ETS
易通訊

Annual Report 2011 年報

ETS Group Limited
易通訊集團有限公司

(Incorporated in the Cayman Islands with limited liability 於開曼群島註冊成立的有限公司)

(Stock Code 股份代號: 8031)

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report for which the directors (the "Directors") of ETS Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

CONTENTS

EXECUTIVE DIRECTORS

Mr. Ling Chiu Yum *(Honorary Chairman)*
Mr. Wong Wai Hon Telly *(Chairman)*
Ms. Chang Men Yee Carol *(Chief Executive Officer)*
Mr. Suen Fuk Hoi

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Phung Nhuong Giang
Mr. Wong Sik Kei
Mr. Ngan Chi Keung

AUDIT COMMITTEE

Mr. Ngan Chi Keung *(Chairman)*
Mr. Phung Nhuong Giang
Mr. Wong Sik Kei

REMUNERATION COMMITTEE

Mr. Phung Nhuong Giang *(Chairman)*
Mr. Ngan Chi Keung
Mr. Wong Sik Kei
Mr. Wong Wai Hon Telly

NOMINATION COMMITTEE*

Mr. Wong Sik Kei *(Chairman)*
Mr. Phung Nhuong Giang
Mr. Ngan Chi Keung
Mr. Ling Chiu Yum
Ms. Chang Men Yee Carol

COMPLIANCE OFFICER

Ms. Chang Men Yee Carol

CHIEF EXECUTIVE OFFICER ("CEO")

Ms. Chang Men Yee Carol

COMPANY SECRETARY

Mr. Suen Fuk Hoi

AUTHORISED REPRESENTATIVES

Mr. Ling Chiu Yum
Mr. Wong Wai Hon Telly

* to be established on 30 March 2012

REGISTERED OFFICE

Cricket Square, Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 601-603, New Bright Building,
11 Sheung Yuet Road,
Kowloon Bay, Kowloon,
Hong Kong

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
31st Floor, Gloucester Tower,
The Landmark,
11 Pedder Street,
Central, Hong Kong

LEGAL ADVISERS

As to Hong Kong laws
Micheal Li & Co.
14th Floor,
Printing House,
6 Duddell Street,
Central,
Hong Kong

As to Cayman Islands law
Conyers Dill & Pearman
Cricket Square, Hutchins Drive,
P.O. Box 2681,
Grand Cayman, KY1-1111,
Cayman Islands

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Bank of China (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive,
P. O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26/F., Tesbury Centre,
28 Queen's Road East,
Wanchai,
Hong Kong

WEBSITE

www.etsgroup.com.hk

STOCK CODE

8031

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of ETS Group Limited (the "Company"), I am pleased to report the annual results of the Company and its subsidiaries (collectively called "the Group") for the year ended 31 December 2011 to all the shareholders and investors.

This year is definitely important for the development of the Group because the Group was successfully listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited on 9 January 2012. The successfully listing strengthened the financial position of the Group and also enables the Group to implement its business plans.

In financial year 2011, the Group recorded a revenue of approximately HK$196 million for the year ended 31 December 2011, representing an increase of approximately 2% as compared with last financial year. Profit attributable to owners of the Company increased 40% from approximately HK$13.8 million for the year ended 31 December 2010 to approximately HK$19.2 million for the year ended 31 December 2011.

The Board does not recommend payment of any final dividend for the year ended 31 December 2011 to shareholders.

The Group has been in the contact service market in Hong Kong for more than 20 years and has established long and steady business relationships with our clients. The Group aims to further upgrade our market position as a leading professional multi-media contact service provider that adds value to our client's business. The Group plans to leverage on and improve our competitive strength by setting up new contact service centres for capturing opportunities from different market segments and industry sectors to further increase the profitability of the Group.

On behalf of the Board, I would like to express my sincere appreciation to our customers and shareholders for their support to the Group over the years. Moreover, I would like to thank all staff and my fellow board members for their tremendous efforts and contributions.

Wong Wai Hon Telly
Chairman

Hong Kong, 19 March 2012

BUSINESS OVERVIEW

ETS Group Limited is principally engaged in the business of providing comprehensive multi-media contact services and contact centre system. Our current clientele are corporations in diverse sectors in Hong Kong, which are mainly telecommunications, banking and financial services, and insurance. We operate three contact service centres in Hong Kong with over 850 workstations and employ over 1,000 contact service staff as at 31 December 2011. The Group's self developed multi-media WISE-xb Contact Centre System supports the operation of the Group's contact centre services and also has been marketed through distributors.

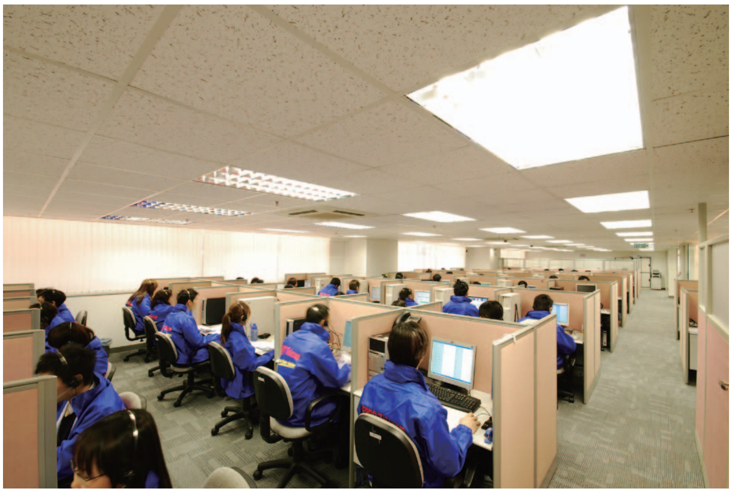
The principle services of the Group include:

OUTSOURCING INBOUND CONTACT SERVICE

The Group provides multi-media inbound contact service which our clients outsource to us. The outsourcing inbound contact services we provide include general enquiry hotlines, promotion hotlines, customer service hotlines, order hotlines, registration hotlines, emergency hotlines and helpdesk hotlines. Our inbound operation covers 24 hours a day and 7 days a week.

OUTSOURCING OUTBOUND CONTACT SERVICE

The Group based on the call lists provided by our clients to perform outsourcing outbound contact services including telemarketing services, customer retention services, cross-selling and customer satisfaction surveys. These services are carried out at calling hours specified by our clients.



STAFF INSOURCING SERVICE

The Group assigns contact service staff that meet the required qualification and requirements to work at our clients' contact service centres or other designated premises to help our clients in the operation of their contact services or business. We provide our clients with contact service staff for customer service, telemarketing, data entry and other backend support.

CONTACT SERVICE CENTRE FACILITIES MANAGEMENT SERVICE

The contact service centre facilities management service is comprised of three types of service including (a) leasing of our contact centre facilities in form of workstation, (b) IVRS hosting service and (c) contact centre system hosting solution. The workstation leasing service comes in two models namely, "shared" or "fully dedicated" in terms of physical and system set up. The IVRS hosting service is a total outsourcing solution that covers all aspects of providing an IVR service including call flow design, system setup, telecommunication facilities, recording and system monitoring support. The contact centre system hosting solution is provided by means of the WISE-xb Contact Centre System.

BUSINESS ENVIRONMENT

Amid the feeble economic and fiscal conditions in the US and the lingering European sovereign debt crisis, Hong Kong economy still registered a notable 5% growth in the year of 2011. Major industry sectors served by the Group including banking and financial services, insurance and telecommunication, all remained resilient and reported healthy growth in the period. With ever bigger sales targets and growth aimed by the clients, the Group has continued to benefit from the trend and is in a good position to capture further opportunities.

On the other hand, the low employment rate and tight local labour market represent challenges to the ability of attracting and retaining experienced and qualified employees, including contact service staff. Increasing labour demand may drive up the overall wages and result in higher staff cost. Moreover, rental fee for accessible urban locations has noticeably risen in the year of 2011 and the rising trend may continue into the coming year.

FINANCIAL AND BUSINESS REVIEW

The Group recorded growth in revenue in all service segments except the staff insourcing service. The service demand in outsourcing inbound and outsourcing outbound contact services remained strong in the period, and the utilization rate of contact service centre was maintained at approximately 90% during the year.

With the local unemployment rate steadily dropped to approximately 3.4% in 2011, the overall contact service industry faces challenge of rising labour shortages and surging labour costs continually. During the year, the Group had focused on staff recruitment, retention, training as well as productivity gain in order to maintain the growth and margin of the business. More training resources had been allocated to enhance the multi-skill capability of the contact service staff to achieve higher flexibility in staff deployment. The Group had also increased the use of predictive dialling system in the outsourcing outbound contact services which helped to boost the staff as well as service productivity with a sustainable level of manpower.

With data security remains a focus of attention for outsourcing services, the Group has successfully acquired the ISO 27001 Information Security Management System Certificate and the P2P Telemarketing Code of Practice Certificate (established by the Hong Kong Call Centre Association) in 2011. The accredited qualifications have further strengthened our credential in the outsourcing contact service industry and our professional standing in the business.

For the year ended 31 December 2011, the Group's total revenue was approximately HK$196 million, representing an increase of approximately HK$4.6 million as compared to that of last year. The outsourcing inbound contact service, outsourcing outbound contact service, staff insourcing service and contact service centre facilities management service accounted for approximately 5.0%, 37.6%, 43.2% and 13.6% of the Group's total revenue for the year ended 31 December 2011 respectively. The gross profit of the Group was increased from approximately 15.2% for the year ended 31 December 2010 to approximately 19.6% for the year ended 31 December 2011. The following table sets forth the analysis of revenue by business units of the Group for the year ended 31 December 2011 and 2010 respectively:

COMPOSITION OF REVENUE

	Year ended 31 December			
	2011		2010	
	HK$'000		HK$'000	
Outsourcing inbound contact service	**9,804**	**5.0%**	8,890	4.7%
Outsourcing outbound contact service	**73,570**	**37.6%**	70,577	36.9%
Staff insourcing service	**84,600**	**43.2%**	87,994	46.0%
Contact service centre facilities management service	**26,603**	**13.6%**	23,175	12.1%
Others*	**1,185**	**0.6%**	511	0.3%
Revenue	**195,762**	**100%**	191,147	100%

The following table sets forth the analysis of segment result by business units of the Group for the year ended 31 December 2011 and 2010 respectively:

SEGMENT RESULT AND GROSS PROFIT MARGIN

	Year ended 31 December			
	2011	**Gross profit margin**	2010	Gross profit margin
	HK$'000	**%**	HK$'000	%
Outsourcing inbound contact service	**1,088**	**11.1%**	599	6.7%
Outsourcing outbound contact service	**18,643**	**25.3%**	14,983	21.2%
Staff insourcing service	**10,765**	**12.7%**	7,848	8.9%
Contact service centre facilities management service	**7,000**	**26.3%**	5,193	22.4%
Others*	**790**	**66.7%**	511	100%
Segment result	**38,286**	**19.6%**	29,134	15.2%

* The "Others" which principally comprises licence fee.

OUTSOURCING INBOUND CONTACT SERVICE

For the year ended 31 December 2011, the outsourcing inbound contact service segment recorded a revenue of approximately HK$9.8 million representing an increase of approximately 10.3% as compared to that of last year. The segment result for the year ended 31 December 2011 was approximately HK$1.1 million. The gross profit margin of outsourcing inbound contact service increased from approximately 6.7% for the year ended 31 December 2010 to approximately 11.1% for the year ended 31 December 2011.

The increase in revenue of the outsourcing inbound contact service was mainly contributed by an increase in new inbound contact services outsourced from our clients during the period. The expanded inbound operation scale helped to improve the operating efficiency which resulted in an increase in the gross profit margin of the outsourcing inbound contact service.

OUTSOURCING OUTBOUND CONTACT SERVICE

For the year ended 31 December 2011, the outsourcing outbound contact service segment recorded a revenue of approximately HK$73.6 million representing an increase of approximately 4.2% as compared to that of last year. The segment result for the year ended 31 December 2011 was approximately HK$18.6 million. The gross profit margin for outsourcing outbound contact service increased from approximately 21.2% for the year ended 31 December 2010 to approximately 25.3% for the year ended 31 December 2011.

The increase in revenue of the outsourcing outbound contact service was mainly contributed by an increase in volume of outbound contact services from existing as well as new clients during the period. The expanded outbound operation scale together with an increase in training support and deployment of predictive dialling system helped to improve the operating efficiency and performance productivity of the outbound contact service and in turn lead to a lower staff cost and a better gross profit margin during the period.

STAFF INSOURCING SERVICE

For the year ended 31 December 2011, the staff insourcing service segment recorded a revenue of approximately HK$84.6 million representing a decrease of approximately 3.9% as compared to that of last year. The decrease in revenue of the staff insourcing service was due to a net decrease in the number of insourced staff resulted from the conversion arrangement of insourced staff to client staff. However, with a higher ratio of contact service staff of higher skill sets, the gross profit margin was increased from approximately 8.9% for the year ended 31 December 2010 to approximately 12.7% for the year ended 31 December 2011.

CONTACT SERVICE CENTRE FACILITIES MANAGEMENT SERVICE

For the year ended 31 December 2011, the contact service centre facilities management service recorded a revenue of approximately HK$26.6 million representing an increase of approximately 14.8% as compared to that of last year. The segment result for the year ended 31 December 2011 was approximately HK$7.0 million. The gross profit margin for contact service centre facilities management service increased from approximately 22.4% for the year ended 31 December 2010 to approximately 26.3% for the year ended 31 December 2011.

The Group continues to provide solid infrastructure and professional support for our client's contact service centre operation established at our contact centre premises in 2011. The increase in revenue of the contact service centre facilities management service was mainly to the continual growth in the subscription of workstation from our clients. The contact service centre utilization rate increased from approximately 83% for the year ended 31 December 2010 to approximately 90% for the year ended 31 December 2011.

EXPENSES

During the year under review, the employee benefit expenses were decreased from approximately HK$148.7 million for the year ended 31 December 2010 to approximately HK$144.6 million for the year ended 31 December 2011. The decrease of employee benefit expenses was mainly due to the number of contact service agents was reduced from an average of 1,153 in 2010 to an average of 1,062 in 2011. The Group's total other operating expenses was approximately HK$21.4 million. The other operating expenses to sales ratio was approximately 11% which is similar to that of last year. The Group's depreciation and amortisation expenses were approximately HK$5.8 million which is similar to last year (2010: approximately HK$5.7 million). The Group's finance costs for the year ended 31 December 2011 was approximately HK$1.4 million, representing a decrease of approximately 12% as compared with the last corresponding year (2010: approximately HK$1.6 million) due to a decrease in bank loans.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group's profit attributable to owners of the Company increased from approximately HK$13.8 million for the year ended 31 December 2010 to approximately HK$19.2 million for the year ended 31 December 2011. The increase in profit attributable to owners of the company was mainly due to an increase in revenue from contact services, facilities management services and licence fee income together with a decrease in employee benefit expenses.

LISTING BY WAY OF PLACING

On 9 January 2012, the Group has successfully listed by way of placing on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited. The listing marked an important milestone in the history of the Group and enforces the Group's financial position with respect to executing our business plan for the continual growth of the business.

AWARDS AND CERTIFICATION

In 2011, the Group has successfully obtained two new certificates in addition to the ISO 9001 Quality Management System Certificate.

In November 2011, the Group has successfully passed the audit of the P2P Telemarketing Code of Practice Certification organized by the Hong Kong Call Centre Association. Part of the objectives of the certification is to encourage best practices in the industry and project a positive image of the telemarketing business to the public. The certification audit was carried out by the Hong Kong Quality Assurance Agency (HKQAA) and the Group is one of the first companies in obtaining the certificate in Hong Kong.

In December 2011, the Group has also successfully passed the week-long audit of ISO 27001 Information Security Management System (ISMS) carried out by the Hong Kong Quality Assurance Agency (HKQAA). In meeting the ISO 27001 certification requirements, the Group has attained internationally recognized data security standards and further strengthened the reliability of our security protection infrastructure. The acquisition of the ISO 27001 Information Security Management System has further consolidated the Group's strength in the provision of a secured and well managed contact service centre environment for the continuous growth of our own as well as our client's operation and business.

PROSPECT

Considering the high contact service centre utilization rate of approximately 90% for the year of 2011, and the positive trend of outsourcing inbound and outbound contact services and contact service centre facilities management service, the Group seeks to sustain our business growth by planning to set up two new contact service centres in the coming year. The new contact service centres are expected to further expand the capacity of the Group with another 350 to 440 workstations. The Group has been actively seeking suitable premises in the Kowloon area for setting up new contact service centres to cope with service demand from existing clients as well as any new business opportunities such as from the mandatory provident fund related services.

The Group recognizes the vital need to keep abreast with the latest technological development in communications, and to maintain the competitiveness of the WISE-xb System as well as our contact services which ride on the WISE-xb System platform. The Group plans to further invest on the research and development of the WISE-xb System by enhancing the current functionalities that can further improve the contact service operation management and efficiency. In addition, the Group continues to identify and develop new contact service related applications in order to capture new market opportunities.

To retain and attract even more contact service centre facilities management clients, the Group plans to upgrade and replace some of the current facilities and network at the existing contact service centres in the coming years so as to maintain the safety as well as proper functionalities of the operation. The Group also plans to upgrade the existing contact centre system to the VoIP platform, so that better efficiency and higher flexibility can be achieved to further sustain the leading edge of the Group's outsourcing and facilities management business.

IMPLEMENTATION PLAN

Details of the business objectives and strategies, as well as the implementation plan are set out in the section headed "BUSINESS OBJECTIVES AND STRATEGIES" in the prospectus of the Company dated 30 December 2011 (the "Prospectus"). As the Company was listed on 9 January 2012, an analysis comparing the Group's implementation plans for the period from 23 December 2011, being the latest practicable date as defined in the prospectus of the Company dated 30 December 2011 (the "Prospectus"), to 31 December 2011 (the "Relevant Period") is not meaningful and no proceeds was available during the Relevant Period.

CAPITAL STRUCTURE

On 29 June 2011, one share was allotted and issued at par to Codan Trust Company (Cayman) Limited as the initial subscriber, which was then transferred by Codan Trust Company (Cayman) Limited to Epro Group International Limited on the same date.

Pursuant to the Corporate Reorganization, on 13 December 2011, Epro Group International Limited transferred the entire issued ordinary share capital in Eastside Fortune Limited to the Company in consideration of the Company allotting and issuing one share, credit as fully paid up to Epro Group International Limited, so that Eastside Fortune Limited became wholly owned by the Company.

The shares of the Group were listed on the GEM Board of the Stock Exchange of Hong Kong Limited on 9 January 2012. On 13 December 2011, the Company increased its authorized share capital from HK$380,000 to HK$50,000,000 by the creation of an additional 4,962,000,000 Shares. The Company is offering 70,000,000 new Shares at the Placing Price by way of Placing to professional and institutional investors and members of the public, representing 25 per cent of the enlarged issued share capital of the Company upon Listing.

On 9 January 2012, pursuant to resolutions passed by the sole shareholder of the Company, the Company issued 209,999,998 ordinary shares to the then shareholders upon capitalization of an amount of HK$2,099,999.98 standing to the credit of the share premium account of the Company.

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2011 (2010: nil).

LIQUIDITY AND FINANCIAL POSITION

The Group adheres to a prudent financial management policy and has a healthy financial position. During the year under the review, the Group financed our operations with internally generated cash flows and banking facilities provided by the banks. As at 31 December 2011, the Group had net current asset of approximately HK$28.9 million (2010: approximately HK$27.1 million) including cash and bank balances of approximately HK$3.2 million (2010: approximately HK$26.6 million). The significant reduction in cash and bank balances as at 31 December 2011 was attributable to the expenses prepaid for the listing fee amounted to approximately HK$7.6 million and the payment of interim dividend of HK$16.5 million. The Company has received the net proceeds from Shares Placing of approximately HK$27.0 million on 9 January 2011. As at 31 December 2011, the Group's current ratio (current assets/current liabilities) and gearing ratio (total debts/total assets) were 2.01 (2010: 1.65) and 24% (2010: 25%) respectively.

USE OF PROCEEDS

The net proceeds of the Shares Placing received by the Company were approximately HK$27 million, after deduction of the related expenses for the listing. This proceeds are intended to be applied in accordance with the proposed application set out in the section headed "Business Objectives and Strategies" in the Prospectus. Any net proceeds that were not applied immediately have been temporarily deposited with banks in Hong Kong as at the date of this report.

PLEDGE OF ASSETS

As at 31 December 2011, the Group had pledged its bank deposits of approximately HK$3.6 million (2010: HK$3.6 million) to secure its banking facilities and trade receivable financing.

FOREIGN EXCHANGE EXPOSURE

Substantially all the revenue-generating operations of the Group were transacted in Hong Kong dollars during the year under review which is the functional currency of the Company and the presentation currency of the Group. The Group therefore does not have significant foreign exchange risk.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for those disclosed in this report, there were no significant investments held as at 31 December 2011, nor were there material acquisitions and disposals of subsidiaries during the year. There is no plan for material investments or capital assets as at the date of this report.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The Group did not have any contingent liabilities as at 31 December 2011. The Group also did not have any capital commitment as at 31 December 2011.

NUMBER AND REMUNERATION OF EMPLOYEE

As at 31 December 2011, the Group had 1,116 employees (2010: 1,211 employees). Remuneration was maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industry practice. The remuneration packages mainly comprise salary payments, group medical insurance plans, mandatory provident fund and discretionary bonuses awarded on a performance basis.

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Ling Chiu Yum (凌炤鑫) ("Mr. Ling"), aged 62, is an Executive Director and Honorary Chairman of the Company and its subsidiaries (the "Group"), an authorised representative of the Company. Mr. Ling is the co-founder of Epro Telecom Holdings Limited ("ETH") and joined our Group on 12 July 1990 and is also a Director of all the subsidiaries of the Company. He was appointed as an Executive Director of the Company on 29 June 2011. Mr. Ling is responsible for the overall strategic planning and corporate policy making for the operational direction of the Group. Mr. Ling obtained from the University of California, Berkeley a degree in Bachelor of Science in Electrical Engineering and Computer Science in 1972 and a degree in Master of Science in Electrical Engineering and Computer Science in 1973. Before joining our Group, Mr. Ling worked as a system manager and engineer in Informatics Inc., a company based in the United States of America from 1977 to 1978 and as a Far East Software Manager in a company in Hong Kong from 1979 to 1985. Mr. Ling worked as a director of Epro Systems Limited from 1985 to 2000. Having worked in the area of computer engineering since 1977, Mr. Ling has comprehensive and extensive knowledge and experience in computer engineering.

Mr. Wong Wai Hon Telly (黃偉漢) ("Mr. Wong"), aged 50, is the co-founder of Epro Logic Limited, Interactive Business Services Limited and Epro Marketing Limited and joined the Group on 28 September 1989. Mr. Wong is an Executive Director and the Chairman of the Group, an authorised representative and a member of the remuneration committee of the Company. Mr. Wong is also a Director of all the subsidiaries of the Company. He was appointed as an Executive Director of the Company on 29 June 2011. Mr. Wong is responsible for directing the whole business policy, strategic and business development of the Group. Mr. Wong holds a degree in Master of Business Administration in 2000 and a Diploma in Management in 1999 from the Asia International Open University (Macau). Mr. Wong has over 20 years of experience in the contact service industry. Before joining the Group, Mr. Wong was the Manager for Management Information System at a paging company in Hong Kong from 1982 to 1989.

Ms. Chang Men Yee Carol (張敏儀) ("Ms. Chang"), aged 48, is an Executive Director, the Chief Executive Officer of the Group and the Compliance Officer of the Company. Ms. Chang joined the Group on 1 January 1991 and is also a Director of all the subsidiaries of the Company. She was appointed as an Executive Director on 29 June 2011. Ms. Chang is responsible for the overall management, business and resources planning, operational administration, sales and marketing supervision, software operation and development of the Group. Ms. Chang holds a degree in Bachelor of Arts from The University of Texas at Austin in the United States of America in 1986. Before joining the Group, Ms. Chang worked as a programmer in Trinity Computing Systems Inc., a company based in the United States of America from 1987 to 1988 and as a software specialist in Epro Systems Limited in 1989.

Mr. Suen Fuk Hoi (孫福開) ("Mr. Suen"), aged 47, is the Finance Director of the Group. He was appointed as an Executive Director and a Company Secretary of the Company on 21 December 2011. Mr. Suen joined the Group on 20 June 2003. Mr. Suen is responsible for financial planning and management of the Group. Mr. Suen holds a degree of Bachelor of Business Administration from The Open Learning Institute of Hong Kong (now known as The Open University of Hong Kong) in 1995. Mr. Suen has been a member of the Hong Kong Institute of Certified Public Accountants since January 1999 and has also been admitted as an associate of the Association of International Accountants since October 1998. Before joining the Group, Mr. Suen worked as assistant accountant in Laser Distributor Ltd. from 1987 to 1989, as accountant from 1989 to 1994, as accounting manager from 1995 to 2001 and as a finance manager in Teddy Bear Kingdom (HK) Limited, a company incorporated in Hong Kong from 2002 to 2003.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Phung Nhuong Giang (馮潤江) ("Mr. Phung"), aged 49, was appointed as an Independent Non-Executive Director, a member of the audit committee and the Chairman of the remuneration committee of the Company on 21 December 2011. Mr. Phung obtained a first class honours degree in Electrical Engineering from the University of Western Australia in 1987 and a Master of Business Administration from the University of Louisville, the United States of America in 1999. Mr. Phung has extensive knowledge and experience in the information and communication technologies (ICT) industry. Mr. Phung worked as a network specialist in Telstra Corporation Limited, an Australian telecommunications and media company in 1987, as a product manager in QPSX Communications Ltd, an Australian company in 1988 and as a chief technologist in Dimension Data (formerly known as Datacraft Asia), a company principally engaged in the provision and management of specialist IT infrastructure solutions from 1993 to 2001. Mr. Phung joined DMX Technologies Group Limited in April 2001, a company incorporated in Bermuda and is now a subsidiary of KDDI Corporation, a Japanese company principally engaged in telecommunication businesses. He served as the executive director and chief executive officer of DMX Technologies Group Limited and later resigned from the directorship and chief executive office in DMX Technologies Group Limited in 2006. Mr. Phung is the founder and currently the chief executive officer of Asia Media Systems Pte Ltd in Singapore since 2006.

Mr. Wong Sik Kei (王錫基) ("Mr. SK Wong"), aged 64, was appointed as an Independent Non-Executive Director and a member of the audit committee and remuneration committee of the Company on 21 December 2011. Mr. SK Wong obtained a Bachelor of Science in Engineering from the University of Hong Kong in 1971. He also obtained a Master of Philosophy in 1977 and a Master of Social Sciences from the University of Hong Kong in 1980. Mr. SK Wong joined the Hong Kong Government as an Assistant Telecommunications Engineer in the Post Office in September 1974. He was promoted to Telecommunications Engineer in September 1978, to Senior Telecommunications Engineer in July 1980, to Chief Telecommunications Engineer in June 1984, and to Assistant Postmaster General in July 1988. In March 1994, he was appointed as Senior Assistant Director of Telecommunications in the Office of the Telecommunications Authority. Mr. SK Wong served as the director general of the Office of Telecommunications Authority ("OFTA") from 1997 to 2003. In 2003, Mr. SK Wong left the OFTA and became the Commissioner of the Innovation and Technology Department of the Hong Kong Government. Mr. SK Wong officially retired from the Hong Kong Government in 2007.

Mr. Ngan Chi Keung (颜志强) ("Mr. Ngan"), aged 37, was appointed as an Independent Non-Executive Director, a member of the remuneration committee and the Chairman of the audit committee of the Company on 21 December 2011. Mr. Ngan obtained a bachelor degree in Business Administration in Accounting from the Hong Kong Baptist University in 1998. Mr. Ngan is a member of The Association of Chartered Certified Accountants since 2001 and a member of the Hong Kong Institute of Certified Public Accountants since 2002. He worked as an audit assistant in an accounting firm in Hong Kong in 1998 and was promoted to audit semi-senior in 2000 and as an accounts manager in a company in Hong Kong from 2000 to 2006. Mr. Ngan became the financial controller in Wing Hing International (Holdings) Limited (Stock Code: 621) listed on the Main Board from 2007 to 2010 and is currently the financial controller in W. Hing Construction Company Limited since 2007.

SENIOR MANAGEMENT

Ms. Ting Yee Mei（丁綺薇）(“Ms. Ting”), aged 50, joined the Group on 1 October 1990. She is the General Manager for Operation of the Group. Ms. Ting has more than 30 years of experience in operation management in the contact service industry. She was an operation manager in a paging company in Hong Kong from 1979 to 1990.

Mr. Yeung Tim Hee Tony（楊添喜）(“Mr. Yeung”), aged 51, joined the Group on 28 June 1999. He is the General Manager for Call Centre of the Group. Mr. Yeung has over 28 years of experience in the contact service centre industry and has extensive experience in the supervision of the operation of contact service centres since 1986. Mr. Yeung was employed by a telecommunications company in Hong Kong from 1981 to 1998 and worked within the customer front office which is responsible for call centre requirements of such company. Mr. Yeung was the resources planning analyst when he left such telecommunications company in 1998.

Mr. Yu Yeuk Sze（余若詩）(“Mr. Yu”), aged 45, joined the Group on 23 January 2003. He is the General Manager for Information Technology of the Group. Mr. Yu graduated with a degree in Bachelor of Science in Information Technology from the City Polytechnic of Hong Kong (now known as City University of Hong Kong) in 1991. He was designated as a Project Management Professional by the Project Management Institute, an institute operated in the United States of America from 2005 to 2009. Prior to joining the Group, Mr. Yu worked as an analyst programmer in Mass Transit Railway Corporation from 1993 to 1999 and worked as a project manager from 2000 to 2002 in Dynegy Asia Communications Limited.

Mr. Cheung Chi Tat（張志達）(“Mr. Cheung”), aged 49, joined the Group on 20 August 1990. He is the Software Development Manager of the Group. Mr. Cheung obtained a Higher Diploma in Electronic Engineering from The Hong Kong Polytechnic (now known as “The Hong Kong Polytechnic University”) in 1986 and possesses over 24 years of experience in electronic engineering. Mr. Cheung was employed by a company in Hong Kong in the engineering department as electronics engineer in 1987 and was promoted to senior electronics engineer (software) in 1988. From 1988 to 1990, Mr. Cheung joined a paging company in Hong Kong and worked as an electronic engineer in its Research and Development department.

Ms. Yung Kwan Yee（容坤儀）(“Ms. Yung”), aged 41, joined our Group on 3 September 2001. She is the Corporate Division Manager of the Group. Ms. Yung obtained a degree in Bachelor of Arts from York University in Canada in 1996. Before joining the Group, Ms. Yung joined a telecommunications company in Hong Kong as customer service representative in 1997 and was appointed assistant care centre officer in 1998. She was the sales and marketing support executive in teleservices when she left the telecommunications company in 2001.

Ms. Chan Yin Ming (陳燕鳴) ("Ms. YM Chan"), aged 38, joined the Group on 20 April 2004. She is the Assistant Finance Manager of the Group. Ms. YM Chan graduated with a degree in Bachelor of Business Administration in 1998 from Simon Fraser University in Canada. Ms. YM Chan has been a member of the Hong Kong Institute of Certified Public Accountants since 2007 and was also admitted as a member of the Association of Chartered Certified Accountants in 2006. Before joining the Group, Ms. YM Chan worked as an assistant accountant in ASAT Ltd. from April 1998 to August 1998 and worked as a senior accounts clerk in William E. Connor & Associates Ltd. from November 1998 to September 1999. Ms. YM Chan was an assistant accountant in Wenz Apparel Trading Co. a company in Hong Kong from 2000 to 2004.

Ms. Chan Hing Sun Fanny (陳馨璇) ("Ms. HS Chan"), aged 30, joined our Group on 10 April 2007. She is the Marketing Manager of the Group. Ms. HS Chan obtained a degree in Bachelor of Social Sciences from The University of Hong Kong in 2003 and was awarded a Professional Diploma in Management and Marketing for Business Events jointly by the Hong Kong Exhibition and Convention Industry Association and the Hong Kong Productivity Council in 2005. Prior to joining the Group, Ms. HS Chan worked as a project executive in Gene Company Limited from 2003 to 2005 and worked as a market development executive with Ki Fung Advertising Co., Ltd, an advertising company from 2006 to 2007.

Mr. Siu Man On (蕭文安) ("Mr. Siu"), aged 33, joined the Group on 2 March 2009. He is the Head of Internal Control of the Group. Mr. Siu obtained a degree in Bachelor of Commerce from Deakin University in Australia in 2003. Mr. Siu has been a member of Certified Practising Accountant Australia since August 2007 and a member of The Hong Kong Institute of Certified Public Accountants since September 2008. Before joining the Group, Mr. Siu worked as an audit clerk in YM Hui Wong & Co, an accounting firm from 2003 to 2005 and worked as an audit accountant in RSM Nelson Wheeler, an accounting firm in Hong Kong from 2006 to 2007.

CORPORATE GOVERNANCE PRACTICES

Recognising the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, the Company is committed to maintain a high standard of corporate governance in the interests of its shareholders. The Company's corporate governance practices are based on the principles and code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") in Appendix 15 to the Rules Governing the Listing of Securities (the "GEM Listing Rules") on Growth Enterprise Market ("GEM").

In accordance with the requirements of the GEM Listing Rules, the Company has established an audit committee (the "Audit Committee") and a remuneration committee (the "Remuneration Committee") with defined terms of reference (collectively the "Board Committees"). The terms of reference of the Board Committees are available and will be uploaded to the GEM website and the Company's website by 31 March 2011.

As the Company has not yet listed on the GEM during the year under review, the requirements under the CG Code or the continuing obligations requirements of a listed issuer pursuant to the GEM Listing Rules were not applicable to the Company for the year under review. The Company has complied with the CG Code throughout the period from the date of initial listing of the securities of the Company on GEM on 9 January 2012 (the "Listing Date") up to the date of this annual report (the "Report"). The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of shareholders and investors of the Company.

CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors of the Company (the "Directors") on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specified enquiry with the Directors, all Directors confirmed that they have complied with the required standard of dealings concerning securities transactions by the Directors throughout the period from the Listing Date to the date of this Report.

BOARD OF DIRECTORS (THE "BOARD")

BOARD COMPOSITION

The Board comprises four Executive Directors and three Independent Non-Executive Directors. The composition of the Board during the year ended 31 December 2011 was as follows:

Executive Directors	
Mr. Ling Chiu Yum *(Honorary Chairman)*	(appointed on 29 June 2011)
Mr. Wong Wai Hon Telly *(Chairman)*	(appointed on 29 June 2011)
Ms. Chang Men Yee Carol *(Chief Executive Officer)*	(appointed on 29 June 2011)
Mr. Suen Fuk Hoi	(appointed on 21 December 2011)
Independent Non-executive Directors	
Mr. Phung Nhuong Giang	(appointed on 21 December 2011)
Mr. Wong Sik Kei	(appointed on 21 December 2011)
Mr. Ngan Chi Keung	(appointed on 21 December 2011)

From the Listing Date to the date of this Report, there was no change in composition of the Board.

The particulars of the Directors and other senior management are disclosed in the section headed "Particulars of Directors and Senior Management" on pages 15 to 18 in this Report. Save as disclosed in this Report, there is no relationship, including financial, business, family or other material/relevant relationship(s) among members of the Board and between the Chairman and the Chief Executive Officer of the Company. The composition of the Board is well balanced. Each of the Directors has relevant expertise and extensive corporate and strategic planning experiences that may contribute to the business of the Company and its subsidiaries (collectively the "Group").

In compliance with Rules 5.05(1) and (2) of the GEM Listing Rules since the Listing Date, the Company has appointed three Independent Non-Executive Directors, representing more than one-third of the Board, and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. The Company has received a written confirmation of independence from each of the Independent Non-Executive Directors pursuant to the GEM Listing Rules. The Company, based on such confirmation, considers all Independent Non-Executive Directors to be independent.

RESPONSIBILITIES AND DELEGATION OF FUNCTIONS

The Board is responsible for the leadership and control of, and promoting the success of the Company. This is achieved by the setting up of corporate and strategic objectives and policies, and the monitoring and evaluations of operating activities, internal control policies and financial performance of the Company.

All Directors carry out their duties in good faith and in compliance with applicable laws and regulations, taking decisions objectively and acting in the interests of the Company and its shareholders at all times.

The day-to-day management, administration and operations of the Company are delegated to the Chief Executive Officer and senior management of the Company. The Board has delegated a schedule of responsibilities to these officers for the implementation of the Board's decisions. The Board periodically reviews the delegated functions and work tasks. Prior to entering into any significant transactions, the aforesaid officers have to obtain the Board's approval. The Board for the time being reserves for its decision on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

BOARD MEETING AND PROCEDURES

The Board schedules four meetings a year at approximately quarterly intervals and will meet as necessary. The Directors can attend Board meetings in persons or through other means of electronic communication in accordance with the articles of association of the Company (the "Articles of Association"). Owing to the fact that the Company was listed after 31 December 2011, no regular Board meeting was held during the year ended 31 December 2011.

The company secretary of the Company (the "Company Secretary") is responsible to assist the Chairman to prepare the agenda of Board meetings (the "Agenda") and each Director may request to include any matters in the Agenda. Notice of at least fourteen days is given for a regular Board meeting. The Board papers are circulated at least three days before the Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings. All Directors may access the advice and services of the Company Secretary who regularly updates the Board on corporate governance and regulatory matters. In addition, the Company has maintained a procedure for the Directors to seek independent professional advice, in appropriate circumstances, at the Company's expense in discharging their duties to the Company. The Company Secretary is also responsible for preparing minutes and keeping records in sufficient detail of matters discussed and decisions resolved at all Board meetings. Draft Board minutes are normally circulated to all Directors for comments within a reasonable time after each Board meeting. All minutes of the Board meetings are open for inspection at any reasonable time on reasonable notice by any Director.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1 of the CG Code, the roles of the Chairman and the Chief Executive Officer should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing. To ensure a balance of power and authority, the roles of the Chairman and the Chief Executive Officer are segregated and performed by Mr. Wong Wai Hon Telly and Ms. Chang Men Yee Carol respectively.

DIRECTORS' APPOINTMENT, RE-ELECTION AND REMOVAL

According to the recommended best practice A.4.4 of the CG code, the listed issuers are recommended to set up a nomination committee with a majority of members thereof being independent non-executive directors. During the year under review, the Company did not have a nomination committee as the role and function of such committee are performed by the Board. The Board is responsible for the formulation of nomination policies, review of the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis, and where necessary, nominating potential candidates to fill casual vacancies or additional appointments on the Board and senior management of the Company.

The Chairman may in conjunction with other Directors from time to time review the structure, size and composition of the Board in particular to ensure there are appropriate numbers of Directors on the Board. The Board may also identify and nominate qualified individuals for appointment as new Directors based on their qualifications, abilities and potential contributions to the Company.

All candidates must be able to meet the standards as set forth in Rules 5.01 and 5.02 of the GEM Listing Rules. A candidate who is to be appointed as an Independent Non-Executive Director should also meet the independence criterion set out in Rule 5.09 of the GEM Listing Rules.

As the Company was listed on 9 January 2012, no Board meeting for discharging function of nomination committee was conducted during the year ended 31 December 2011.

To comply with the amended GEM Listing Rules and CG Code, the Company has established a nomination committee with effect from 30 March 2012.

Each of the Executive Directors and Independent Non-Executive Directors has entered into a service contract and an appointment letter with the Company for an initial term of three years commencing from 21 December 2011 respectively.

All Directors are subject to retirement by rotation at least once in every three years in accordance with the Articles of Association. The Directors to retire every year shall be those appointed by the Board during the year and those who have been longest in office since their last re-election.

BOARD COMMITTEES

AUDIT COMMITTEE

The Company established the Audit Committee on 21 December 2011 with written terms of reference (which were further reviewed by the Board on 19 March 2012) in compliance with the GEM Listing Rules and CG Code. The members of the Audit Committee comprise Mr. Ngan Chi Keung, Mr. Wong Sik Kei and Mr. Phung Nhuong Giang, all of whom are Independent Non-Executive Directors. The Chairman of the Audit Committee is Mr. Ngan Chi Keung. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of the external auditors, review the financial statements and related materials and provide advice in respect of the financial reporting process and oversee the internal control procedures of the Group.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2011.

As the Company was listed on 9 January 2012, no Audit Committee meeting was conducted during the year ended 31 December 2011.

REMUNERATION COMMITTEE

The remuneration policy of the Group is to ensure the fairness and competitiveness of total remuneration of Directors and Senior Management. The emoluments of Executive Directors are determined based on the skills, knowledge, individual performance as well as contributions, the scope of responsibility and accountability of such Directors, taking into consideration of the Company's performance and prevailing market conditions. The remuneration policy of Independent Non-executive Directors is to ensure they are adequately compensated for their efforts and time dedicated to the Company's affairs including their participation in respective Board Committees. Their emoluments are determined with reference to their skills, experience, knowledge, duties and market trends.

The Company established the Remuneration Committee on 21 December 2011 with written terms of reference (which were further reviewed by the Board on 19 March 2012) in compliance with the CG Code. The members of the Remuneration Committee comprise Mr. Phung Nhuong Giang, Mr. Ngan Chi Keung, Mr. Wong Sik Kei and Mr. Wong Wai Hon Telly. The Chairman of the Remuneration Committee is Mr. Phung Nhuong Giang, the majority of whom are Independent Non-executive Directors. The primary duties of the Remuneration Committee are mainly to make recommendations to the Board on the overall remuneration policy and structure relating to the Directors and senior management of the Group, review and evaluate their performance in order to make recommendations on the remuneration package of each of the Directors and senior management personnel as well as other employee benefit arrangements. As the Company was listed on 9 January 2012, no Remuneration Committee meeting was conducted during the year ended 31 December 2011.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledges their responsibility to prepare the Company's financial statements for each financial period and to ensure that the financial statements are prepared in accordance with statutory requirements and applicable accounting standards. The statement prepared by the external auditors of the Company about their responsibilities on the financial statements of the Company for the year ended 31 December 2011 (the "Financial Statement") is set out in the Independent Auditors' Report contained in this Report. The Board also ensures the timely publication of the Financial Statements. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

AUDITORS AND THEIR REMUNERATION

The accounts for the year were audited by HLB Hodgson Impey Cheng whose term of office will expire upon the forthcoming annual general meeting. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganized as HLB Hodgson Impey Cheng Limited. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be nominated for appointment as the auditors of the Company at the forthcoming annual general meeting.

During the year ended 31 December 2011, the remuneration paid or payable to HLB Hodgson Impey Cheng, the auditors of the Company, in respect of the audit services and services rendered for the listing of the Company were approximately HK$700,000 and HK$2,500,000, respectively.

INTERNAL CONTROL

The Board acknowledges its responsibility for maintaining an adequate and effective internal control system to safeguard shareholders' investments and Company's assets. The Company has established the internal control department for monitoring, testing and reviewing the Group's internal control system. It is in charge of verifying and reviewing the Group's operation and making recommendations for improvement to the Group by providing reports on the adequacy and effectiveness of the arrangements for risk management, control and corporate governance of the Group.

The Board and the Audit Committee have conducted review of the internal control system of the Group to ensure an effective and adequate internal control system in place. Based on the review conducted, the Board and the Audit Committee are of the opinion that, in the absence of any evidence to the contrary, the internal control system in place is adequate in meeting the current scope of the Group's business operations.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board recognises the importance of maintaining clear, timely and effective communication with the shareholders and investors of the Company. The Board also recognises that effective communication with investors is the key to establish investors' confidence and to attract new investors. Therefore, the Company has established a range of communication channels between itself and its shareholders, and investors. These include answering questions through the annual general meeting of the Company, the publication of annual, interim and quarterly reports, notices, announcements and circulars. The Company also disseminates information to the shareholders and investors of the Company through its website at www.etsgroup.com.hk.

OTHERS

The Company entered into a deed of non-competition in favour of the Company dated 21 December 2011 (the "Deed of Non-competition") with each of Mr. Ling Chiu Yum, Mr. Wong Wai Hon Telly, Ms. Chang Men Yee Carol, Ms. Ting Yee Mei and Excel Deal Holdings Limited (the "Covenantors"). Confirmation on compliance with the terms of the Deed of Non-competition from the Listing Date to the date of this Report was received from each of the Covenantors.

The Independent Non-executive Directors reviewed and confirmed that the Covenantors complied with the Deed of Non-competition and the Deed of Non-competition has been enforced by the Company in accordance with its terms from the Listing Date to the date of this Report. There has been no new business opportunities which are required to be referred to Independent Non-executive Directors under the Deed of Non-competition executed by each of the Covenantors up to the date of this Report.

Hong Kong, 19 March 2012

The Board is pleased to present its first annual report (the "Report") and the audited consolidated financial statements of ETS Group Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2011 since the date of listing of the shares of the Company on the Growth Enterprise Market ("GEM") on 9 January 2012 (the "Listing Date").

REORGANISATION AND USE OF PROCEEDS

The Company was incorporated in the Cayman Islands on 29 June 2011 as an exempted company with limited liability. Pursuant to a reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares (the "Shares") on GEM, the Company became the holding company in the Group in December 2011. As part of the preparation for the listing of the Shares, the Company implemented a capitalisation issue of 209,999,998 Shares and an issue of 70,000,000 new Shares during the placing for listing (the "Shares Placing") in January 2012. All such Shares issued were ordinary Shares and the 70,000,000 new Shares were issued at HK$0.6 per share.

Details of the corporate reorganisation are set out in the section headed "History and Development" and in Appendix V "Statutory and General Information" to the Prospectus. The Shares have been listed on GEM since 9 January 2012.

The net proceeds of the Shares Placing received by the Company were approximately HK$27 million, after deduction of the related expenses for the listing. This proceeds are intended to be applied in accordance with the proposed application set out in the section headed "Business Objectives and Strategies" in the Prospectus. Any net proceeds that were not applied immediately have been temporarily deposited with banks in Hong Kong as at the date of this Report.

PRINCIPAL ACTIVITIES

The principal business activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries of the Company are set out in note 15 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 43 to 106 of this annual report.

DIVIDENDS

During the year under review, the Group declared and paid dividends in aggregate amounts of approximately HK$16.5 million for the six months ended 30 June 2011 to the shareholders of the Company (the "Shareholders") before the Listing Date.

The Board does not recommend the payment of any final dividend for the year ended 31 December 2011 (2010: in aggregate amounts of approximately HK$19 million) to the Shareholders.

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members will be closed from 3 May 2012 (Thursday) to 7 May 2012 (Monday), both days inclusive, during which period no transfer of Shares shall be registered. In order to qualify for attending the forthcoming annual general meeting of the Company, all transfers of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 2 May 2012 (Wednesday).

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past three financial years is set out on page 107 of this Report.

COMPLIANCE ADVISER'S INTEREST

As notified by Mizuho Securities Asia Limited, the compliance adviser of the Company (the "Compliance Adviser"), none of the Compliance Adviser, or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Company or any right to subscribe for or to nominate any person to subscribe shares in the Company or any member of the Group as at 31 December 2011 pursuant to Rule 6A.32 of the GEM Listing Rules.

Pursuant to an agreement entered into between the Company and the Compliance Adviser in 2011 (the "Compliance Adviser Agreement"), the Compliance Adviser has received a fee for acting as the Company's compliance adviser for the period from the Listing Date and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year (which, for the avoidance of doubt, shall mean the financial year ending 31 December 2014) or until the termination of the Compliance Adviser Agreement in accordance with the terms and conditions set out therein.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the Financial Statements.

BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at the balance sheet date are set out in note 25 to the Financial Statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 27 to the Financial Statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association (the "Articles of Association") or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

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

The Shares were listed on GEM on 9 January 2012. Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year under review.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 28 to the Financial Statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2011, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$14,523,000 (2010: approximately HK$11,796,000).

MAJOR CLIENTS AND SUPPLIERS

Sales to the Group's five largest clients accounted for approximately 70% of the total sales for the year and sales to the largest client included therein amounted to approximately 33% of the total sales for the year. The Group's purchases from our five largest suppliers together accounted for approximately 89% of our total purchase for the year. The Group purchases approximately 43% from our largest supplier for the year.

None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors) owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest clients and suppliers.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 21 December 2011 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest (the "Invested Entity").

Participants under the Share Option Scheme include any employee, director, supplier and customer of any member of the Group or Invested Entity, as well as any consultant, adviser, manager, officer or entity that provides research, development or other technological support to the Group or any Invested Entity.

Details of the principal terms of the Share Option Scheme are set out in section headed "Statutory and General Information" of the Prospectus. The principal terms of the Share Option Scheme are summarised as follows:

The Share Option Scheme was adopted for a period of 10 years commencing from 21 December 2011 and will remain in force until 20 December 2021. The Company may, by resolution in general meeting or, such date as the Board determined, terminate the Share Option Scheme at any time without prejudice to the exercise of options granted prior to such termination.

The subscription price shall be determined by the Board in its absolute discretion but in any event shall not be lower than the higher of:

(1) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;

(2) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the date of grant; and

(3) the nominal value of the Shares.

Upon acceptance of the options, the grantee shall pay HK$1.00 to the Company as consideration for the grant. The acceptance of an offer of the grant of the option must be made within the date as specified in the offer letter issued by the Company, being a date not later than 21 business days from the date upon which it is made. The exercise period of any option granted under the Share Option Scheme shall not be longer than ten years commencing on the date of grant and expiring on the last day of such ten-year period subject to the provisions for early termination as contained in the Share Option Scheme.

Notwithstanding anything to the contrary herein, the maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time.

The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share options schemes of the Company shall not exceed 28,000,000 Shares, being 10% of the total number of Shares in issue as at the date of listing of the Shares unless the Company obtains the approval of the Shareholders in general meeting for refreshing the 10% limit (the "Scheme Mandate Limit") under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit. The Scheme Mandate Limit may be refreshed at any time subject to prior Shareholders' approval but in any event, the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option scheme of the Company as "refreshed" shall not exceed 10% of the total number of Shares in issue as at the date of the approval of the Shareholders on the refreshment of the Scheme Mandate Limit.

As at the date of this Report, no share options have been granted under the Share Option Scheme and the outstanding number of options available for issue under the Share Option Scheme is 28,000,000, representing 10% of the issued share capital of the Company.

The maximum number of shares issued and to be issued upon exercise of the options granted and to be granted to each grantee under the Share Option Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue. Any further grant of options in excess of this 1% limit shall be subject to issuance of a circular by the Company and approved by the Shareholders in accordance with the GEM Listing Rules.

No options have been granted under the Share Option Scheme since its adoption.

DIRECTORS

The Directors during the year under review and up to the date of this Report are:

EXECUTIVE DIRECTORS

Mr. Ling Chiu Yum *(Honorary Chairman)*	(appointed on 29 June 2011)
Mr. Wong Wai Hon Telly *(Chairman)*	(appointed on 29 June 2011)
Ms. Chang Men Yee Carol *(Chief Executive Officer)*	(appointed on 29 June 2011)
Mr. Suen Fuk Hoi	(appointed on 21 December 2011)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Phung Nhuong Giang	(appointed on 21 December 2011)
Mr. Wong Sik Kei	(appointed on 21 December 2011)
Mr. Ngan Chi Keung	(appointed on 21 December 2011)

The Company has received, from each of the independent non-executive Directors, an annual confirmation of their independence in accordance with Rule 5.09 of the GEM Listing Rules. The Company considers that all of the independent non-executive Directors are independent in accordance with the GEM Listing Rules.

Pursuant to Article 84 of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation and shall be eligible for re-election. Every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Pursuant to Article 83(3) of the Articles of Association, any Directors appointed by the Board to fill casual vacancy shall hold office until the first general meeting of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

By virtue of Article 83(3) of the Articles of Association, Mr. Wong Wai Hon Telly, Mr. Ling Chiu Yum, Ms. Chang Men Yee Carol, Mr. Suen Fuk Hoi, Mr. Phung Nhuong Giang, Mr. Wong Sik Kei and Mr. Ngan Chi Keung, being all Directors, shall hold office only until the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election at the annual general meeting of the Company.

PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

The particulars of Directors of the Company and senior management of the Group are disclosed in the section headed "Particulars of Directors and Senior Management" on pages 15 to 18 of this Report.

DIRECTORS' SERVICE CONTRACT

Each of the executive Directors and independent non-executive Directors has entered into a service contract and an appointment letter with the Company for an initial term of three years commencing from 21 December 2011 respectively.

The appointments of all Directors are subject to the provisions of the Articles of Association with regard to vacation of office of Directors, removal and retirement by rotation of Directors.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting of the Company has a service contract or an appointment letter with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from the Share Option Scheme, at no time during the year ended 31 December 2011 was any of the Company or any associated corporation a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercised any such rights.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 31 to the Financial Statements, none of the Directors had material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries, fellow subsidiaries or its parent company was a party during the year under review.

NON-COMPETE UNDERTAKING

Each of Mr. Ling Chiu Yum, Mr. Wong Wai Hon Telly, Ms. Chang Men Yee Carol, Ms. Ting Yee Mei and Excel Deal Holdings Limited, as covenantors (the "Covenantors" and each a "Covenantor") entered into a deed of non-competition in favour of the Company dated 21 December 2011 (the "Deed of Non-competition"), pursuant to which each of the Covenantors has undertaken to the Company (for itself and for the benefit of its subsidiaries) that during the continuation of the Deed of Non-competition, each of the Covenantors shall not, and shall procure each of his/her/its associates and/or companies controlled by he/she/it, whether on his/her/its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly, which carries on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by the Group in Hong Kong.

Details of the Deed of Non-competition have been set out in the section headed "Controlling Shareholders, Substantial Shareholders and Significant Shareholders" of the Prospectus.

The Deed of Non-competition has become effective from the Listing Date.

The Company has received the confirmation from the Covenantors in respect of their compliance with the terms of the Deed of Non-competition from the Listing Date to the date of this Report.

The independent non-executive Directors reviewed and confirmed that the Covenantors complied with the Deed of Non-competition and the Deed of Non-competition has been enforced by the Company in accordance with its terms from the Listing Date to the date of this Report.

There have been no new business opportunities which are required to be referred to independent non-executive Directors under the Deeds of Non-competition executed by each of the Covenantors up to the date of this Report.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2011, as far as the Directors are aware of, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND/OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2011, the Shares were not listed on GEM.

As at the date of this Report, the interests and short positions of the Directors and chief executives of the Company (the "Chief Executives") in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or Chief Executive is taken or deemed to have under such provision of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company, or which were required, pursuant to standard of dealings by Directors as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

LONG POSITIONS IN THE SHARES OF THE COMPANY

Name of Directors/ Chief Executives	Capacity	Nature of interests	Number of Shares/ underlying Shares held	Percentage of the issued share capital of the Company as at the date of this Report
Mr. Ling Chiu Yum *(Note)*	Interest in a controlled corporation	Corporate interest	210,000,000	75%
Mr. Wong Wai Hon Telly *(Note)*	Interest in a controlled corporation	Corporate interest	210,000,000	75%
Ms. Chang Men Yee Carol *(Note)*	Interest in a controlled corporation	Corporate interest	210,000,000	75%

Note:–

Excel Deal Holdings Limited, a company incorporated in the British Virgin Islands, held 210,000,000 Shares, was beneficially owned as to 47% by Mr. Wong Wai Hon Telly, 46% by Mr. Ling Chiu Yum and 5% by Ms. Chang Men Yee Carol respectively Mr. Wong Wai Hon Telly, Mr. Ling Chiu Yum and Ms. Chang Men Yee Carol were therefore deemed to be interested in the Shares held by Excel Deal Holdings Limited by virtue of Part XV of the SFO.

Save as disclosed above, as at the date of this Report, none of the Directors and/or Chief Executive had any other interests or short positions in any Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the required standard of dealings by the Directors to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITION IN SHARES AND/OR UNDERLYING SHARES OF THE COMPANY

As at 31 December 2011, the Shares were not listed on GEM.

So far as is known to the Directors, as at the date of this Report, the following persons (not being a Director or Chief Executive) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

LONG POSITIONS IN THE SHARES OF THE COMPANY

Name of substantial Shareholders	Capacity	Number of Shares/underlying Shares held	Approximate percentage of the issued share capital of the Company as at the date of this Report
Excel Deal Holdings Limited *(Note 1)*	Beneficial owner	210,000,000	75%
Million Top Enterprises Ltd. *(Note 2)*	Beneficial owner	25,000,000	8.92%

Notes:-

(1) Excel Deal Holdings Limited, a company incorporated in the British Virgin Islands, was beneficially owned as to 47% by Mr. Wong Wai Hon Telly, 46% by Mr. Ling Chiu Yum and 5% by Ms. Chang Men Yee Carol respectively.

(2) Million Top Enterprises Ltd. was wholly beneficially owned by Mr. Tang Shing Bor.

Save as disclosed above, as at the date of this Report, the Directors were not aware of any other persons (other than Directors or Chief Executive) who had interests and/or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 19 to 25 of this Report.

EMOLUMENT POLICY

The Company has established a remuneration committee to make recommendations to the Board with regard to the Group's remuneration policy relating to Directors and senior management of the Company, reviewing and evaluating their performance and recommending remuneration package for each of them as well as other employee benefit arrangements. The emoluments of the Directors are decided with reference to their duties and level of responsibilities and the remuneration policy of the Company and the prevailing market conditions. The Company has adopted the Share Option Scheme as an incentive to Directors and eligible participants, details of such scheme is set out in note 27 to the Financial Statements and paragraph headed "Share Option Scheme" in this Report.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 December 2011 are set out in note 31 to the Financial Statements. Those related party transactions constitute continuing connected transactions both exempted and non-exempted from the reporting, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

The Group has entered into the following transactions with the following connected persons of the Company which constituted non-exempt continuing connected transactions of the Company under the GEM Listing Rules:–

(1) SOFTWARE OEM DISTRIBUTORSHIP AGREEMENT

On 2 January 2003, Epro Logic Limited ("ELL"), a member of the Group, entered into a distributorship agreement with Epro Techsoft Limited ("ETL"), a connected person (within the meaning of Chapter 20 of the GEM Listing Rules) of the Company as Mr. Ling Chiu Yum and Mr. Wong Wai Hon Telly, who are the Executive Directors, are indirectly interested in 47% and 46% of ETL respectively. Pursuant to which, ELL has appointed ETL as a distributor to sell and distribute the perpetual licence to use the WISE-xb System to the end users in Hong Kong, the People Republic of China and Macau (the "Territory") for a term of one year. The software OEM distributorship agreement will be automatically renewed for successive one year unless prior written notification of termination or non-renewal is delivered by one of the parties. On 2 January 2011, a supplemental agreement (which together with the above agreement dated 2 January 2003, the "Software OEM Distributorship Agreement") was entered into between ELL and ETL, pursuant to which, ETL has been appointed by ELL as a distributor to sell and distribute the licence (without any time limit) to use the WISE-xb System for a term of one year commencing from 2 January 2011 which will be automatically renewed for two successive terms of one year each unless prior notification of termination or non-renewal is delivered by one of the parties. The end users who pay licence fees to ETL are granted the licence (without any time limit) to use the WISE-xb System, but the ownership of the WISE-xb System remains with the Group. According to the Software OEM Distributorship Agreement, the licence fees payable by ETL to ELL are 50% of the amount of the sales of the licences to use the WISE-xb System. The Directors consider that the provision of customisation services by ETL will assist the Group to sell the licence to customers who require further customisation to the WISE-xb System to suit their specific needs, and therefore broaden the customer base to use the WISE-xb System.

(2) TECHNICAL RESEARCH SUBCONTRACTING AGREEMENT

On 17 December 2010, ELL, a member of the Group, entered into a subcontracting agreement with Guangzhou EproTech Company Limited ("Guangzhou EproTech"), a connected person (within the meaning of Chapter 20 of the GEM Listing Rules) of the Company as Mr. Ling Chiu Yum and Mr. Wong Wai Hon Telly, who are the Executive Directors, are indirectly interested in 47% and 46% of Guangzhou EproTech respectively. Pursuant to which ELL subcontracted to Guangzhou EproTech the technical programming and development of the WISE-xb System. ELL is responsible for the strategic design, development and control of the WISE-xb System, while Guangzhou EproTech is responsible for programming for the WISE-xb System in view of the fact that it is more cost-effective to engage programmers in Guangzhou when compared to Hong Kong. The subcontracting arrangement is mainly for cost-saving in the enhancement and development of the WISE-xb System and the three research projects have to be accomplished within a year from the date of the agreement. According to the above agreement, Guangzhou EproTech is entitled to receive a subcontracting fee of RMB800,000.00 in three stages which are that (i) 30% of the fee is payable 30 days after signing of the agreement; (ii) three payments of 20% of the fee each are payable on the third month, the sixth month and the ninth month upon the start of the research; and (iii) 10% of the fee is payable upon completion of the research and the satisfactory testing results being obtained. The "three stages" payment schedule is based on the commercial decisions of the Group.

On 19 December 2011, ELL entered into a master technical research subcontracting agreement (the "Technical Research Subcontracting Agreement") with Guangzhou EproTech, pursuant to which ELL would subcontract to Guangzhou EproTech from time to time during the term of the Technical Research Subcontracting Agreement such technical research and development services for a subcontracting fee to be agreed between the Group and Guangzhou EproTech from time to time. The subcontracting fee would be negotiated by the Group and Guangzhou EproTech in good faith towards each other on a case by case basis after taking into account, among other factors, the specifications and contents of the services, the complexity of the services required, the time required to complete the services and the rates of the fees offered by other subcontracting services providers providing similar services as Guangzhou EproTech.

(3) SUB-LEASE AGREEMENT

On 1 November 2010, Always Beyond Limited ("Always"), an independent third party, and Epro BPO Services Limited ("Epro BPO"), a connected person (within the meaning of Chapter 20 of the GEM Listing Rules) of the Company as Mr. Ling Chiu Yum and Mr. Wong Wai Hon Telly, who are the Executive Directors, are indirectly interested in 47% and 46% of Epro BPO respectively, entered into a tenancy agreement (the "Tenancy Agreement"). Pursuant to which Always agreed to let and Epro BPO agreed to take the factory (the "Premises") located on the first floor including the flat roof thereof of Block I of Camelpaint Building Block I and Block II, No. 62 Hoi Yuen Road, Kowloon, Hong Kong for a term of three years from 2 November 2010 to 1 November 2013 at a monthly rental of HK$195,800, which is opined by DTZ Debenham Tie Leung Limited as a fair market value with an option to renew for 2 years.

On 19 December 2011, Epro BPO and Epro Telecom Services Limited ("ETS"), a member of the Group, entered into a sub-lease agreement (the "Sub-lease Agreement"). Pursuant to which Epro BPO agreed to sub-lease and ETS agreed to take the Premises for the period commencing from 2 November 2010 to 1 November 2013 at the monthly rental equivalent to the rent payable by Epro BPO under the Tenancy Agreement and ETS would pay the rents directly to Always. On the same date, Always and Epro BPO entered into a supplemental tenancy agreement (the "Supplemental Tenancy Agreement"), pursuant to which (i) Always agreed to delete the provisions which restricted the subleasing by Epro BPO under the Tenancy Agreement with effect from 1 November 2010; (ii) Always agreed to ratify the sub-leasing of the Premises by Epro BPO to ETS for the period commencing from 2 November 2010 to the date immediately before the date of the Sub-lease Agreement; (iii) Always consented to the sub-leasing of the Premises by Epro BPO to ETS for the period commencing from the date of the Sub-lease Agreement to 1 November 2013; (iv) Always ratified and consented that the Premises had been and would be occupied by the Group but not by and to the exclusion of Epro BPO; and (v) Always acknowledged that ETS had paid and would pay the rents under the Tenancy Agreement directly to Always.

The Group has also entered into an exempted continuing connected transaction with connected persons as defined under the GEM Listing Rules:-

(1) Licence Agreement for WISE-xb System

On 30 July 2010, ELL, a member of the Group, entered into a licence agreement (the "Licence Agreement") with Guangzhou Epro, a connected person (within the meaning of Chapter 20 of the GEM Listing Rules) of the Company as Mr. Ling Chiu Yum, Mr. Wong Wai Hon Telly and Ms. Chang Men Yee Carol, who are the Executive Directors, are indirectly interested in approximately 58.8% of Guangzhou Epro in total. Pursuant to which ELL has agreed to license the WISE-xb System to Guangzhou Epro. The WISE-xb System used by Guangzhou Epro is different from that of the Group as it is specially designed for Guangzhou Epro to support Chinese characters and allow users to input Chinese characters on various applications. Therefore, a trial period from November 2010 to August 2011 was stipulated in the Licence Agreement to allow Guangzhou Epro to use the WISE-xb System on a trial basis and to allow ELL to test and adjust the WISE-xb System before initial testing and final testing are performed on the WISE-xb system.

The trial period was ended in August 2011, and the joint initial testings by ELL and Guangzhou Epro have been successfully completed in September 2011. As at the date of this Report, the final joint testings were being performed by ELL and Guangzhou Epro.

According to the Licence Agreement, the total licence fee for the WISE-xb System is RMB1,305,000.00, which is payable conditionally on: (i) RMB435,000.00 has to be paid within seven days after the successful completion of the final joint testings; (ii) RMB435,000.00 has to be paid within seven days after the conclusion of further negotiation between both parties when Guangzhou Epro requires an addition of 100 users; and (iii) RMB435,000.00 has to be paid within seven days after the conclusion of further negotiations between both parties when Guangzhou Epro requires an addition of 100 users. This payment schedule is based on the commercial decisions of the Group and it is expected that the licence fee from Guangzhou Epro will be received by ELL by the end of December 2011. The Directors expect that there will be an addition of 100 users for the year ending 31 December 2012 and another addition of 100 users for the year ending 31 December 2013.

Save as disclosed above, the Group has not entered into other transaction with connected persons of the Company (as defined under the GEM Listing Rules).

Details of the above continuing connected transactions have been set out in the section headed "Connected Transactions" of the Prospectus.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors reviewed the above continuing connected transactions contemplated under the Software OEM Distributorship Agreement, Technical Research Subcontracting Agreement, Sub-lease Agreement and the Licence Agreement (the "Continuing Connected Transactions") and confirmed that the Continuing Connected Transactions were entered into in the ordinary and usual course of business of the Group, and on normal commercial terms, and the terms of the Continuing Connected Transactions are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

CONFIRMATION OF AUDITORS OF THE COMPANY

HLB Hodgson Impey Cheng, the Company's auditors, have issued their unqualified letter containing their findings and conclusions in respect of the Continuing Connected Transactions in accordance with the GEM Listing Rules. A copy of the auditors' letter has been provided to the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as at the latest practicable date prior to the issue of this annual report as required under the GEM Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 32 to the financial statements.

AUDITORS

The accounts for the year were audited by HLB Hodgson Impey Cheng whose term of office will expire upon the forthcoming annual general meeting. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganized as HLB Hodgson Impey Cheng Limited. A resolution for the appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

On Behalf of the Board

Wong Wai Hon Telly
Chairman and Executive Director

Hong Kong, 19 March 2012

HLB 國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
ETS GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of ETS Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 106, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB HODGSON IMPEY CHENG
Chartered Accountants
Certified Public Accountants

Hong Kong, 19 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Revenue	5	**195,762**	191,147
Other income	6	**436**	271
Other gains – net	7	**4**	1,318
Employee benefits expenses	8	**(144,581)**	(148,735)
Depreciation and amortization		**(5,753)**	(5,662)
Other operating expenses		**(21,436)**	(20,394)
Operating profit		**24,432**	17,945
Finance costs	9	**(1,433)**	(1,628)
Profit before income tax	10	**22,999**	16,317
Income tax expense	11	**(3,772)**	(2,563)
Profit for the year		**19,227**	13,754
Other comprehensive income			
Net gains arising from revaluation of available-for-sale financial assets		**–**	22
Reclassification adjustments relating to available-for-sale financial assets disposed of during the year		**–**	(352)
Other comprehensive expense for the year, net of tax		**–**	(330)
Total comprehensive income for the year		**19,227**	13,424
Profit attributable to owners of the Company		**19,227**	13,754
Total comprehensive income attributable to owners of the Company		**19,227**	13,424
Earnings per share-Basic and diluted (HK cents)	12	**9.2**	6.5

The accompanying notes form an integral part of these consolidated financial statements. Details of dividends paid for the year are disclosed in Note 14 to the consolidated financial statements.

As at 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	16	**8,078**	7,298
Intangible assets	17	**3,598**	3,290
Available-for-sale financial assets	18	**–**	–
		11,676	10,588
Current assets			
Trade and other receivables	19	**46,694**	33,276
Financial assets designated as at fair value through profit or loss	20	**3,203**	3,199
Amounts due from related companies	21	**768**	2,028
Pledged bank deposits	22	**3,577**	3,567
Cash and bank balances	23	**3,221**	26,633
		57,463	68,703
Current liabilities			
Trade and other payables	24	**10,062**	20,979
Borrowings	25	**16,609**	19,953
Income tax payable		**1,874**	658
		28,545	41,590
Net current assets		**28,918**	27,113
Total assets less current liabilities		**40,594**	37,701
Non-current liabilities			
Borrowings	25	**150**	228
Deferred income tax liabilities	26	**297**	53
		447	281
Net assets		**40,147**	37,420
Capital and reserves			
Share capital	27	**–**	20,534
Reserves	28	**40,147**	16,886
Total equity		**40,147**	37,420

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 19 March 2012 and signed on its behalf by:

Wong Wai Hon Telly
Director

Ling Chiu Yum
Director

The accompanying notes form an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Note	2011 HK$'000
Non-current assets		
Investment in subsidiaries	*15*	**40,151**
Current assets		
Cash and bank balances	*23*	**32**
Current liabilities		
Amount due to a subsidiary	*15*	**36**
Net current liabilities		**(4)**
Net assets		**40,147**
Capital and reserves		
Share capital	*27*	**–**
Reserves	*28*	**40,147**
Total equity		**40,147**

Wong Wai Hon Telly
Director

Ling Chiu Yum
Director

The accompanying notes form an integral part of these consolidated financial statements.

For the year ended 31 December 2011

	Attributable to owners of the Company					
	Share capital HK$'000 *(Note 27)*	**Share premium** HK$'000 *(Note 28)*	**Merger reserve** HK$'000 *(Note 28)*	**Available-for-sale investments revaluation reserve** HK$'000	**Retained profits** HK$'000	**Total equity** HK$'000
Balance at 1 January 2010	20,534	5,090	–	330	17,042	42,996
Net gains arising from revaluation of available-for-sale financial assets *(Note 18)*	–	–	–	22	–	22
Reclassification adjustments relating to available-for-sale financial assets disposed of during the year *(Note 18)*	–	–	–	(352)	–	(352)
Total other comprehensive expense for the year	–	–	–	(330)	–	(330)
Profit for the year	–	–	–	–	13,754	13,754
Total comprehensive income for the year	–	–	–	(330)	13,754	13,424
Interim dividends paid *(Note 14)*	–	–	–	–	(19,000)	(19,000)
Balance at 31 December 2010 and 1 January 2011	20,534	5,090	–	–	11,796	37,420
Total other comprehensive income for the year	–	–	–	–	–	–
Profit for the year	–	–	–	–	19,227	19,227
Total comprehensive income for the year	–	–	–	–	19,227	19,227
Corporate Reorganization	(20,534)	(5,090)	25,624	–	–	–
Interim dividends paid *(Note 14)*	–	–	–	–	(16,500)	(16,500)
Balance at 31 December 2011	**–**	**–**	**25,624**	**–**	**14,523**	**40,147**

The reserve accounts comprise the consolidated reserves of HK$40,147,000 (2010: HK$16,886,000) in the consolidated statement of financial position.

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Profit before income tax		22,999	16,317
Adjustments for:			
Interest income		(16)	(5)
Interest expense		1,433	1,628
Depreciation and amortization		5,753	5,662
Goodwill impairment charge		–	84
Loss on disposal of property, plant and equipment		100	51
Gain transferred from equity to profit or loss on disposal of available-for-sale financial assets		–	(352)
Fair value (gain)/loss on financial assets designated as at fair value through profit or loss		(4)	142
Operating cash flows before changes in working capital		30,265	23,527
Trade and other receivables		(13,418)	(2,384)
Financial assets designated as at fair value through profit or loss		–	(3,341)
Amounts due from related companies		1,260	13,696
Trade and other payables		(10,917)	(1,240)
Amount due to a former shareholder of a subsidiary		–	(49)
Cash generated from operations		7,190	30,209
Hong Kong profits tax paid		(2,312)	(3,405)
Net cash generated from operating activities		4,878	26,804
Cash flows from investing activities			
Interest received		16	5
Increase in pledged bank deposits		(10)	(1,205)
Additions of intangible assets		(2,483)	(2,425)
Purchase of property, plant and equipment		(4,458)	(2,725)
Proceeds from disposal of property, plant and equipment		–	60
Proceeds from disposal of available-for-sale financial assets		–	4,560
Net cash inflows on acquisition of a subsidiary		–	244
Net cash used in investing activities		(6,935)	(1,486)

For the year ended 31 December 2011

	Note	**2011 HK$'000**	2010 HK$'000
Cash flows from financing activities			
Dividends paid		**(16,500)**	(19,000)
Interest paid		**(1,433)**	(1,628)
Proceeds from bank borrowings		**121,742**	134,906
Repayment of bank borrowings		**(125,411)**	(133,149)
Repayment of finance lease liabilities		**(877)**	(1,096)
Net cash used in financing activities		**(22,479)**	(19,967)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(24,536)**	5,351
Cash, cash equivalents and bank overdrafts at beginning of the year		**26,276**	20,925
Cash, cash equivalents and bank overdrafts at end of the year	23	**1,740**	26,276

The accompanying notes form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION OF THE GROUP AND REORGANIZATION

ETS Group Limited (the "Company") was incorporated in the Cayman Islands on 29 June 2011 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares have been listed on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited (the "GEM") with effect from 9 January 2012. Its parent and ultimate holding company is Excel Deal Holdings Limited, a company incorporated in the British Virgin Islands and owned as to 47% by Mr. Wong Wai Hon Telly ("Mr. Wong"), 46% by Mr. Ling Chiu Yum ("Mr. Ling"), 5% by Ms. Chang Men Yee Carol ("Ms. Chang") and 2% by Ms. Ting Yee Mei ("Ms. Ting").

The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of the Company's principal place of business in Hong Kong is Room 601-603, New Bright Building, 11 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong. The Company is an investment holding company. The Company and its subsidiaries (collectively referred as to the "Group") are principally engaged in providing comprehensive multi-media contact services and contact centre system in Hong Kong.

Pursuant to the resolution passed by the sole shareholder on 13 July 2011, the name of the Company has been changed from Epro Telecom Services Group Ltd. to Epro Telecom Services Group Limited 易寶通訊服務集團有限公司 with effect from 13 July 2011. Pursuant to the resolution passed by the sole shareholder on 24 November 2011, the name of the Company has been further changed from Epro Telecom Services Group Limited 易寶通訊服務集團有限公司 to ETS Group Limited 易通訊集團有限公司 with effect from 24 November 2011.

Prior to the corporate reorganization undertaken in preparation for the listing of the Company's shares on the GEM (the "Corporate Reorganization"), the Group entities were under the control of Mr. Wong, Mr. Ling, Ms. Chang and Ms. Ting. Through the Corporate Reorganization, the Company became the holding company of the companies now comprising the Group on 13 December 2011. Accordingly, for the purpose of the preparation of the consolidated financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the years presented. The Group comprising the Company and its subsidiaries resulting from the Corporate Reorganization is regarded as a continuing entity. The Group was under the control of Mr. Wong, Mr. Ling, Ms. Chang and Ms. Ting prior to and after the Corporate Reorganization.

1. GENERAL INFORMATION OF THE GROUP AND REORGANIZATION (CONTINUED)

The consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the years presented in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years presented, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the years presented, or since their respective dates of incorporation where this is a shorter period. The consolidated statement of financial position as at 31 December 2010 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at that date.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company. The choice of presentation currency is to better reflect the currency that mainly determines the economic effects of transactions, events and conditions of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, except as otherwise stated in the accounting policies below.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

For the purpose of preparing and presenting the financial statements for the year, the Group has consistently adopted HKFRS, Hong Kong Accounting Standards ("HKAS"), amendments and interpretations issued by HKICPA, which are effective for financial periods beginning on or after 1 January 2011.

The Group has not early applied the following new and revised standards, or amendments, that have been issued but are not yet effective, in the consolidated financial statements:

HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendment)	Disclosures – Transfer of Financial Assets[1]
HKFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (2011)	Employee Benefits[4]
HKAS 27 (2011)	Separate Financial Statements[4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[4]
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognized financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation-Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. The application of HKFRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated (e.g. the Group's investment in associates may become the Group's subsidiaries based on the new definition of control and the related guidance in HKFRS 10). However, the directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors of the Company anticipate that the application of the other new and revised standards, or amendments will have no material effect on how the results and financial position of the Group are prepared and presented.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

(b) Changes in ownership interest in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions (that is, as transactions with the owners in their capacity as owners). The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Merger accounting for common control combinations

The financial statements incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The consolidated statement of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in other comprehensive income.

Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale, are included in the available-for-sale investments revaluation reserve in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in equity.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment (continued)

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

— Leasehold improvements	: Over the term of the lease or 5 years, whichever is shorter
— Furniture and fixtures	: 5 years
— Computer equipment	: 3 years
— Computer software	: 5 years
— Electronic and office equipment	: 5 years
— Motor vehicles	: 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the consolidated statement of comprehensive income.

2.7 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets (continued)

(b) Internally generated software development costs

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized over their estimated useful lives.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life (for example, goodwill or intangible assets not ready to use) are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (continued)

2.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade-date (the date on which the Group commits to purchase or sell the asset). Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated statement of comprehensive income within "other gains-net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the consolidated statement of comprehensive income.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the consolidated statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognized in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of financial assets

(a) Assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of financial assets (continued)

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss) is removed from equity and recognized in profit or loss. Impairment losses recognized in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.16 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Current and deferred income tax (continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Employee benefits

(a) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Employee benefits (continued)

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.19 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and services provided in the ordinary course of the Group's activities. Revenue is shown net of returns and discounts.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

(a) Service fee income from provision of telecommunication and related services is recognized upon the rendering of the relevant services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue recognition (continued)

(b) Revenue from the sales of systems and software is recognized on the transfer of the significant risks and rewards of ownership of products, which generally coincides with the time when the products are delivered to customers and titles have passed.

(c) Licence fee income is recognized in accordance with the relevant agreements.

(d) Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

2.21 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in short-term and long-term payables. The interest element of the finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

Substantially all the revenue-generating operations of the Group were transacted in Hong Kong dollars during the year, which is the functional currency of the Company and the presentation currency of the Group. The Group therefore does not have significant foreign exchange risk.

(ii) Price risk

Equity price risk is the risk that the fair values of securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to price risk arising from investments classified as financial assets designated as at fair value through profit or loss (Note 20).

The following table demonstrates the sensitivity to every 5% change in the fair values of the investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of investments HK$'000	Increase/ (decrease) in profit before income tax HK$'000	Increase/ (decrease) in equity HK$'000
As at 31 December 2011			
Unlisted investments at fair value			
– Financial assets designated as at fair value through profit or loss			
5% increase in fair value	**160**	**160**	**–**
5% decrease in fair value	**(160)**	**(160)**	**–**
As at 31 December 2010			
Unlisted investments at fair value			
– Financial assets designated as at fair value through profit or loss			
5% increase in fair value	160	160	–
5% decrease in fair value	(160)	(160)	–

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate borrowings, while the Group's cash flow interest rate risk relates primarily to variable-rate borrowings. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimize the fair value interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Hong Kong dollar prime rate arising from the Group's Hong Kong denominated bank borrowings.

The Group currently does not have a formal interest rate hedging policy in relation to cash flow and fair value interest rate risks as the management considers that such risks are insignificant to the Group. The management monitors the Group's exposure on an ongoing basis and will consider hedging the interest rate should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before income tax (through the impact on bank borrowings) and the Group's equity.

	Increase/ (decrease) in interest rate by HK$'000	**Increase/ (decrease) in profit before income tax** HK$'000	**Increase/ (decrease) in equity** HK$'000
As at 31 December 2011			
Hong Kong dollar	**5**	**(70)**	**(70)**
Hong Kong dollar	**(5)**	**70**	**70**
As at 31 December 2010			
Hong Kong dollar	5	(76)	(76)
Hong Kong dollar	(5)	76	76

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk

The Group reviews the recoverability of its trade receivables periodically to ensure that potential credit risk of the counterparty is managed at an early stage and sufficient provision is made for possible defaults. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise other receivables, financial assets designated as at fair value through profit or loss, amounts due from related companies, pledged bank deposits and cash and bank balances, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

As at 31 December 2011, the Group has certain concentrations of credit risk as 28% and 67% (2010: 22% and 68%) of the Group's trade receivables were due from the Group's largest customer and the Group's five largest customers, respectively. Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in Note 19.

(c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors. The Group manages liquidity risk by maintaining adequate reserves and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted payments. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	On demand or within 1 year HK$'000	More than 1 year but less than 5 years HK$'000	Total HK$'000
As at 31 December 2011			
Trade payables	**488**	**–**	**488**
Financial liabilities included in other payables	**8,503**	**–**	**8,503**
Borrowings			
– Bank overdrafts	**1,481**	**–**	**1,481**
– Term loan subject to a repayable on demand clause	**16,175**	**–**	**16,175**
– Finance lease liabilities	**90**	**157**	**247**
	26,737	**157**	**26,894**

	On demand or within 1 year HK$'000	More than 1 year but less than 5 years HK$'000	Total HK$'000
As at 31 December 2010			
Trade payables	815	–	815
Financial liabilities included in other payables	18,671	–	18,671
Borrowings			
– Bank overdrafts	357	–	357
– Term loan subject to a repayable on demand clause	20,702	–	20,702
– Finance lease liabilities	902	246	1,148
	41,447	246	41,693

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The following table summarizes the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments as set out in the loan agreements. Taking into account the Group's financial position, the directors of the Company do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors of the Company believe that such term loans will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements.

	On demand or within 1 year HK$'000	More than 1 year but less than 5 years HK$'000	Total HK$'000
As at 31 December 2011			
Borrowings-Term loan subject to a repayable on demand clause	**7,381**	**8,794**	**16,175**
As at 31 December 2010			
Borrowings-Term loan subject to a repayable on demand clause	7,883	12,819	20,702

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, raise new debt financing or sell assets to reduce debt.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management (continued)

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt comprises total debt (including trade and other payables, and borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital comprises all components of equity (including share capital, share premium, merger reserve and retained profits as shown in the consolidated statement of financial position) plus net debt.

The gearing ratios of the Group are as follows:

	2011 HK$'000	2010 HK$'000
Total debt	26,821	41,160
Less: cash and cash equivalents	(3,221)	(26,633)
Net debt	23,600	14,527
Total equity	40,147	37,420
Total capital	63,747	51,947
Gearing ratio	37%	28%

3.3 Fair value estimation

The table below analyzes financial instruments carried at fair value, by valuation method. The difference levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2011

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets designated as at fair value through profit or loss				
– Unlisted investment designated as at fair value through profit or loss	–	3,203	–	3,203

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2010

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets designated as at fair value through profit or loss				
– Unlisted investment designated as at fair value through profit or loss	–	3,199	–	3,199

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

3.4 Financial instruments by category

	2011 HK$'000	2010 HK$'000
Financial assets		
Financial assets designated as at fair value through profit or loss	3,203	3,199
Loans and receivables:		
– Trade receivables	37,049	28,542
– Financial assets included in other receivables	1,909	4,343
– Amounts due from related companies	768	2,028
– Pledged bank deposits	3,577	3,567
– Cash and bank balances	3,221	26,633
	49,727	68,312

	2011 HK$'000	2010 HK$'000
Financial liabilities		
At amortized costs:		
– Trade payables	488	815
– Financial liabilities included in other payables	8,503	18,671
– Borrowings	16,759	20,181
	25,750	39,667

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Income taxes

The Group is subject to income tax in Hong Kong. Significant judgment is required in determining the amount of the provision for income tax. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the period in which such determination is made.

Estimated recoverability of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables based on ongoing assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and current market conditions, and requires the use of judgments and estimates. Management reassesses the provision for impairment of trade and other receivables at the end of the reporting period.

Impairment of capitalized software development costs

Determining whether capitalized software development costs are impaired requires an estimation of the recoverable amount determined by the value in use of the capitalized software development costs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the capitalized software development costs and a suitable discount rate in order to calculate the present value. The Group carries out an impairment review assessment on the capitalized software development costs at the end of the reporting period and no impairment charge is made for the year.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

Useful life and residual value of property, plant and equipment

The management determines the residual value, useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of property, plant and equipment of similar nature and functions and may vary significantly as a result of technical innovation and keen competition from competitors, resulting in higher depreciation charge and/or write-off or write-down of technically obsolete assets when residual value or useful lives are less than previously estimated.

5. SEGMENT INFORMATION AND REVENUE

The directors of the Company review the Group's internal financial reporting and other information and also obtain other relevant external information in order to assess performance and allocate resources, and operating segment is identified with reference to these.

The reportable operating segments derive their revenue primarily from the following business units in Hong Kong:

(a) Outsourcing inbound contact service;

(b) Outsourcing outbound contact service;

(c) Staff insourcing service;

(d) Contact service centre facilities management service; and

(e) The "Others" segment which principally comprises licence fee.

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

The segment information provided to the board of directors for the reportable segments for the years ended 31 December 2010 and 2011 are as follows:

For the year ended 31 December 2011

	Outsourcing inbound contact service HK$'000	Outsourcing outbound contact service HK$'000	Staff insourcing service HK$'000	Contact service centre facilities management service HK$'000	Others HK$'000	Total HK$'000
Segment revenue	9,804	73,570	84,600	26,603	1,185	195,762
Segment results	1,088	18,643	10,765	7,000	790	38,286
Depreciation and amortization	551	1,313	–	2,372	–	4,236
Total segment assets	3,085	18,620	12,734	9,818	537	44,794
Total segment assets includes:						
Additions to non-current assets (other than financial instruments)	664	1,583	–	2,860	–	5,107
Total segment liabilities	674	2,781	1,611	–	–	5,066

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

For the year ended 31 December 2010

	Outsourcing inbound contact service HK$'000	Outsourcing outbound contact service HK$'000	Staff insourcing service HK$'000	Contact service centre facilities management service HK$'000	Others HK$'000	Total HK$'000
Segment revenue	8,890	70,577	87,994	23,175	511	191,147
Segment results	599	14,983	7,848	5,193	511	29,134
Depreciation and amortization	949	1,632	–	2,716	–	5,297
Impairment of goodwill	–	–	–	84	–	84
Total segment assets	1,847	15,989	8,615	7,918	905	35,274
Total segment assets includes:						
Additions to non-current assets (other than financial instruments)	330	988	–	1,678	–	2,996
Total segment liabilities	525	6,992	5,117	888	–	13,522

There were no inter-segment sales during the year ended 31 December 2011. The revenue from external parties reported to the Company's directors is measured in a manner consistent with that in the statement of comprehensive income.

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

A reconciliation of segment results to profit before income tax is as follows:

	2011 HK$'000	2010 HK$'000
Segment results for reportable segments	37,496	28,623
Other segments result	790	511
Total segments	38,286	29,134
Other income	436	271
Other gains – net	4	1,318
Depreciation and amortization	(1,517)	(365)
Finance costs	(1,433)	(1,628)
Corporate and other unallocated expenses	(12,777)	(12,413)
Profit before income tax	22,999	16,317

The amounts provided to the Company's directors with respect to total assets are measured in a manner consistent with that of the consolidated financial statements. These assets are allocated based on the operations of the segment.

Reportable segments' assets are reconciled to total assets as follows:

	2011 HK$'000	2010 HK$'000
Segment assets for reportable segments	44,794	35,274
Unallocated:		
Property, plant and equipment	3,930	3,614
Financial assets designated as at fair value through profit or loss	3,203	3,199
Corporate and other unallocated assets	17,212	37,204
Total assets per consolidated statement of financial position	69,139	79,291

The amounts provided to the Company's directors with respect to total liabilities are measured in a manner consistent with that of the consolidated financial statements. These liabilities are allocated based on the operations of the segment.

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2011 HK$'000	2010 HK$'000
Segment liabilities for reportable segments	5,066	13,522
Unallocated:		
Deferred income tax liabilities	297	53
Current income tax liabilities	1,874	658
Borrowings	16,759	20,181
Corporate and other unallocated liabilities	4,996	7,457
Total liabilities per consolidated statement of financial position	28,992	41,871

Breakdown of the revenue from all services is as follows:

Analysis of revenue by category

	2011 HK$'000	2010 HK$'000
Service fee income from provision of telecommunication and related services	194,577	190,636
Licence fee income	1,185	511
	195,762	191,147

The Company is domiciled in the Cayman Islands with the Group's major operations located in Hong Kong. Substantially all of the Group's revenues from external customers during the year are derived from Hong Kong, the place of domicile of the Group's operating subsidiaries. All the non-current assets of the Group are located in Hong Kong.

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

Information about major customers

Revenue from major customers, each of whom contributed to 10% or more of the Group's total revenues, is set out below:

	2011 HK$'000	2010 HK$'000
Customer A	65,151	66,591
Customer B	22,558	20,211
Customer C	19,201	N/A[1]
	106,910	86,802

[1] The corresponding revenue did not contribute to 10% or more of the total revenues of the Group.

6. OTHER INCOME

	2011 HK$'000	2010 HK$'000
Management fee income	420	200
Interest income from bank deposits	16	5
Sundry income	–	66
	436	271

7. OTHER GAINS – NET

	2011 HK$'000	2010 HK$'000
Financial assets designated as at fair value through profit or loss		
– Fair value gain/(loss)	4	(142)
Net foreign exchange gains	–	1,108
Cumulative gain reclassified from equity to profit or loss on disposal of available-for-sale investments	–	352
	4	1,318

8. EMPLOYEE BENEFITS EXPENSES

	2011 HK$'000	2010 HK$'000
Salaries and allowances	140,479	144,696
Pension costs – defined contribution plans	6,585	6,464
Total employee benefits expenses, including directors' remuneration	147,064	151,160
Less: Amounts capitalized in deferred development costs	(2,483)	(2,425)
	144,581	148,735

(a) Directors' and senior management's emoluments

The remuneration of every director of the Company for the year ended 31 December 2011 is set out below:

Name of director	Fees HK$'000	Salary HK$'000	Discretionary bonus HK$'000	Other benefits HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive directors						
Mr. Ling Chiu Yum	–	1,200	600	–	12	1,812
Mr. Wong Wai Hon Telly	–	1,296	600	–	12	1,908
Ms. Chang Men Yee Carol	–	1,200	600	–	60	1,860
Mr. Suen Fuk Hoi	–	496	90	–	12	598
Independent non-executive directors						
Mr. Phung Nhuong Giang	–	–	–	–	–	–
Mr. Wong Sik Kei	–	–	–	–	–	–
Mr. Ngan Chi Keung	–	–	–	–	–	–
	–	4,192	1,890	–	96	6,178

8. EMPLOYEE BENEFITS EXPENSES (CONTINUED)

(a) Directors' and senior management's emoluments (continued)

The remuneration of every director of the Company for the year ended 31 December 2010 is set out below:

Name of director	Fees HK$'000	Salary HK$'000	Discretionary bonus HK$'000	Other benefits HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive directors						
Mr. Ling Chiu Yum	100	1,087	795	93	12	2,087
Mr. Wong Wai Hon Telly	100	1,268	750	–	12	2,130
Ms. Chang Men Yee Carol	100	1,180	500	–	59	1,839
Mr. Suen Fuk Hoi	–	474	98	–	12	584
Independent non-executive directors						
Mr. Phung Nhuong Giang	–	–	–	–	–	–
Mr. Wong Sik Kei	–	–	–	–	–	–
Mr. Ngan Chi Keung	–	–	–	–	–	–
	300	4,009	2,143	93	95	6,640

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2010 and 2011 are as follows:

	2011	2010
Directors of the Company	**3**	3
Non-director individuals	**2**	2
	5	5

8. EMPLOYEE BENEFITS EXPENSES (CONTINUED)

(b) Five highest paid individuals (continued)

Details of emoluments paid to the five highest paid individuals who were directors of the Company during the years ended 31 December 2010 and 2011 have been included in Note (a) above. Details of emoluments paid to the remaining non-director individuals are as follows:

	2011 HK$'000	2010 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**1,243**	1,356
Bonuses	**55**	135
	1,298	1,491

The emoluments of each of the above non-director, highest paid individuals were below HK$1,000,000.

No emoluments were paid by the Group to any of the Company's directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2010: Nil). None of the Company's directors waived any emoluments during the year ended 31 December 2011 (2010: Nil).

9. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest on bank borrowings and bank overdrafts wholly repayable within five years	**1,408**	1,515
Interest on finance leases	**25**	113
	1,433	1,628

10. PROFIT BEFORE INCOME TAX

	2011 HK$'000	2010 HK$'000
Profit before income tax is stated after charging/(crediting):		
Depreciation and amortization		
Depreciation of owned property, plant and equipment	3,486	2,073
Depreciation of leased property, plant and equipment	92	1,648
Amortization of intangible assets	2,175	1,941
Total depreciation and amortization	5,753	5,662
Auditors' remuneration		
– current year provision	700	259
– over-provision in previous years	–	(37)
Goodwill impairment charge *(Notes 17 and 29)*	–	84
Operating lease payments in respect of rented premises	6,065	5,810
Loss on disposal of property, plant and equipment	100	51
Research and development costs	2,175	1,941

11. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the year.

	2011 HK$'000	2010 HK$'000
Provision for Hong Kong profits tax	3,823	2,550
Adjustments in respect of prior years	(295)	27
Current income tax	3,528	2,577
Deferred income tax *(Note 26)*	244	(14)
	3,772	2,563

11. INCOME TAX EXPENSE (CONTINUED)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2011 HK$'000	2010 HK$'000
Profit before income tax	**22,999**	16,317
Tax calculated at Hong Kong profits tax rate of 16.5%	**3,795**	2,692
Income not subject to tax	**(35)**	–
Expenses not deductible for tax purposes	**17**	37
Tax effect of temporary differences not recognized	**(62)**	(3)
Over-provision in current year	**5**	68
Adjustments in respect of prior years	**(295)**	27
Utilization of previously unrecognized tax losses	**–**	(244)
Tax losses for which no deferred income tax asset was recognized	**103**	–
Others	**244**	(14)
	3,772	2,563

12. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on (i) the profit attributable to owners of the Company for the year; and (ii) the weighted average number of 210,000,000 shares (comprising 2 shares in issue and 209,999,998 shares issued under the capitalization issue) as if these 210,000,000 shares had been outstanding since 1 January 2010.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during the years ended 31 December 2010 and 2011.

13. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to the equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$4,000 (2010: Nil).

14. DIVIDENDS

	2011 **HK$'000**	2010 HK$'000
Interim dividends paid by subsidiaries	**16,500**	19,000

No dividend has been paid or declared by the Company since its incorporation. The above amounts represented the dividends paid by respective subsidiaries to their then equity holders prior to the Corporate Reorganization.

The rate of dividend and the number of shares ranking for dividends have not been presented as such information is not meaningful having regard to the purpose of these consolidated financial statements.

15. INVESTMENT IN SUBSIDIARIES

	2011 **HK$'000**
Unlisted, at cost	**40,151**

The amount due to a subsidiary is unsecured, interest fee and repayable on demand. The balance is denominated in the functional currency of the subsidiary.

15. INVESTMENT IN SUBSIDIARIES (CONTINUED)

The following is a list of the subsidiaries at 31 December 2011:

Name	Place of incorporation and kind of legal entity	Principal activities	Particulars of issued share capital	Interest held
Eastside Fortune Limited	British Virgin Islands, limited liability company	Investment holding	2 ordinary shares of US$1 each	100% (direct)
Epro Telecom Holdings Limited	Hong Kong, limited liability company	Investment holding	20,533,987 ordinary shares of HK$1 each	100% (indirect)
Epro Telecom Services Limited	Hong Kong, limited liability company	Provision of telecommunication and related services and sales of systems and software	23,000,001 ordinary shares of HK$1 each	100% (indirect)
Epro Logic Limited	Hong Kong, limited liability company	Research and development of telecommunication systems software and provision of related consulting services	3,000,000 ordinary shares of HK$1 each	100% (indirect)
Interactive Business Services Limited	Hong Kong, limited liability company	Operation of business centre and provision of telecommunication and related services	3,000,000 ordinary shares of HK$1 each	100% (indirect)
Epro Marketing Limited	Hong Kong, limited liability company	Provision of telecommunication and related services	3,000,000 ordinary shares of HK$1 each	100% (indirect)
Epro Online Services Limited	Hong Kong, limited liability company	Provision of consultancy services on recruitment and training	1 ordinary share of HK$1	100% (indirect)

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements, furniture and fixtures HK$'000	Computer equipment HK$'000	Computer software HK$'000	Electronic and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
As at 1 January 2010						
Cost	16,275	20,843	8,625	14,380	208	60,331
Accumulated depreciation	(12,621)	(18,887)	(6,748)	(13,580)	(90)	(51,926)
Net book amount	3,654	1,956	1,877	800	118	8,405
Year ended 31 December 2010						
Opening net book amount	3,654	1,956	1,877	800	118	8,405
Additions	254	504	1,213	292	462	2,725
Disposal	–	–	–	–	(111)	(111)
Depreciation	(1,167)	(1,213)	(853)	(396)	(92)	(3,721)
Closing net book amount	2,741	1,247	2,237	696	377	7,298
As at 31 December 2010						
Cost	16,529	21,347	9,838	14,672	462	62,848
Accumulated depreciation	(13,788)	(20,100)	(7,601)	(13,976)	(85)	(55,550)
Net book amount	2,741	1,247	2,237	696	377	7,298
Year ended 31 December 2011						
Opening net book amount	**2,741**	**1,247**	**2,237**	**696**	**377**	**7,298**
Additions	**2,093**	**572**	**1,448**	**345**	**–**	**4,458**
Disposal	**(100)**	**–**	**–**	**–**	**–**	**(100)**
Depreciation	**(1,239)**	**(927)**	**(963)**	**(357)**	**(92)**	**(3,578)**
Closing net book amount	**3,495**	**892**	**2,722**	**684**	**285**	**8,078**
As at 31 December 2011						
Cost	**18,445**	**21,919**	**11,286**	**15,017**	**462**	**67,129**
Accumulated depreciation	**(14,950)**	**(21,027)**	**(8,564)**	**(14,333)**	**(177)**	**(59,051)**
Net book amount	**3,495**	**892**	**2,722**	**684**	**285**	**8,078**

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Leasehold improvements, furniture and fixtures, computer equipment and motor vehicles include the following amounts where the Group is a lessee under a finance lease:

	Leasehold improvements, furniture and fixtures HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
As at 31 December 2011				
Cost-capitalized finance leases	–	–	377	377
Accumulated depreciation	–	–	(92)	(92)
Net book amount	–	–	285	285
As at 31 December 2010				
Cost-capitalized finance leases	3,260	1,546	462	5,268
Accumulated depreciation	(2,988)	(1,282)	(85)	(4,355)
Net book amount	272	264	377	913

The Group leases various leasehold improvements, furniture and fixtures, computer equipment and motor vehicles under non-cancelable finance lease agreements. The lease terms are between three and five years.

17. INTANGIBLE ASSETS

	Goodwill HK$'000	Internally generated software development cost HK$'000	Total HK$'000
As at 1 January 2010			
Cost	–	12,656	12,656
Accumulated depreciation	–	(9,850)	(9,850)
Net book amount	–	2,806	2,806
Year ended 31 December 2010			
Opening net book amount	–	2,806	2,806
Acquisition of a subsidiary *(Note 29)*	84	–	84
Additions through internal development	–	2,425	2,425
Impairment charge	(84)	–	(84)
Amortization	–	(1,941)	(1,941)
Closing net book amount	–	3,290	3,290
As at 31 December 2010			
Cost	–	15,081	15,081
Accumulated depreciation	–	(11,791)	(11,791)
Net book amount	–	3,290	3,290
Year ended 31 December 2011			
Opening net book amount	**–**	**3,290**	**3,290**
Additions through internal development	**–**	**2,483**	**2,483**
Amortization	**–**	**(2,175)**	**(2,175)**
Closing net book amount	**–**	**3,598**	**3,598**
As at 31 December 2011			
Cost	**–**	**17,564**	**17,564**
Accumulated depreciation	**–**	**(13,966)**	**(13,966)**
Net book amount	**–**	**3,598**	**3,598**

17. INTANGIBLE ASSETS (CONTINUED)

Goodwill arose when Epro Online Services Limited was acquired by the Group on 1 February 2010 (Note 29). Epro Online Services Limited is incorporated for the main purposes of undertaking different business contracts and insurance licence registrations. The management of the Group reviewed the business operations of Epro Online Services Limited and considered that Epro Online Services Limited would not generate positive cash flows independently. This was attributable to the fact that the only significant asset of Epro Online Services Limited at the time of acquisition represented a single contract with customer and as such Epro Online Services Limited had to rely on the support of other group companies in order to generate cash flows from operations.

The carrying amount of the goodwill arising from the acquisition of a subsidiary during the year ended 31 December 2010 (Note 29) has been reduced to its recoverable amount through recognition of an impairment loss against goodwill. This loss has been included in "other operating expenses" in the consolidated statement of comprehensive income.

The recoverable amount of a cash-generating unit is determined based on value-in-use calculation. This calculation uses pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. The discount rate applied to the cash flow projections is 5%. The growth rate does not exceed the long-term average growth rate for the business in which the cash-generating unit operates.

Intangible assets represent internally generated capitalized software development costs. Such intangible assets have definite useful lives and are amortized on a straight-line basis over 4 years.

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2011 **HK$'000**	2010 HK$'000
Beginning of the year	–	4,538
Disposals	–	(4,560)
Net gains transfer to equity	–	22
End of the year	–	–

The Group removed profits of approximately HK$352,000 from other comprehensive income into profit or loss for the year ended 31 December 2010.

19. TRADE AND OTHER RECEIVABLES

	2011 HK$'000	2010 HK$'000
Trade receivables	**37,049**	28,542
Other receivables, deposits and prepayments	**9,645**	4,734
	46,694	33,276

The average credit period on the Group's sales is 30 days. The aging analysis of the trade receivables based on invoice date is as follows:

	2011 HK$'000	2010 HK$'000
0 – 30 days	**27,597**	24,123
31 – 60 days	**7,544**	3,566
61 – 90 days	**1,410**	597
Over 90 days	**498**	256
	37,049	28,542

Trade receivables that are less than 30 days past due are not considered impaired. As at 31 December 2011, the Group's trade receivables of approximately HK$9,620,000 (2010: HK$3,564,000) were past due but not impaired. These relate to a number of independent clients for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2011 HK$'000	2010 HK$'000
0 – 30 days	**7,612**	2,702
31 – 60 days	**1,501**	621
61 – 90 days	**110**	241
Over 90 days	**397**	–
	9,620	3,564

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2011, none of the Group's trade receivables were impaired (2010: Nil).

The carrying amounts of the Group's trade receivables are denominated in HK$.

The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the end of the reporting period is the fair value of each class of receivables. The Group does not hold any collateral or other credit enhancements over these balances.

20. FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011 HK$'000	2010 HK$'000
Unlisted investment:		
– Designated as at fair value through profit or loss	**3,203**	3,199
Market value of the unlisted investment	**3,203**	3,199

Changes in fair values of financial assets designated as at fair value through profit or loss are recorded in "Other gains – net" in the consolidated statement of comprehensive income.

The fair value of the investment as at the end of the reporting period is based on its current bid prices in an active market offered by banker in Hong Kong.

The financial assets designated as at fair value through profit or loss have been pledged to bank to secure banking facilities of the Company's subsidiaries.

21. AMOUNTS DUE FROM RELATED COMPANIES

Name of related companies	**Maximum amounts outstanding during the year HK$'000**	**2011 HK$'000**	2010 HK$'000
Epro Group International Limited	**10,285**	**–**	1,127
Epro Techsoft Limited	**1,003**	**768**	901
		768	2,028

21. AMOUNTS DUE FROM RELATED COMPANIES (CONTINUED)

Epro Techsoft Limited is a subsidiary of Epro Group International Limited. Epro Group International Limited is wholly owned by Merry Silver Limited, which is owned as to 47% by Mr. Wong, 46% by Mr. Ling, 5% by Ms. Chang and 2% by Ms. Ting.

The amounts due from the above related companies were unsecured, interest-free and had no fixed terms of repayment.

The above balances are denominated in the functional currencies of the relevant group entities.

22. PLEDGED BANK DEPOSITS

Pledged bank deposits represent deposits pledged to banks to secure the banking facilities and factoring facilities of the Group. The effective interest rates on pledged bank deposits ranged from 0.01% to 0.80% per annum at 31 December 2011 (2010: from 0.01% to 0.60% per annum). The maturity of these deposits ranged from 30 to 90 days.

23. CASH AND BANK BALANCES

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Cash, cash equivalents and bank overdrafts include the following for the purposes of the statement of cash flows:

	The Group		The Company
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**
Cash and bank balances	**3,221**	26,633	**32**
Bank overdrafts *(Note 25)*	**(1,481)**	(357)	**–**
Cash and cash equivalents	**1,740**	26,276	**32**

24. TRADE AND OTHER PAYABLES

	2011 HK$'000	2010 HK$'000
Trade payables	488	815
Other payables and accruals	9,574	20,164
	10,062	20,979

At 31 December 2011, the aging analysis of the trade payables based on invoice date is as follows:

	2011 HK$'000	2010 HK$'000
0 – 30 days	291	385
31 – 60 days	163	345
61 – 90 days	17	79
Over 90 days	17	6
	488	815

25. BORROWINGS

	2011 HK$'000	2010 HK$'000
Non-current		
Finance lease liabilities	150	228
Current		
Bank overdrafts *(Note 23)*	1,481	357
Bank borrowings	15,050	18,719
Finance lease liabilities	78	877
	16,609	19,953
Total borrowings	16,759	20,181

25. BORROWINGS (CONTINUED)

The secured bank borrowings and bank overdrafts are analyzed as follows (Note):

	2011 HK$'000	2010 HK$'000
Within 1 year	**8,304**	7,388
More than 1 year but not more than 2 years	**3,440**	3,461
More than 2 years but not more than 5 years	**4,787**	8,227
	16,531	19,076

Note: The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

As at 31 December 2011, the bank overdrafts bore interest at Hong Kong dollar prime rate plus 0.50% to 1.00% per annum (2010: Hong Kong dollar prime rate plus 0.50% to 1.00% per annum). The effective interest rates of the bank borrowings ranged from 5.00% to 7.00% per annum at 31 December 2011 (2010: from 5.00% to 7.00% per annum).

The interest-bearing bank borrowings, including the term loans repayable on demand, are carried at amortized cost.

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

25. BORROWINGS (CONTINUED)

	2011 HK$'000	2010 HK$'000
Gross finance lease liabilities – minimum lease payments:		
No later than 1 year	**90**	902
Between 1 and 2 years	**90**	88
Later than 2 years and no later than 5 years	**67**	158
	247	1,148
Future finance charges on finance leases	**(19)**	(43)
Present value of finance lease liabilities	**228**	1,105
The present value of finance lease liabilities is as follows:		
No later than 1 year	**78**	877
Between 1 and 2 years	**84**	78
Later than 2 year and no later than 5 years	**66**	150
	228	1,105

As at 31 December 2011, the banking facilities and factoring facilities of the Group were secured by the following:

(i) Personal guarantees executed by Mr. Ling and Mr. Wong, directors of the Company;

(ii) Corporate guarantees executed by Epro Group International Limited;

(iii) Pledged financial assets designated as at fair value through profit or loss with carrying amount of approximately HK$3,203,000;

(iv) Pledged bank deposits with carrying amount of approximately HK$3,577,000;

(v) Proceeds in relation to certain trade receivables of the subsidiaries of the Company;

(vi) Assignment of certain trade receivables by the subsidiaries of the Company;

(vii) Guarantee by the Hong Kong Special Administrative Region under the Special Loan Guarantee Scheme; and

(viii) Pledged computer equipment.

26. DEFERRED INCOME TAX

The deferred income tax liabilities on accelerated tax depreciation recognized in the consolidated statement of financial position and the movements during the year are as follows:

	2011 HK$'000	2010 HK$'000
Beginning of the year	53	67
Charged/(Credited) to the statement of comprehensive income	244	(14)
End of the year	297	53

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets in respect of the tax losses at the end of reporting period as the directors of the Company consider that it is uncertain as to the extent that future profits will be available against which tax losses can be utilized in the foreseeable future.

As at 31 December 2011, the Group has unused tax losses of approximately HK$624,000 (2010: Nil) which are available for offset against future profits that may be carried forward indefinitely. Certain amounts of unused tax losses are subject to approval from the Hong Kong Inland Revenue Department.

27. SHARE CAPITAL

	Note	**Number of ordinary shares**	**Ordinary shares of HK$0.01 each** HK$'000
Authorized:			
On 29 June 2011 (date of incorporation)		38,000,000	380
Increase in authorized share capital	*(b)*	4,962,000,000	49,620
As at 31 December 2011		**5,000,000,000**	**50,000**
Issued and fully paid:			
On 29 June 2011 (date of incorporation)	*(c)*	1	–
Issuance of share pursuant to the Corporate Reorganization	*(d)*	1	–
As at 31 December 2011		2	–

27. SHARE CAPITAL (CONTINUED)

Notes:

(a) For the purpose of the preparation of the consolidated statement of financial position, the balances of share capital at 31 December 2010 represents the aggregate of the paid up share capital of the subsidiaries comprising the Group held by Epro Group International Limited, the then holding company, prior to the Corporate Reorganization.

(b) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 29 June 2011 with an initial authorized share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each and one share was issued thereafter. Pursuant to resolutions in writing of the sole shareholder passed on 13 December 2011, the Company increased its authorized share capital from HK$380,000 to HK$50,000,000 by the creation of an additional of 4,962,000,000 ordinary shares of HK$0.01 each, each ranking pari passu with the shares then in issue in all respects.

(c) On 29 June 2011, one share was allotted and issued at par to Codan Trust Company (Cayman) Limited as the initial subscriber, which was then transferred by Codan Trust Company (Cayman) Limited to Epro Group International Limited on the same date.

(d) Pursuant to the Corporate Reorganization, on 13 December 2011, Epro Group International Limited transferred the entire issued ordinary share capital in Eastside Fortune Limited to the Company in consideration of the Company allotting and issuing one share, credit as fully paid up to Epro Group International Limited, so that Eastside Fortune Limited became wholly owned by the Company.

SHARE OPTION SCHEME

The Company conditionally approved and adopted a share option scheme on 21 December 2011 (the "Share Option Scheme"). The Share Option Scheme became unconditional on 9 January 2012 when the Company's shares are listed on the Stock Exchange. As at 31 December 2011, no options have been granted under the Share Option Scheme.

28. RESERVES

(a) The Group

Share premium

Share premium arose from the issue of shares at a price greater than the par value of the shares and can be utilized for future bonus issue.

Merger reserve

Merger reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the share capital of its subsidiaries arising from the Corporate Reorganization.

28. RESERVES (CONTINUED)

(b) The Company

	Special reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
Date of incorporation	–	–	–
Corporate Reorganization	40,151	–	40,151
Loss for the period	–	(4)	(4)
As at 31 December 2011	**40,151**	**(4)**	**40,147**

Special reserve

Special reserve represents the difference between the fair value of the shares of Eastside Fortune Limited acquired pursuant to the Corporate Reorganization on 13 December 2011 over the nominal value of the Company's share issued in exchange therefore.

29. ACQUISITION OF A SUBSIDIARY

On 1 February 2010, Epro Group International Limited, the then holding company of Epro Telecom Holdings Limited, acquired the entire equity interest in Epro Online Services Limited from Ms. Cheung Lei Tsing, Patricia (who is the lawful wife of Mr. Wong) for a consideration of HK$1. The aforesaid acquisition was completed on 1 February 2010.

The assets and liabilities acquired at the date of acquisition was as follows:

	HK$'000
Net assets acquired:	
Trade and other receivables	442
Bank balances	244
Other payables	(8)
Amounts due to fellow subsidiaries	(711)
Amount due to a shareholder	(49)
Income tax payable	(2)
	(84)
Goodwill *(Note 17)*	84
Total consideration	–
Satisfied by:	
Cash	–
Net cash inflows arising on acquisition of a subsidiary:	
Cash consideration paid	–
Less: Bank balances acquired	244
	244

29. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Epro Online Services Limited is principally engaged in provision of consultancy services and recruitment and training, and contributed a loss of approximately HK$19,000 to the Group's profits for the period between the date of acquisition and 31 December 2010. If the acquisition had been completed on 1 January 2010, total Group revenue for the year ended 31 December 2010 would have been approximately HK$191,147,000 and profit for the year ended 31 December 2010 would have been approximately HK$13,754,000. The pro forma information was for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is it intended to be a projection of future results.

30. OPERATING LEASE COMMITMENTS

The Group had commitments for future aggregate minimum lease payments under non-cancellable operating leases in respect of rented office premises as follows:

	2011 **HK$'000**	2010 HK$'000
No later than 1 year	**5,851**	5,999
Later than 1 year and no later than 5 years	**5,412**	5,053
	11,263	11,052

The Group leases office premises are under operating lease agreements. Lease for properties are for terms ranging from 2 to 3 years.

31. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed in Notes 21, 25 and 29 to the consolidated financial statements, the Group entered into the following significant related party transactions during the year:

Name of related parties	Nature of transactions	*Notes*	2011 HK$'000	2010 HK$'000
Epro BPO Services Limited	Rental expenses	*(i) & (iv)*	**–**	1,775
Epro Techsoft Limited	Purchase of software system	*(iii) & (iv)*	**274**	–
	Management fee income	*(iii) & (iv)*	**(420)**	(200)
	Licence fee income	*(ii), (iv) & (v)*	**(648)**	(511)
Guangzhou EproTech Company Limited	Subcontracting fee for software technical research and development services	*(iii), (iv) & (v)*	**969**	1,145
Guangzhou Epro Information Technology Co., Ltd	Licence fee income	*(iii), (iv) & (v)*	**(537)**	–

Notes:

(i) Rental expenses were charged in accordance with the lease agreement.

(ii) Pursuant to a distributorship agreement entered into between Epro Techsoft Limited and Epro Logic Limited (a subsidiary of the Company), Epro Techsoft Limited distributes and sells the WISE-xb System for Epro Logic Limited, and Epro Techsoft Limited is entitled to receive half of the licence fees paid by the end customers of WISE-xb System while the remaining half of the licence fees are remitted to Epro Logic Limited.

(iii) Management fee income, purchase of software system, subcontracting fee and licence fee are based on terms mutually agreed between the parties involved.

(iv) Epro BPO Services Limited, Epro Techsoft Limited, Guangzhou EproTech Company Limited and Guangzhou Epro Information Technology Co., Ltd are subsidiaries of Epro Group International Limited.

(v) These related party transactions will constitute connected transactions or continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules.

31. RELATED PARTY TRANSACTIONS (CONTINUED)

Key management personnel compensation

	2011 HK$'000	2010 HK$'000
Salaries and short-term employee benefits	6,082	6,545
Post employment benefits	96	95
	6,178	6,640

32. SUBSEQUENT EVENTS

Save as disclosed elsewhere in this report, the following significant events took place subsequent to 31 December 2011:

(a) On 9 January 2012, pursuant to resolutions passed by the sole shareholder of the Company, the Company issued 209,999,998 ordinary shares to the then shareholders upon capitalization of an amount of HK$2,099,999.98 standing to the credit of the share premium account of the Company.

(b) On 9 January 2012, the Company completed its placing by issuing 70,000,000 ordinary shares of HK$0.01 each at a price of HK$0.60 per ordinary share. The Company's shares were listed on the GEM on the same date.

	For the year ended 31 December		
	2011	2010	2009
	HK$'000	HK$'000	HK$'000
Results			
Revenue	**195,762**	191,147	190,632
Operating profit	**24,432**	17,945	21,271
Finance costs	**(1,433)**	(1,628)	(1,114)
Profit before income tax	**22,999**	16,317	20,157
Income tax expense	**(3,772)**	(2,563)	(2,662)
Profit for the year	**19,227**	13,754	17,495

	At 31 December		
	2011	2010	2009
	HK$'000	HK$'000	HK$'000
Asset and liabilities			
Property, plant and equipment	**8,078**	7,298	8,405
Intangible assets	**3,598**	3,290	2,806
Available-for-sale financial assets	**–**	–	4,538
Net current assets	**28,918**	27,113	28,117
Total assets less current liabilities	**40,594**	37,701	43,866
Borrowings	**(150)**	(228)	(803)
Deferred income tax liabilities	**(297)**	(53)	(67)
Net assets	**40,147**	37,420	42,996
Capital and reserves			
Share capital	**–**	20,534	20,534
Reserves	**40,147**	16,886	22,462
Total equity	**40,147**	37,420	42,996
Earnings per share			
– Basic and diluted (HK cents)	**9.2**	6.5	8.3

Notes:

1. The results of the Group for the year ended 31 December 2011 and 2010 are those set out on page 43 of this annual report.

2. The consolidated statement of financial position as at 31 December 2011 and 2010 are those set out on page 44 of this annual report.