.2 million), representing an investment portfolio of two (31 December 2016: seven) listed equities in Hong Kong. The Group's financial assets at fair value through profit or loss with decrease in fair value for those disposed of during the 2017 and increase in fair value for those held at the end of 2017 are approximately HK$9.0 million and approximately HK$76.7 million respectively, compared with decrease of approximately HK$8.9 million and decrease of approximately HK$14.5 million for 2016. The significant increase in fair value for those held at the end of 2017 is mainly contributed by the stock price increase of SingAsia Holdings Limited during 2017. The details of the Investments as at 31 December 2017 are as follows:

	Company name	Stock code	Number of shares held	% of shareholdings in equity investment	Realised loss for the year *HK$'000*	Unrealised gain/(loss) on fair value change for the year *HK$'000*	Fair value as at 1 January 2017 and additional investment cost during the year *HK$'000*	Fair value as at 31 December 2017 *HK$'000*	% of net assets	Principal activities
1	New Provenance Everlasting Holdings Ltd. (formerly known as BEP International Holdings Ltd.)	02326	1,000,000	0.01%	–	(294)	450	156	0.07%	Sourcing and sale of metal minerals and related industrial materials, production and sale of industrial products and utilities, sale of electrical and electronic consumer products, provision of logistics services.
2	SingAsia Holdings Ltd.	08293	5,700,000	2.28%	–	76,950	24,852	101,802	48.86%	Provide manpower outsourcing services, manpower recruitment services and manpower training services based in Singapore.
	Other equity disposed during the year									
	China Baoli Technologies Holdings Ltd.	00164			(951)					
	Sincere Watch (Hong Kong) Ltd.	00444			(350)					
	Noble Century Investment Holdings Ltd.	02322			(4,967)					
	Casablanca Group Ltd.	02223			(168)					
	Beijing Gas Blue Sky Holdings Ltd.	06828			(2,363)					
					(8,799)	76,656	25,302	101,958		
	Other fee and commission expenses				(196)					
					(8,995)					

FINANCIAL REVIEW *(continued)*

Significant Investments Held and Performance *(continued)*

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

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

EMPLOYEE REMUNERATION POLICIES

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

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

CORPORATE GOVERNANCE AND NON-COMPLIANCE WITH LISTING RULES

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 non-compliance and deviations described below, no Director is aware of any information which would reasonably indicate that the Company is not, or was not at any time during the year ended 31 December 2017, acting in compliance with code provisions of the Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") as set out in Appendix 14 to the Listing Rules, and reporting and other requirements pursuant to Chapter 14 and 14A of the Listing Rules.

Non-Compliance with Listing Rules

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

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

CORPORATE GOVERNANCE AND NON-COMPLIANCE WITH LISTING RULES *(continued)*

Non-Compliance with Listing Rules *(continued)*

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

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

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

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

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

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

CORPORATE GOVERNANCE AND NON-COMPLIANCE WITH LISTING RULES *(continued)*

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 had been held by Mr. Yeung Chun Wai Anthony from 1 January 2017 to 1 November 2017.

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

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

Insufficient Number of Independent Non-Executive Directors

According to Rules 3.10(1) and 3.10A of the Listing Rules, the Board must include at least three independent non-executive Directors 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 of the Company (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.

CORPORATE GOVERNANCE AND NON-COMPLIANCE WITH LISTING RULES *(continued)*

Insufficient Number of Independent Non-Executive Directors *(continued)*

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. Mr. Francis Chan ceased to be the chairman of the Audit Committee, and a member of both the Remuneration Committee and the Nomination Committee. Mr. Alex Chan also ceased to be a member of the Audit Committee. As a result, the Company fell below the requirement of Rules 3.10(1), 3.10(2), 3.10A, 3.21 and 3.25 of the Listing Rules, and code provision A.5.1 of the Corporate Governance Code.

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

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 or 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 2017 and the audited consolidated financial statements of the Group for the year ended 31 December 2017.

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 2017 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.

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
e-Kong Group Limited
Zhao Ruiyong
Chairman and Executive Director

Hong Kong, 28 March 2018

As at the date of this announcement, the Board comprises six executive Directors, namely Mr. Zhao Ruiyong, Ms. Li Bing, Mr. Cheung Ka Heng Frankie, Mr. Chan Chi Yuen, Mr. Wong Xiang Hong and Mr. Yeung Chun Sing Standly, and four independent non-executive Directors, namely Mr. Fung Chan Man Alex, Mr. Fung Wai Shing, Mr. Zhao Guangming and Mr. Huang Tao.