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

2014
Annual Report 年報

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.

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
Mr. Phung Nhuong Giang*
(Mr. Phung's directorship lasts up to 31 March 2015)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Sik Kei
Mr. Ngan Chi Keung
Mr. Yung Kai Tai

AUDIT COMMITTEE

Mr. Ngan Chi Keung *(Chairman)*
Mr. Wong Sik Kei
Mr. Yung Kai Tai

REMUNERATION COMMITTEE

Mr. Yung Kai Tai *(Chairman)*
Mr. Wong Sik Kei
Mr. Ngan Chi Keung
Mr. Wong Wai Hon Telly

NOMINATION COMMITTEE

Mr. Wong Sik Kei *(Chairman)*
Mr. Ngan Chi Keung
Mr. Yung Kai Tai
Mr. Ling Chiu Yum
Ms. Chang Men Yee Carol

COMPLIANCE OFFICER

Ms. Chang Men Yee Carol

COMPANY SECRETARY

Mr. Suen Fuk Hoi

AUTHORISED REPRESENTATIVES

Mr. Ling Chiu Yum
Mr. Wong Wai Hon Telly

REGISTERED OFFICE

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AUDITORS

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As to Hong Kong laws
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As to Cayman Islands law
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COMPLIANCE ADVISOR

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Hong Kong

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
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre,
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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 present the audited consolidated annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2014 to all shareholders and investors.

For the financial year ended 31 December 2014, the Group recorded a revenue of approximately HK$176.0 million, representing an increase by approximately 3.7% as compared with that of 2013. Profit attributable to owners of the Company decreased by 44.3% from approximately HK$25.7 million for the year ended 31 December 2013 to approximately HK$14.3 million for the year ended 31 December 2014.

In addition to focusing on our core business in outsourcing contact centre services, the Company will continue to look for other business opportunities, partners as well as M&A targets to further expand our business coverage and scope in the PRC as well as other Asian Pacific Region. The Company has recently entered into a memorandum of understanding with a strategic partner which operates value added telecom service business located in Xinjiang, the PRC, with the objective to further explore the business potential and collaboration opportunities in the region.

Moreover, to fully exploit our competitive edge in IT as well as R&D capabilities, the Company will further strengthen the development and sales of our WISE-xb Contact Centre System as well as explore any IT related development services and collaboration opportunities in Hong Kong and other Asian countries.

Though there are challenges ahead, the Company is confident that by focusing on our core competence in service management, IT development strength as well as being responsive to the fast changing market, we will continue to increase shareholders' value in the coming years.

This year marked the 25th anniversary of the Company, and we proudly celebrated this major milestone with an anniversary dinner held in January 2015, inviting our staff, their families and our professional partners to join and share our happiness and triumph.

The Board recommends the payment of a final dividend of HK1.5 cents per share of the Company (the "Share") for the year ended 31 December 2014 to shareholders.

Last but not least, I would like to thank all Directors for their dedicated services. And on behalf of the Board, I would like to express my appreciation to all staff and customers for their support, commitment and contribution to the Group during the year.

Wong Wai Hon Telly
Chairman

Hong Kong, 19 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is continuously engaged in the business of providing comprehensive multi-media contact services and contact centre system. 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 inbound contact services we provided 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 meets 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 composed of three types of service including (a) leasing of our contact centre facilities in the form of workstation, (b) IVRS hosting service and (c) contact centre system hosting solution.

BUSINESS ENVIRONMENT

With employment rate reached new height in 2014, high rental and labour costs continued to present challenge to the Group. Local unemployment rate remained at low level throughout the year, representing an active labour market and strain on the Group's staff recruitment and retention. On the other hand, the situation created better prospect and stronger demand of our outsourcing services especially on staff insourcing service in the period.

The high speed development of the East Kowloon region has attracted a lot of companies to set up offices and businesses in the area, and also helped to boost up the occupancy rate of the Group's Elite Business Centre located at Kwun Tong in 2014. With the continual development of the region in the coming years, business of service office and business centre within the district is expected to have a promising future.

The tight labor market, upward salary trend as well as heavy competition in Guangzhou City keep putting pressure on the contact centre business and correspondingly the profit margin. It is believed that the situation will persist in the near future, driving more and more contact centres away from the city to other peripheral districts. In this connection, the Group had disposed of our indirectly wholly owned subsidiary in Guangzhou operating contact centre business, and will continue to look for suitable contact centre partners in the PRC that can offer more desirable value and better return to the shareholders.

Although competition is keen, the Directors believe that the Group is still highly competitive among our competitors owing to the economy of scale of our operation, the use of our self-developed WISE-xb Contact Centre System, our solid experience and well established reputation in the industry.

TRANSFER OF LISTING

With the aim to enhance the profile of the Group and increase the trading liquidity of the Shares and as well as attracting larger potential institutional investors, the Company has submitted a formal application (the "Application") for the transfer of listing (the "Transfer of Listing") pursuant to the Transfer of Listing procedures under Chapter 9A of the Listing Rules on 30 May 2014.

The Application has lapsed as six months or more have elapsed. The lapse of the Application has no material adverse effect to the existing business and financial position of the Group and the Company will continue to explore avenues for the enhancement of shareholder value.

DISPOSAL OF SUBSIDIARIES

The Company acquired (the "Acquisition") Epro BPO Services Limited ("Epro BPO") and its subsidiaries (the "Epro BPO Subsidiaries") in July 2013 with the aim to expand and enhance the existing business of the Group to Guangzhou, the PRC. After more than a year of collaboration and operation, the result was not able to meet the expectation of the management mainly due to fierce competition in the local market, as well as ever increasing cost of labor. With reference to the prevailing financial position of the Epro BPO Subsidiaries, the Company believed it may not continue to contribute positively to the profitability of the Group in the future. Taking into consideration of the gain from the disposal and also that the management can reserve or reallocate the Epro BPO resources to other more profitable opportunities, the Company decided to dispose the Subsidiaries.

On 22 December 2014, the Group, as the seller, entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Multi-Dollars Holdings Limited ("Multi-Dollars"), as the purchaser, and 許杰 (transliterated as Mr. Xu Jie#) ("Mr. Xu"), as the guarantor, pursuant to which the Group agreed to sell and Multi-Dollars agreed to acquire the entire issued share capital of Elite Depot Holdings Limited for an aggregate consideration of HK$8 million (the "Disposal"). Details of the Disposal are disclosed in the announcement of the Company dated 22 December 2014.

The Disposal was completed on 22 December 2014 with a gain of approximately HK$0.8 million. Following completion of the Disposal, the Group ceased to be a party to the Contractual Arrangements (as defined below).

CONTRACTUAL ARRANGEMENTS

The Group is principally engaged in the businesses of providing comprehensive multi-media contact services and contact centre system. The principal activities of the Group include outsourcing inbound contact service, outsourcing outbound contact service, staff insourcing service and contact service centre facilities management service and other services such as licencing and sale of systems and software. Following completion of the acquisition of entire entity interest in Epro BPO in July 2013, the Group has expanded its contact service business in the PRC through its PRC operating entity, 廣州浚峰網絡技術有限公司 (Guangzhou Junfeng Network Technology Limited#) ("Guangzhou Junfeng"). Pursuant to the applicable PRC laws and regulations, foreign investor are only allowed to acquire up to 50% equity interests in the value-added telecommunication enterprise in the PRC in accordance with the provisions of《外商投資產業指導目錄》(2011 修訂) (transliterated as Catalogue of Industries for Guiding Foreign Investment (2011 Revision)#) and 《外商投資電信企業管理規定》 (translittered as Provisions on the Administration of Foreign-funded Telecommunications Enterprises#). Furthermore, for the establishment of a foreign-funded value-added telecommunication enterprise, the following conditions (collectively, the "Qualification Requirements") have to be met:

(i) the major foreign investor should be an enterprise that has good business performances and operation experiences in managing the value-added telecom businesses; and

(ii) the foreign-funded telecommunications enterprises shall have a registered capital of not less than RMB10 million for engaging in the value-added telecom businesses nationwide or beyond a single province, autonomous region or municipality directly under the central government, and not less than RMB1 million for engaging in the value-added telecom businesses within a province, autonomous region or municipality directly under the central government.

As a result of the foreign investment restriction, on 5 July 2013, the Group entered into a series of contractual arrangements (the "Contractual Arrangements") with Guangzhou Junfeng, Mr. Xu and/or Mr. Yuan Linxian# (原林祥) ("Mr. Yuan") (being the registered shareholders of Guangzhou Junfeng who respectively own 82% and 18% equity interests in Guangzhou Junfeng immediately prior to completion of the Disposal) through the 廣州普廣科技有限公司 (translittered as Guangzhou Eprotech Company Limited#) (the "WFOE"), a wholly foreign-owned enterprise established in the PRC, to conduct its contact service business in the PRC in order to comply with the applicable PRC laws and regulations and to assert management control over the operations of, and enjoy all economic benefits of, Guangzhou Junfeng. The agreements underlying the Contractual Arrangements include: (i) the Loan Agreement (as defined below), (ii) the Management Agreement (as defined below), (iii) the Equity Charge (as defined below) and the New Equity Charges (as defined below), (iv) the Irrevocable Equity Transfer Agreement (as defined below), (v) the New Shareholders Undertaking (as defined below), (vi) the New Director Undertaking (as defined below), and (vii) the New Legal Representative Undertaking (as defined below).

Pursuant to the Contractual Arrangements and prior to completion of the Disposal, all substantial and material business decisions of Guangzhou Junfeng were instructed and supervised by the Group, through the WFOE, and all risks arising from the business of Guangzhou Junfeng were also effectively borne by the Group as a result of Guangzhou Junfeng was treated as a wholly-owned subsidiary of the Group.

Immediately prior to completion of the Disposal, Guangzhou Junfeng only engaged in the value-added telecom businesses within a province, namely, Guangdong Province, and did not expand its business outside Guangdong Province in the near future. As the registered capital of Guangzhou Junfeng amounted to RMB5 million, Guangzhou Junfeng had fulfilled the registered capital condition under the Qualification requirement. Further, upon enquiries made by the PRC legal advisers of the Group on the Communication Development Department (通信發展司) of the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部), being a competent authority to clarify the Qualification Requirement, no specific guidance in relation to the requirement of "good business performances and operation experiences in managing the value-added telecom businesses" was provided. As such, the Directors were of the view that the Group has complied with the Qualification Requirement.

HISTORY AND BACKGROUND OF GUANGZHOU JUNFENG

Guangzhou Junfeng was established in 2000 and obtained its Telecom Value Added Service Operating License in 2003. Immediately prior to completion of the Disposal, its principal scope of business included computing technology development, wholesale trading, call centre business and information service business covering the region of Guangdong Province, the PRC.

In 2005, Mr. Xu acquired 70% equity interest in Guangzhou Junfeng, and Mr. Yuan acquired the remaining 30% in 2010. Guangzhou Junfeng had limited operation after its inception. After the acquisition of 70% equity interest by Mr. Xu in 2005, the scale of call centre operation gradually expanded from approximately 30 staffs in 2006 to approximately 450 workstations in July 2013. Starting from 2006, Guangzhou Junfeng operated the call centre at Tian He Software Park ("First Call Center") with approximately 300 workstations, and later in August 2008 opened the second call centre at SME Innovation and Technology Park in Guangzhou Liwan District ("Second Call Centre") with approximately 150 workstations.

From 2006 to 13 May 2014, Guangzhou Junfeng's business address was located on the 8th Floor, East Tower, Jia Du Commercial Building, Tian He Software Park, 66 Jian Zhong Road, Guangzhou, China. From 14 May 2014 and up to completion of the Disposal, Guangzhou Junfeng's business address was located at Flat 2A & 3A, Block B, No. 1 Guangxing Hengjie Guangxing Road, Nansha District, Guangzhou, China.

Prior to completion of the Acquisition in 2013, Guangzhou Junfeng used basic telephone system for its overall call centre operation, and used the WISE-xb Contact Centre System provided by the Group exclusively for those contact centre services subcontracted to Guangzhou Junfeng by the Group. After the completion of the Acquisition, the Group has deployed the WISE-xb Contact Centre System to Guangzhou Junfeng for operating all of its services.

The revenue, profit for the year and net assets of Guangzhou Junfeng for the period commenced on 1 January 2014 and ended on 22 December 2014 prepared in accordance with the general principle of the accounting policies of Hong Kong are set out below:

	HKD'000
Revenue	40,226
Profit for the year	1,690
Net assets	6,676

INFORMATION OF THE REGISTERED SHAREHOLDERS OF GUANGZHOU JUNFENG

Mr. Xu

Immediately prior to completion of the Disposal, Mr. Xu owned 82% equity interests in Guangzhou Junfeng. Mr. Xu was currently the chairman of the board of directors and the legal representative of Guangzhou Junfeng. Mr Xu was mainly responsible for the strategic planning, leading the management to ensure effective communication and relationship with the customers, maintaining regular dialogue with the shareholders and leading the management to achieve the business goals and results. Mr Xu was not a paid staff and does not receive any salary.

Mr. Yuan

Immediately prior to completion of the Disposal, Mr. Yuan owned 18% equity interests in Guangzhou Junfeng. Mr Yuan was currently the chief software engineer and technical manager of Guangzhou Junfeng. Mr Yuan was mainly responsible for the system research and development, information technology management and operation of Guangzhou Junfeng's business in accordance with the business plans. Mr. Yuan had a salary of RMB18,200.00 per month.

DETAILS OF THE CONTRACTUAL ARRANGEMENTS

(i) Loan Agreement

On 5 July 2013, a loan agreement (the "Loan Agreement") was entered into between Epro BPO, as the lender, and Mr. Xu and Mr. Yuan, as borrowers, pursuant to which the Epro BPO granted an interest free loan (the "Loan") of a principal amount of RMB7,000,000.00 to Mr. Xu and Mr. Yuan. The term of the Loan shall end on the date of the exercise of the exclusive right by the WFOE under the Irrevocable Equity Transfer Agreement to acquire the equity interest in Guangzhou Junfeng. The amount of the Loan shall be used to set off against the consideration under the Irrevocable Equity Transfer Agreement. Pursuant to the Loan Agreement, Epro BPO may at its sole discretion assign the rights and novate the obligations under the Loan Agreement to any company nominated by Epro BPO without the consent of Mr. Xu and Mr. Yuan.

(ii) Management Agreement

On 5 July 2013, the WFOE entered into a management agreement (the "Management Agreement") with Guangzhou Junfeng, Mr. Xu and Mr. Yuan, pursuant to which the WFOE shall provide to Guangzhou Junfeng management consultancy services, including (a) identifying suitable candidates and experts with experience and providing training to managers, head of departments, administrative staff, accounting staff and other staff of Guangzhou Junfeng; (b) providing strategic advices on the agreements that are reasonably required or in the ordinary course of business of Guangzhou Junfeng; (c) formulating and assisting in the implementation of rules and internal control policy, standard administrative, accounting, planning, marketing, human resources and operation strategies; (d) assisting Guangzhou Junfeng to plan and organize public relations and marketing activities; (e) assisting Guangzhou Junfeng to review its operations; (f) assisting Guangzhou Junfeng in business operations; (g) providing market information on computer network technology and internet information services and mobile internet information market research information and analysis; and (h) providing business advices on the operation and investment project, and assisting and participating in management operations.

In addition, pursuant to the Management Agreement, without the prior written approval from the WFOE, Guangzhou Junfeng shall not enter into any transactions (save as those transactions entered into in the ordinary course of business) that may affect its assets, obligations, rights or operation, including but not limited to (a) the disposal, transfer or acquisition of any assets, (b) the provision of any guarantee or create any encumbrances relating to its assets, (c) the entering into of any material contracts and (d) any merger, acquisition or restructuring of Guangzhou Junfeng.

The initial term of the Management Agreement is of a fixed term of ten years from the date of the execution of the Management Agreement. The WFOE has the sole discretion to renew the Management Agreement for a further term of ten years. The WFOE shall charge Guangzhou Junfeng a service fee of 10% of the actual net profit of Guangzhou Junfeng. In the event that Guangzhou Junfeng has incurred a loss, the WFOE shall charge Guangzhou Junfeng a service fee of RMB100,000.00 per year. Pursuant to the terms of the Management Agreement, the WFOE may at any time at its sole discretion or facing an increase in the cost of providing the management service, charge Guangzhou Junfeng a service fee of up to 100% of the actual net profit of Guangzhou Junfeng. Pursuant to the terms of the Management Agreement, the WFOE may at its sole discretion assign the rights and novate the obligations under the Management Agreement to any company nominated by the WFOE without the consent of Guangzhou Junfeng, Mr. Xu and Mr. Yuan.

(iii) *Equity Charge and New Equity Charge*

On 5 July 2013, the WFOE, as chargee, entered into an equity charge (the "Equity Charge") with Mr. Xu and Mr. Yuan, as chargor, and Guangzhou Junfeng, as confirmor, pursuant to which Mr. Xu and Mr. Yuan create an equity charge in favour of the WFOE over their respective equity interests in Guangzhou Junfeng to secure and guarantee the obligations of Guangzhou Junfeng under the Management Agreement until the fulfillment of all the obligations of Guangzhou Junfeng under the Management Agreement. The Equity Charge has been registered with the relevant industry and commerce registration authority in the PRC on 3 August 2013.

The charging period of the Equity Charge shall commence from the date of registration of the Equity Charge with the relevant industry and commerce registration authority until fulfillment of all the obligations of Mr. Xu, Mr. Yuan and Guangzhou Junfeng under the Management Agreement. Pursuant to the terms of the Equity Charge, the WFOE may at its sole discretion assign the rights and novate the obligations under the Equity Charge to any company nominated by the WFOE without the consent of Mr. Xu and Mr. Yuan.

On 24 October 2014, the WFOE entered into a new equity charge (the "New Equity Charge") with Mr. Xu, Mr. Yuan and Guangzhou Junfeng, pursuant to which the Equity Charge created by Mr. Xu and Mr. Yuan in favour of the WFOE over their respective equity interests in Guangzhou Junfeng shall secure and guarantee the respective obligations of Guangzhou Junfeng, Mr. Xu and Mr. Yuan under each of the Management Agreement, the Irrevocable Equity Transfer Agreement, the Undertakings and the Powers of Attorney. On 28 October 2014, the registration of Equity Charge was permitted to be cancelled by the relevant industry and commerce registration authority. The New Equity Charge has been registered with the relevant industry and commerce registration authority in the PRC on 29 October 2014. The charging period of the New Equity Charge shall commence from the date of registration of the New Equity Charge with the relevant industry and commerce registration authority until fulfillment of all the obligations of Mr. Xu, Mr. Yuan and Guangzhou Junfeng under the Management Agreement, the Irrevocable Equity Transfer Agreement, the New Undertakings and the Powers of Attorney.

(iv) *Irrevocable Equity Transfer Agreement*

On 5 July 2013, the WFOE, Mr. Xu, Mr. Yuan and Guangzhou Junfeng entered into an irrevocable equity transfer agreement (the "Irrevocable Equity Transfer Agreement"), pursuant to which Mr. Xu and Mr. Yuan shall grant an irrevocable and exclusive right (the "Acquisition Right") to the WFOE to acquire, to the extent permitted by the relevant PRC laws and regulations, the entire equity interests in Guangzhou Junfeng at the consideration of RMB7,000,000.00. The parties agreed that the amount of the Loan shall be used to set off against the consideration in relation to the acquisition of the entire equity interests in Guangzhou Junfeng under the Irrevocable Equity Transfer Agreement. There is no fixed term to the exercise of the Right by the WFOE to acquire entire equity interests in Guangzhou Junfeng. Such rights shall remain valid until (a) it is permitted under the relevant laws and regulations in the PRC; and (b) the WFOE exercises the right to acquire the entire equity interests in Guangzhou Junfeng.

Pursuant to the sole discretion of the WFOE, the WFOE can assign the Acquisition Right and novate the obligations under the Irrevocable Equity Transfer Agreement to any company nominated by the WFOE without the consent of Mr. Xu, Mr. Yuan and Guangzhou Junfeng.

On 24 October 2014, the WFOE entered into the supplemental irrevocable equity transfer agreement (the "Supplemental Irrevocable Equity Transfer Agreement") with Mr. Xu, Mr. Yuan and Guangzhou Junfeng, pursuant to which (a) Mr. Xu and Mr. Yuan, as the registered shareholders of Guangzhou Junfeng, agreed to create a charge with respect to their respective shareholding in Guangzhou Junfeng in favour of the WFOE to secure their respective obligations under the Irrevocable Equity Transfer Agreement and the Supplemental Irrevocable Equity Transfer Agreement; (b) as an alternative to the Acquisition Right, Guangzhou Junfeng also grants the WFOE an irrevocable and exclusive right (the "Alternative Right") to acquire, to the extent permitted by the relevant PRC laws and regulations, the entire assets of Guangzhou Junfeng at the consideration of RMB7,000,000. In the event that the WFOE exercises the Alternative Right as opposed to the Acquisition Right, the parties agreed that the amount of the Loan shall be used to settle the consideration in relation to the acquisition of the entire assets of Guangzhou Junfeng; and (c) each of Mr. Xu and Mr. Yuan or Guangzhou Junfeng (as the case may be) shall return any consideration (other than the amount of the Loan used for setoff or settlement) that he has received and which had been paid by the WFOE pursuant to the Contractual Arrangements.

(v) New Shareholder Undertaking

To secure the due performance of the obligations of Guangzhou Junfeng, Mr. Xu and Mr. Yuan under each of the Loan Agreement, the Management Agreement, the New Equity Charge, the Irrevocable Equity Transfer Agreement and the Supplemental Irrevocable Equity Transfer Agreement, on 24 October 2014, each of Mr. Xu and Mr. Yuan, as coventators, and Guangzhou Junfeng, as confirmor, have executed the new shareholder undertaking (the "New Shareholders Undertaking") in favour of the WFOE. Pursuant to the New Shareholder Undertaking, each of Mr. Xu and Mr. Yuan, as registered shareholders of Guangzhou Junfeng, irrevocably and unconditionally undertakes to the WFOE that, among others:

(1) they shall notify the WFOE in writing and transmit the proposed resolutions of the shareholders' meeting of Guangzhou Junfeng and the agenda of the meeting to the WFOE five (5) working days before convening the shareholders' meeting, so that the WFOE is aware of this and can make instructions on the voting of the resolutions. The WFOE also has the right to instruct Mr. Xu and Mr. Yuan to convene an ad hoc shareholders' meeting and put the matters concerned for voting. For ad hoc shareholders' meetings, Mr. Xu and Mr. Yuan shall not cast any vote before they have obtained the instructions of the WFOE on the voting of the resolutions by shareholders;

(2) the WFOE has the right to appoint any persons duly authorized by it to attend the shareholders' meeting of Guangzhou Junfeng, those persons have the right to represent to offer advice and make instructions on the voting of the resolutions by shareholders on behalf of the WFOE. After the end of the shareholders' meeting, the WOFE will be notified in writing and the related resolution of the shareholders' meeting of Guangzhou Junfeng shall be transmitted to the WFOE for filing purposes;

(3) when exercise the power of shareholder to Guangzhou Junfeng, including but not limited to the exercising of the voting right during a shareholders' meeting, the exercise relating to voting rights shall be conducted solely by the intention and instruction of the WFOE;

(4) each of Mr. Xu and Mr. Yuan shall, upon the request of the WFOE, appropriately increase the members of the board of directors as requested by the WFOE, or arrange the persons requested by the WFOE to serve as executive directors;

(5) each of Mr. Xu and Mr. Yuan undertakes that he shall not, currently and in the future, directly engage in the same or similar business as that of Guangzhou Junfeng through organizations other than Guangzhou Junfeng or by himself or themselves;

(6) subject to the prior written consent from the WFOE, Guangzhou Junfeng are entitled to declare and pay bonus, dividends or other benefits to Mr. Xu and Mr. Yuan, upon which Mr. Xu and Mr. Yuan undertake to the WFOE that any bonus, dividends or other benefits received from Guangzhou Junfeng shall be transferred to the WFOE or any nominee of the WFOE;

(7) if Guangzhou Junfeng is liquidated in accordance with the relevant laws, each of Mr. Xu and Mr. Yuan undertakes that he shall hand over the residual assets of Guangzhou Junfeng that he may obtain to the WFOE after Guangzhou Junfeng has been liquidated in accordance with the relevant laws;

(8) each of Mr. Xu and Mr. Yuan undertakes that in the event that in the absence of the series of control agreements underlying the Contractual Arrangements entered into with the parties concerned being voided under the laws, administrative rules and local regulations currently in force in the PRC, or the relevant regulatory rules and government authorities allow the WFOE to operate the value-added telecom business without the adoption of the Contractual Arrangements, all parties shall revoke the control agreements underlying the Contractual Arrangements, and at the time of revoking such control agreements, each of Mr. Xu and Mr. Yuan shall return any consideration (other than the amount of the Loan used for setoff) that he has received and which had been paid by the WFOE pursuant to the Contractual Arrangements; and

(9) the New Shareholder Undertaking shall be valid and equally binding upon the WFOE and its successor, Mr. Xu and Mr. Yuan and their respective successor (including but not limited to the liquidator, receiver, legal/probate successor inheriting the authorities and duties of the WFOE or Mr. Xu and Mr. Yuan pursuant to the domestic and overseas laws). In the event that the personal assets of Mr. Xu and/or Mr. Yuan are insufficient to repay their creditors or Mr. Xu and/or Mr. Yuan divorces, the New Shareholder Undertaking shall be binding upon the transferee or successor of each of Mr. Xu and/or Mr. Yuan who accepts/inherits the duties by way of auction, novation, re-organization, inheritance, allocation, transfer or other procedures. Under any circumstances, either successor or transferee above inherits/accepts the rights or duties of the New Shareholder Undertaking and Mr. Xu and/or Mr. Yuan shall cause their respective successor or transferee to be obliged to jointly sign the New Shareholder Undertaking to confirm that they become a party to the New Shareholder Undertaking, and inherits/accepts the related rights or duties of the New Shareholder Undertaking.

(vi) New Director Undertaking

To secure the due performance of the obligations of Guangzhou Juenfeng, Mr. Xu, Mr. Eric Suen Fuk Hoi ("Mr. Suen"), Ms. Ting Yee Mei ("Ms. Ting"), Mr. Cheung Chi Tat ("Mr. Cheung") and Mr. Yuan under each of the Loan Agreement, the Management Agreement, the New Equity Charge, the Irrevocable Equity Transfer Agreement and the Supplemental Equity Transfer Agreement, on 24 October 2014, Mr. Xu, Mr. Suen, Ms. Ting, Mr. Cheung, as coventator, and Mr. Yuan and Guangzhou Junfeng, as confirmors, have executed the new director undertaking (the "New Director Undertaking") in favour of the WFOE. Pursuant to the New Director Undertaking, Mr. Xu, Mr. Suen, Ms. Ting and Mr. Cheung, as a director of Guangzhou Junfeng, irrevocably and unconditionally undertake to the WFOE that, among others:

(i) Mr. Xu, Mr. Suen, Ms. Ting and Mr. Cheung shall notify the WFOE in writing and transmit the proposed resolutions of the board of directors' meeting of Guangzhou Junfeng and the agenda of the meeting to the WFOE five (5) working days before convening the board of directors' meeting, so that the WFOE can make instructions on the voting of the resolutions of the board. Mr. Xu, Mr. Suen, Ms. Ting and Mr. Cheung, undertake not to make any resolution before they has obtained the instructions of the WFOE on the voting of the resolutions by shareholders;

(ii) when exercising the power of director, Mr. Xu, Mr. Suen, Ms. Ting and Mr. Cheung undertake to fully follow the intention and instruction of the WFOE in relation to the exercise of director's rights when passing directors' resolutions;

(iii) Mr. Xu, Mr. Suen, Ms. Ting and Mr. Cheung undertake that they shall not, currently and in the future, directly engage in the same or similar business as that of Guangzhou Junfeng through organizations other than Guangzhou Junfeng or by themselves;

(iv) after a resolution of the board of directors is made, the WOFE shall be notified in writing and the related resolution of the board of directors of Guangzhou Junfeng shall be transmitted to the WFOE for filing purposes;

(v) the WFOE has the right to appoint any persons duly authorized by it to attend the board meeting of Guangzhou Junfeng, and such appointees have the right to represent, to offer advice and make instructions on the voting of the relevant board resolutions on behalf of the WFOE; and

(vi) should there be any changes in the executive directors/members of the board of directors of Guangzhou Junfeng, Mr. Xu, Mr. Suen, Ms. Ting, Mr. Cheung, Mr. Yuan and Guangzhou Junfeng shall cause the new executive directors/members of the board of directors of Guangzhou Junfeng to make the same undertaking as in the New Director Undertaking to the WFOE. Subsequent to completion of the Disposal, Mr. Suen, Ms. Ting, Mr. Cheung resigned as a director in Guangzhou Junfeng.

(vii) New Legal Representative Undertaking

To secure the due performance of the obligations of Guangzhou Junfeng, Mr. Xu and Mr. Yuan under each of the Loan Agreement, the Management Agreement, the New Equity Charge, the Irrevocable Equity Transfer Agreement and the Supplemental Equity Transfer Agreement, on 24 October 2014, Mr. Xu, as coventator, and Guangzhou Junfeng and Mr. Yuan, as confirmors, have executed the new legal representative undertaking (the "New Legal Representative Undertaking") in favour of the WFOE. Pursuant to the New Legal Representative Undertaking, Mr. Xu, as the legal representative of Guangzhou Junfeng, irrevocably and unconditionally undertakes to the WFOE that, among others:

(i) he shall notify the WFOE in writing and transmit the and documents that Mr. Xu shall sign as legal representative (the "Documents") to the WFOE five (5) working days before they are signed, so that the WFOE can make instructions on the Documents. Mr. Xu undertakes not to sign the Documents before he has obtained the instructions of the WFOE on the contents of the Documents;

(ii) He shall obtain prior written consent from the Board for entering into any transactions regarding acquisition of, disposal of or otherwise dealing with assets which exceeds RMB100,000 and which represent 5% or more of the assets or net profits of Guangzhou Junfeng for the latest financial year;

(iii) when exercising the power of legal representative, Mr. Xu undertakes to fully follow the intention and instruction of the WFOE in relation to the exercise of the rights of legal representative;

(iv) Mr. Xu undertakes that he shall not, currently and in the future, directly engage in the same or similar business as that of Guangzhou Junfeng through organizations other than Guangzhou Junfeng or by himself;

(v) after the signing of any of the Documents, the WOFE shall be notified in writing and the Documents shall be transmitted to the WFOE for filing purposes; and

(vi) should there be any changes in the legal representative of Guangzhou Junfeng, Mr. Xu, Mr. Yuan and Guangzhou Junfeng shall cause the new legal representative of Guangzhou Junfeng to make the same undertaking as in the New Legal Representative Undertaking to the WFOE.

DISPUTE RESOLUTION UNDER THE CONTRACTUAL ARRANGEMENTS

The Contractual Arrangements (except the Loan Agreement) was governed by the PRC laws and provides that any dispute arising from the Contractual Arrangements (except the Loan Agreement) shall be resolved through arbitration at Shenzhen in accordance with the arbitration rules of South China International Economic and Trade Arbitration Commission (華南國際經濟貿易仲裁委員會). The decision of the arbitration would be final and enforceable against the parties thereto. The parties agreed that in appropriate circumstances, the parties or the South China International Economic and Trade Arbitration Commission can apply to the courts of competent jurisdiction to award remedies in remover the shares or assets of Guangzhou Junfeng, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of Guangzhou Junfeng in support of the arbitration pending formation of the arbitral tribunal generally.

The PRC legal advisor of the Group confirmed that the abovementioned dispute resolution provisions set forth in the Contractual Arrangements (except the Loan Agreement) were in compliance with the PRC laws, legally valid and binding on the relevant signatories. However, the Group's PRC legal advisor was also of the opinion that the provisions in the agreements underlying the Contractual Arrangements (except the Loan Agreement) setting forth that courts in Hong Kong and the Cayman Islands were empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal may not be enforceable under PRC laws.

SUCCESSION

As advised by the PRC legal adviser of the Company, while the agreements underlying the Contractual Arrangements provided that such agreements were also binding on the successors of the relevant parties thereto, in the case where there is a successor involved, the successor should sign the relevant agreements to become a legal party to the agreements underlying the Contractual Arrangements. Based on the successors' signing of the agreements underlying the Contractual Arrangements, any breach by the successors thereof would be deemed to be a breach of the relevant agreements. In particular, in the event of the bankruptcy or divorce of Mr. Xu and Mr. Yuan, the agreements underlying the Contractual Arrangements would be binding on the assignees or successors of Mr. Xu and Mr. Yuan to which the rights and obligations thereunder are transferred or assigned by way of auctions, novation, restructuring, inheritance, assignment, transfer or other bankruptcy procceedings. Therefore, the PRC legal advisers of the Company was of the view that the WFOE can enforce its right under the agreements underlying the Contractual Arrangements against the relevant successors while successors have signed the relevant agreements to become legal parties to such agreements. In any event, subject to the full compliance of the relevant PRC laws and regulations, the WFOE can, at its sole discretion, exercise or assign to its nominee the right under the Irrevocable Equity Transfer Agreement to acquire the entire equity interest in Guangzhou Junfeng.

RISKS ASSOCIATED WITH THE CONTRACTUAL ARRANGEMENTS

The PRC Government may determine that the Contractual Arrangements do not comply with applicable PRC laws and regulations

The Group's PRC legal adviser had advised that there is a possibility that the PRC government may have different opinions on the interpretation of the applicable PRC regulations and would not agree that the Contractual Arrangements comply with PRC licensing, registration or other legal or regulatory requirements, existing policies or requirements or policies that may be adopted in the future. PRC laws and regulations governing the validity of the Contractual Arrangements are uncertain and the relevant government authorities have broad discretion in interpreting these laws and regulations.

The Company could not assure that the Contractual Arrangements would not be found to be in violation of any current or future PRC laws and regulations. If the Company is found to be in violation of any existing or future PRC laws or regulations, including the MOFCOM Security Review Rules and any future regulations regarding the use of the VIE structure promulgated by any PRC government authority, the relevant regulatory authorities would have broad discretion in dealing with such breach or violation. Such action could have a material adverse impact on the Group's business, financial condition and results of operations.

Immediately prior to completion of the Disposal, the Company had not encountered any interference or encumbrance from any governing bodies in operating its business through Guangzhou Junfeng under the Contractual Arrangements.

The Contractual Arrangements may not provide control as effective as direct ownership

Since the PRC governmental authorities currently do not as a matter of practice grant Telecom Value Added Service Operating License to foreign invested companies, the Group was conducting its contact services business in the PRC and generating revenues through the Contractual Arrangement. The Contractual Arrangement may not be as effective in providing the Company with control over Guangzhou Junfeng as direct ownership.

If the Company had a direct ownership of Guangzhou Junfeng, the Company would be able to exercise its rights as a shareholder to effect changes in the board of directors of Guangzhou Junfeng, which in turn could effect changes at the management level, subject to any applicable fiduciary obligations. However, under the Contractual Arrangements, the Company relied on Guangzhou Junfeng and its shareholders' performance of their contractual obligations to exercise effective control. In addition, the Contractual Arrangements generally have a term of ten years which is subject to the WFOE's unilateral right of extension or termination. In general, neither Guangzhou Junfeng nor its shareholders may terminate the contracts prior to the expiration date. However, the registered shareholders of Guangzhou Junfeng may not act in the best interests of the Company or may not perform their obligations under the Contractual Arrangements, including the obligation to renew the Contractual Arrangements when their initial ten-year term expires. Such risks exist and the Company expected them to continue to exist throughout the period in which the Company intends to operate its business through the Contractual Arrangements. The Company may replace the shareholders of Guangzhou Junfeng pursuant to the Contractual Arrangements when the

PRC laws and regulations permit such replacement. However, if any dispute relating to these agreements is unresolved, the Company would have to enforce its rights under the Contractual Arrangements through the operations of PRC law and through arbitration and therefore will be subject to uncertainties. Therefore, the Contractual Arrangements may not be as effective as direct ownership in providing the Company with control over Guangzhou Junfeng.

Any failure by Guangzhou Junfeng or its shareholders to perform their obligations under the Contractual Arrangements with them may have a material adverse effect on the Group's business

Guangzhou Junfeng and its shareholders may fail to take certain actions required for the Group's business or to follow the Group's instructions despite their contractual obligations to do so. If they fail to perform their obligations under their respective agreements with the Company, the Company may have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, which may not be effective.

In the event that the Company is not able to exert control over Guangzhou Junfeng, for example, if the shareholders of Guangzhou Junfeng were to refuse to transfer their equity interests in Guangzhou Junfeng to the WFOE or its designee when the WFOE exercises its rights pursuant to the Contractual Arrangements, or if they were otherwise to act in bad faith toward the Group, then the Group may have to take legal actions to compel them to fulfil their contractual obligations.

All of the agreements that constitute the Contractual Arrangements (except the Loan Agreement) are governed by PRC laws and provide for the resolution of disputes through arbitration in accordance with the arbitration rules of South China International Economic and Trade Arbitration Commission (華南國際經濟貿易仲裁委員會) in the PRC. Accordingly, the agreements underlying the Contractual Arrangements would be interpreted in accordance with PRC law and any disputes will be resolved in accordance with the relevant arbitration rules. If Guangzhou Junfeng fails to perform its obligations under the Contractual Arrangements, the Company may have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and claiming damages which may not be effective. The legal environment in the PRC is not as developed as in certain other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit the Company's ability to enforce the Contractual Arrangements, which may make it difficult to exert effective control over the Contractual Arrangements, and the Company's ability to conduct its business may be adversely affected.

The Company may suffer losses as the primary beneficiary of Guangzhou Junfeng if the Company provides financial support to Guangzhou Junfeng, and the Company may lose the ability to use and enjoy assets held by Guangzhou Junfeng that are important to the operation of its business if Guangzhou Junfeng declares bankruptcy or becomes subject to a dissolution or liquidation proceeding

Under the Contractual Arrangements and immediately prior to completion of the Disposal, as the primary beneficiary of Guangzhou Junfeng, under the applicable laws and regulations in the PRC, the Company was not obligated to share the losses of Guangzhou Junfeng nor was the Company obligated to provide financial support to Guangzhou Junfeng under any circumstances. However, in the event that Guangzhou Junfeng operates at losses or otherwise, the Company may decide and resolve, at its sole and absolute discretion, to provide financial support to Guangzhou Junfeng in any manner permitted by relevant PRC laws to maintain its sound operations.

In addition, Guangzhou Junfeng held certain assets that were important to the Group's business operations, such as the Telecom Value Added Service Operating License. Although relevant agreements under the Contractual Arrangements between the WFOE, Guangzhou Junfeng and the registered shareholders of Guangzhou Junfeng contain terms that specifically obligate the shareholders of Guangzhou Junfeng to ensure the valid existence of Guangzhou Junfeng and that Guangzhou Junfeng may not be voluntarily liquidated, in the event the shareholders breach this obligation and voluntarily liquidate Guangzhou Junfeng, or Guangzhou Junfeng declares bankruptcy, and all or part of its assets become subject to liens or rights of third-party creditors, the Company may be unable to continue some or all of our business operations, which could materially and adversely affect its business, financial condition and results of operations. Furthermore, if Guangzhou Junfeng undergoes a voluntary or involuntary liquidation proceeding, its shareholders or unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering the Company's ability to operate its business, which could materially and adversely affect its business, results of operations and financial condition.

MEASURES TO MINIMIZE THE RISK OF NON-COMPLIANCE OF THE CONTRACTUAL ARRANGEMENTS

To minimize the risk of non-compliance of the Contractual Arrangements by Guangzhou Junfeng, Mr. Xu and Mr. Yuan, the Group adopted the following measures which were in effect before completion of the Disposal:

(i) In terms of contractual measures, the Board considered the entering into the New Equity Charge and the registration with the relevant industry and commerce registration authority can effectively prevent Guangzhou Junfeng's shareholders from impeding the WFOE's control over Guangzhou Junfeng by transferring their equity interest in Guangzhou Junfeng to bona fide third parties without the WFOE's knowledge or approval. Thus, the Board was of the view that the registered Equity Charge and New Equity Charge were effective measures in mitigating the risks of non-performance of obligations by Guangzhou Junfeng, Mr. Xu and Mr. Yuan.

(ii) In terms of practical measures, the Company had also put in place internal controls over Guangzhou Junfeng to safeguard its assets held through the Contractual Arrangements, which included but not limited to the following:

    (a) Guangzhou Junfeng passed a board resolution on 29 April 2014 approving the appointment of three (3) new directors nominated by the Company to the board of directors of Guangzhou Junfeng, namely Mr. Suen, the Financial Controller of the Group, Ms. Ting, the General Manager of Operation of the Group and Mr. Cheung, the Software Development Manager of the Group. Followed the passing of the above resolution and immediately prior to completion of the Disposal, three out of four board seats of Guangzhou Junfeng were occupied by the Group (the remaining board seat was held by Mr. Xu), which enable the Group to assert ultimate control on Guangzhou Junfeng. With the three major areas, including finance, operation and technology, being overseen by the above three directors nominated by the Company, and the Group's solid management experience in outsourcing contact centre services, the Group was able to minimize the risks of non-performance of obligations by Guangzhou Junfeng and its registered shareholders. Subsequent to completion of the Disposal, each of Mr. Suen, Ms. Ting and Mr. Cheung, resigned as a director of Guangzhou Junfeng.

(b) Since the entering into of the Contractual Arrangements and immediately prior to completion of the Disposal, the Group had designated personnel to control the physical access to the bank chop of Guangzhou Junfeng and acted as the authorized signatory. Through these measures, the Group considered that the risks on financial and monetary aspect are effectively mitigated. The bank chop was returned to Mr. Xu and the authorized signatory was changed to Mr. Xu subsequent to the completion of Disposal.

(c) In order to further solidify the Group's control of Guangzhou Junfeng, Guangzhou Junfeng had passed a board resolution on 1 August 2014 to appoint one of the Directors, Mr. Suen, to control the physical access to Guangzhou Junfeng's company chop. As a result, the physical control of the company chop and bank chop of Guangzhou Junfeng were in the control of and authorized signatory of Guangzhou Junfeng were persons under the Company's control prior to completion of the Disposal. The company chop was returned to Mr. Xu subsequent to the completion of Disposal.

(d) Moreover, on 1 August 2014, resolutions were passed by the board of directors of Guangzhou Junfeng, pursuant to which the legal representative of Guangzhou Junfeng shall obtain prior written consent from the Board for entering into (i) any transactions regarding acquisition of, disposal of or otherwise dealing with assets of Guangzhou Junfeng; or (ii) any transaction entered into in the ordinary course of business, the value of which exceeds RMB100,000 or represents 5% or more of the assets or net profits of the Guangzhou Junfeng for the latest financial year.

In order to mitigate the risk that Mr. Xu and/or Mr. Yuan refuses to cooperate in completing the requisite procedures as and when the WFOE exercises the Acquisition Right to acquire the equity interests in Guangzhou Junfeng (to the extent permitted under the relevant PRC laws and regulations) under the Contractual Arrangements, each of Mr. Xu and Mr. Yuan had executed and delivered to the WFOE all necessary documents (signed but undated) required to be signed by Mr. Xu and Mr. Yuan to effect the transfer of the entire equity interests in Guangzhou Junfeng from Mr. Xu and Mr. Yuan to the WFOE or its nominee (the "Transfer"), including the relevant application, share transfer agreement, commitment letter, registration form, shareholders resolution approving the Transfer, board resolution of Guangzhou Junfeng approving the Transfer and the new memorandum and articles of association of Guangzhou Junfeng. As advised by 廣州市對外貿易經營合作局外資處 (translittered as the foreign investment division of the Bureau of Foreign Trade and Economic Cooperation of Guangzhou Municipality#) and 廣州市工商局 (translittered as Guangzhou's Administration Bureau for Industry and Commerce#) respectively, the aforementioned documents are the necessary documents required to be signed by Mr. Xu and/or Mr. Yuan for Guangzhou Junfeng to make an application to the relevant PRC authorities for the relevant approval and/or registration of the Transfer, to the extent permitted by the relevant laws and regulations in the PRC. Such documents were returned after completion of the Disposal.

FINANCIAL REVIEW

REVENUE

The Group recorded an increase in total revenue to approximately HK$176.0 million for the year ended 31 December 2014 from approximately HK$169.7 million for the year ended 31 December 2013, representing an increase of approximately HK$6.3 million as compared to that of last year. The revenue from outsourcing inbound contact services has increased with the contribution from the PRC operation. The net decrease in the number of insourced staff from one of our major customers led to a drop of approximately 24.4% in staff insourcing revenue.

The revenue of facilities management service increased by approximately 8.1% from approximately HK$27.5 million for the year ended 31 December 2013 to approximately HK$29.7 million for the year ended 31 December 2014. The sale and licensing income of WISE-xb System and other software are approximately HK$6.4 million and approximately HK$8.0 million for the years ended 31 December 2013 and 2014 respectively which shown a positive and increasing trend.

The outsourcing inbound contact service, outsourcing outbound contact service, staff insourcing service, contact service centre facilities management service and others accounted for approximately 18.1%, 41.7%, 18.8%, 16.9% and 4.5% of the Group's total revenue for the year ended 31 December 2014 respectively. The following table sets forth the analysis of revenue by business units of the Group for the years ended 31 December 2014 and 2013 respectively:

COMPOSITION OF REVENUE

	Year ended 31 December			
	2014		2013	
	HK$'000		HK$'000	
Outsourcing inbound contact service	**31,866**	**18.1%**	16,849	9.9%
Outsourcing outbound contact service	**73,353**	**41.7%**	75,240	44.3%
Staff insourcing service	**33,078**	**18.8%**	43,774	25.8%
Contact service centre facilities management service	**29,747**	**16.9%**	27,520	16.2%
Others*	**8,000**	**4.5%**	6,358	3.8%
Revenue	**176,044**	**100%**	169,741	100%

* The "Others" segment which principally comprises licencing and system maintenance income amounted to approximately HK$1.6 million (2013: HK$1.4 million) and sale of system and software income amounted to approximately HK$6.4 million (2013: HK$5.0 million).

COMPOSITION OF REVENUE BY COUNTRY

The following table sets forth the analysis of the segment by country of the Group for the years ended 31 December 2014 and 2013 respectively:

	Year ended 31 December 2014		Year ended 31 December 2013		
	HK$'000	**% to Group's turnover**	HK$'000	% to Group's turnover	Change of %
HK	**136,455**	**77.5%**	150,319	88.6%	-9.2%
PRC	**39,589**	**22.5%**	19,422	11.4%	103.8%
Total	**176,044**	**100%**	169,741	100%	3.7%

The Group recorded a total revenue amounted to approximately HK$176.0 million and approximately HK$169.7 million for the years ended 31 December 2014 and 2013 respectively. The revenue in Hong Kong decreased by approximately 9.2% from approximately HK$150.3 million for the year ended 31 December 2013 to approximately HK$136.5 million for the year ended 31 December 2014. The decrease of revenue in Hong Kong is mainly due to the continual effect of decrease in revenue of staff insourcing service of a major customer. The Group recorded a revenue amounted to approximately HK$39.6 million for the period from 1 January 2014 to 22 December 2014 from the PRC operation.

SEGMENT RESULT AND GROSS PROFIT MARGIN

The following table sets forth the analysis of segment result and gross profit margin by business units of our Group for the years ended 31 December 2014 and 2013 respectively:

	2014 HK$'000	**Gross profit margin %**	2013 HK$'000	Gross profit margin %
Outsourcing inbound contact service	**4,299**	**13.5%**	3,342	19.8%
Outsourcing outbound contact service	**9,012**	**12.3%**	19,369	25.7%
Staff insourcing service	**6,221**	**18.8%**	8,968	20.5%
Contact service centre facilities management service	**8,755**	**29.4%**	9,510	34.6%
Others	**5,300**	**66.2%**	5,316	83.6%
Total	**33,587**	**19.1%**	46,505	27.4%

The gross profit margin of our Group decreased from approximately 27.4% for the year ended 31 December 2013 to approximately 19.1% for the year ended 31 December 2014.

OUTSOURCING INBOUND CONTACT SERVICE

For the year ended 31 December 2014, the outsourcing inbound contact service segment recorded a revenue of approximately HK$31.9 million, representing an increase of approximately 89.1% as compared to that of last year. The increase of revenue was mainly due to the addition of the PRC outsourcing inbound contact service revenue amounted to approximately HK$15.0 million. The gross profit margin of outsourcing inbound contact service decreased from approximately 19.8% for the year ended 31 December 2013 to approximately 13.5% for the year ended 31 December 2014. Despite the increase in the overall operating efficiency owing to the larger scale of operation, the absence of a highly lucrative one-time project as in 2013 led to a mild drop in gross profit margin in 2014.

OUTSOURCING OUTBOUND CONTACT SERVICE

For the year ended 31 December 2014, the outsourcing outbound contact service segment recorded a revenue of approximately HK$73.4 million, representing a slightly decrease of approximately 2.5% as compared to that of last year. The gross profit margin of outsourcing outbound contact service decreased from approximately 25.7% for the year ended 31 December 2013 to approximately 12.3% for the year ended 31 December 2014. The drop was mainly attributable to the much lower gross profit margin of the PRC outbound contact service.

STAFF INSOURCING SERVICE

For the year ended 31 December 2014, the staff insourcing service segment recorded a revenue of approximately HK$33.1 million as compared with a revenue of approximately HK$43.8 million for the year ended 31 December 2013, representing a decrease of approximately 24.4%. The decrease of revenue was mainly due to the continual effect of reduction of services from one of our major customers. The gross profit margin of staff insourcing service decreased from approximately 20.5% for the year ended 31 December 2013 to approximately 18.8% for the year ended 31 December 2014. The slight decrease in the gross profit margin was mainly contributed to an increase in recruiting cost due to active labour market.

CONTACT SERVICE CENTRE FACILITIES MANAGEMENT SERVICE

For the year ended 31 December 2014, the contact service centre facilities management service segment recorded a revenue of approximately HK$29.7 million, representing an increase of approximately 8.1% as compared to that of last year. The increase of revenue was mainly due to a net growth in the number of workstations leased by clients in business centre. The gross profit margin of contact service centre facilities management service decreased from approximately 34.6% for the year ended 31 December 2013 to approximately 29.4% for the year ended 31 December 2014. The decrease in the gross profit margin was partly due to a lower profit margin for retaining existing workstation leasing clients as well as an exceptionally high cost in a few IVRS services during the period.

OTHERS

The "Others" segment principally comprises sale of system and software, licence fee income and maintenance fee of WISE-xb Contact Centre System. For the year ended 31 December 2014, the Group recorded a revenue of sale of system and software amounted to approximately HK$6.4 million (2013: approximately HK$5.0 million) and licence fee and system maintenance income amounted to approximately HK$1.6 million respectively (2013: approximately HK$1.4 million).

The segment result for others largely represents the segment result for sale of system and software which amounted to approximately HK$3.7 million for the year ended 31 December 2014.

EXPENSES

During the year under review, the employee benefit expenses increased from approximately HK$94.1 million for the year ended 31 December 2013 to approximately HK$101.2 million for the year ended 31 December 2014. The increase in employee benefits expenses was mainly due to the inclusion of the wages of the PRC staff for the full year of 2014.

The Group recorded other operating expenses amounted to approximately HK$49.7 million (2013: approximately HK$36.5 million). The other operating expenses to sales ratio increased from approximately 21.5% for the year ended 31 December 2013 to approximately 28.2% for the year ended 31 December 2014. The increase of the other operating expenses was mainly due to the full year operating expenses from China business unit which amounted to approximately HK$13.7 million as compared with the five months ended 31 December 2013 which amounted to approximately HK$5.9 million and the increase of the professional fee for the Transfer Listing amounted to approximately HK$1.3 million.

The Group's depreciation and amortization expenses increased from approximately HK$7.7 million for the year ended 31 December 2013 to approximately HK$9.6 million for the year ended 31 December 2014 which was mainly due to the inclusion of depreciation and amortization expenses of the PRC business unit for the full year of 2014.

The Group's finance costs decreased to approximately HK$0.7 million for the year ended 31 December 2014 from approximately HK$0.8 million for the year ended 31 December 2013.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group's profit attributable to owners of the Company decreased from approximately HK$25.7 million for the year ended 31 December 2013 to approximately HK$14.3 million for the year ended 31 December 2014. The decrease in profit attributable to owners of the Company was mainly due to the increase of employee benefits expenses and other operating expenses.

AWARDS AND CERTIFICATION

In 2014, the Group has successfully continued to renew and maintain the ISO 9001 Quality Management System Certificate (2008) and ISO 27001 Information Security Management System (ISMS) Certificate which were both audited by the Hong Kong Quality Assurance Agency (HKQAA).

Besides, the Group has also, for the fourth year, obtained the P2P Telemarketing Code of Practice Certificate established by the Hong Kong Call Centre Association. The Group will continue to uphold our professional standards and strive to bring better services and add value to our clients' business on a continual basis.

The Group has again obtained the "Caring Company" certification in 2014. Same as in last year, we had initiated a series of charity activities such as visiting Cornwall School of the Mental Health Association of Hong Kong, participating in the "Stride for a Cure" walkathon organised by Hong Kong Cancer Fund and "The Community Chest Green Day" organised by The Community Chest and The Hong Kong Jockey Club. In addition, we had collaborated with Richmond Fellowship of Hong Kong to hold the "Happy Green Day" to promote green life for protecting our living environment. In the coming future, the Group will continue to offer our support and contribution to the local community and environmental impetus.

PROSPECT

The uncertainties over the local and global economy will likely continue in the coming year. In response to these challenges, the Group will continue to focus on our core business and the development of our Wise-xb Contact Centre System so as to improve our service quality as well as functionality to our customers. We believe that based on our well established contact centre facilities and experienced management team, the Group's business will have a healthy and steady growth in the year to come.

Though the Group had discontinued the operation of contact centre services at Guangzhou City in the PRC, we are still actively evaluating and in pursuit of potential business opportunities in mainland China as well as other countries in the Asia Pacific Region that can offer synergy and desirable returns to the Shareholders.

The Group has recently entered into a memorandum of understanding with Xinjiang Kuanyang Information Technology Limited# (新疆寬洋信息科技有限公司) for exploring mutually beneficial business opportunities and collaboration in Xinjiang including but not limited to, multi-media business process outsourcing, outsourcing contact centre services, e-Commerce services and payment gateway services. Xinjiang Kuanyang Information Technology Limited has over eight years of business history in Xinjiang, the PRC, and has province-wide telecom value added service license. It is principally engaged in providing telecom value added services to nationwide telecom operators in the area. Based on a number of favourable factors including rapid economic development and less competitive outsourcing market in Xinjiang, as well as the Group's over 25 years of operation experience and the local resources of Kuanyang Information Technology, the Group believes that there is much potential in the collaboration and will foster synergistic effect and lead to valuable business co-operation in the future.

Moving forward, the Group aimed to expand our business scope and coverage in the Asian market. Other than continually focus on our principal contact centre service business, the Group will strive to fully exploit our competitive edge in IT and R&D capabilities by actively seeking IT-related business and collaboration opportunities in order to capture the vast and fast growing data market.

DIVIDEND

During the year under review, the Group declared and paid dividends in aggregate amounts of approximately HK$1.96 million for the six months ended 30 June 2014 to the shareholders of the Company on 29 August 2014.

The Board has resolved to recommend the payment of a final dividend of HK1.5 cents per ordinary for the year ended 31 December 2014 (2013: HK1.5 cents) on or about 19 May 2015 (Tuesday) to the shareholders of the Company whose names recorded on the register of members of the Company as at 12 May 2015 (Tuesday).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 8 May 2015 (Friday) to 12 May 2015 (Tuesday) (both days inclusive) during which period no transfers of Shares would be registered. In order to qualify for the final dividend, all transfer 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 7 May 2015 (Thursday).

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 its operations with internally generated cash flows and banking facilities provided by the banks.

As at 31 December 2014, the Group had net current asset of approximately HK$87.1 million (2013: approximately HK$66.7 million) including cash and bank balances of approximately HK$17.1 million (2013: approximately HK$34.5 million).

As at 31 December 2014, the Group's current ratio (current assets/current liabilities) and gearing ratio were 6.43 (2013: 3.31) and 3% (2013: 6%) respectively. The gearing ratio was defined as the borrowing divided by the total assets.

As at 31 Decembre 2014, the Group had interest-bearing loan of approximately HK$3.9 million (2013: HK$7.1 million), and the debt-to-equity ratio (total loans/total equity) was 4% (2013: 7%).

PLEDGE OF ASSETS

As at 31 December 2014, the Group had pledged its bank deposits of approximately HK$4.8 million (2013: approximately HK$4.8 million) and had pledged investment fund amounted to approximately HK$7.6 million (2013: approximately HK$4.8 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.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Group had no significant contingent liabilities as at 31 December 2014 (2013: Nil). As at 31 December 2014, there was no capital commitments outstanding but not provided for in the financial statements (2013: approximately HK$1.9 million).

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 2014, there were no material acquisitions and disposals of subsidiaries during the year. There is no plan for material investments or capital assets as at 31 December 2014.

NUMBER AND REMUNERATION OF EMPLOYEE

The Group employed an average of approximately 1,022 employees in 2014 (2013: approximately 830 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.

PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Ling Chiu Yum (凌熖鑫) ("Mr. Ling"), aged 65, is an Executive Director and Honorary Chairman of the Group, an authorised representative and a member of the nomination committee of the Company. Mr. Ling is the co-founder of Epro Telecom Holdings Limited 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 53, 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 22 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 51, is an Executive Director and the Chief Executive Officer of the Group, the Compliance Officer and a member of the nomination committee 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 50, is the Finance Director of the Group. He was appointed as an Executive Director and the 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 in 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.

Mr. Phung Nhuong Giang* **(馮潤江)** ("Mr. Phung"), aged 52, 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 and a member of the nomination committee on 19 March 2012. Mr. Phung was re-designated from Independent Non-Executive Director to Executive Director of the Company with effect from 1 February 2013. Following his re-designation, Mr. Phung ceased to be the Chairman of the remuneration committee, a member of each of the audit committee and the nomination committee of the Company. 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. Phung's directorship with the Company lasts up to 31 March 2015)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Sik Kei (王錫基) ("Mr. SK Wong"), aged 67, 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 and the Chairman of the nomination committee on 19 March 2012. 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 ("OFTA"). Mr. SK Wong served as the director general of the 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 (顏志強) ("Mr. Ngan"), aged 40, 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 and a member of the nomination committee on 19 March 2012. 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. 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.

Mr. Yung Kai Tai (容啟泰) ("Mr. Yung"), aged 63, was appointed as an Independent Non-Executive Director, the Chairman of the remuneration committee, a member of each of the audit committee and the nomination committee on 1 February 2013. Mr. Yung obtained a Bachelor of Science degree majoring in Physics and minoring in Electronics and a Master of Business Administration, both from the Chinese University of Hong Kong, in 1973 and 1986 respectively. Mr. Yung also completed a Harvard Business School Executive Education in 1997. Mr. Yung has extensive knowledge and 33 years' experience in the ICT industry. Before his retirement in 2011, Mr. Yung was the General Manager of the Hong Kong Productivity Council, responsible for the development of the ICT industry in Hong Kong. Mr. Yung has once acted as the Chairman of the Hong Kong Game Industry Association, the Vice President of the Hong Kong Software Industry Association and the Vice President of the Hong Kong Association for Advancement of Science and Technology. Mr. Yung was also elected as Distinguished Fellow of the Hong Kong Computer Society and member of the first three Election Committees of the Hong Kong Special Administrative Region.

SENIOR MANAGEMENT

Mr. Yeung Tim Hee Tony（楊添喜）(“Mr. Yeung”), aged 54, joined the Group on 28 June 1999. He is the General Manager for Call Centre of the Group. Mr. Yeung has over 31 years of experience in the contact service centre industry and has been responsible for the supervision of the operation of contact service centres since 1986, and is extensively experienced therein.

Mr. Yu Yeuk Sze（余若詩）(“Mr. Yu”), aged 48, 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. Mr. Yu has more than 12 years of experience in information technology & project management.

Mr. Cheung Chi Tat（張志達）(“Mr. Cheung”), aged 52, 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 27 years of experience in electronic engineering.

Ms. Yung Kwan Yee（容坤儀）(“Ms. Yung”), aged 44, 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. Ms. Yung has more than 17 years’ extensive experience in sales and marketing in the telecommunications industry.

Ms. Chan Yin Ming（陳燕鳴）(“Ms. Chan”), aged 41, joined the Group on 20 April 2004. She is the Assistant Finance Manager of the Group. Ms. Chan graduated with a degree in Bachelor of Business Administration in 1998 from Simon Fraser University in Canada. Ms. 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. Ms. Chan has over 17 years of experience in accounting.

Mr. Siu Man On（蕭文安）(“Mr. Siu”), aged 36, joined the Group on 2 March 2009. He is the Head of Corporate Finance and Planning of the Group. Mr. Siu obtained a degree in Bachelor of Commerce in Australia in 2003. He 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. Mr. Siu has more than 12 years of experience in auditing and accounting.

CORPORATE GOVERNANCE REPORT

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 Corporate Governance Code (the "Code") in Appendix 15 to the GEM Listing Rules of the Stock Exchange.

Throughout the year ended 31 December 2014, the Company has complied with the Code. 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 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 year ended 31 December 2014.

BOARD OF DIRECTORS

BOARD COMPOSITION

The Board of Directors (the "Board") currently comprises five Executive Directors and three Independent Non-Executive Directors. The composition of the Board is as follows:

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 *(Company Secretary)*
Mr. Phung Nhuong Giang*
(Mr. Phung's directorship lasts up to 31 March 2015)*

Independent Non-Executive Directors
Mr. Wong Sik Kei
Mr. Ngan Chi Keung
Mr. Yung Kai Tai

The particulars of the Directors and other senior management are disclosed in the section headed "Particulars of Directors and Senior Management" on pages 29 to 32 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 Board formed the view that 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 Group.

The Board is accountable to shareholders for the Company's performance and activities and 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 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.

In compliance with Rules 5.05(1) and (2) of the GEM Listing Rules, the Company has 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 Rule 5.09 of the GEM Listing Rules. The Company, based on such confirmation, considers all Independent Non-Executive Directors to be independent.

DIRECTORS' TRAINING

The newly appointed Director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under relevant statues, laws, rules and regulations. The company secretary of the Company (the "Company Secretary") also provides Directors with updates on latest development and changes in the GEM Listing Rules and other relevant legal and regulatory requirements from time to time.

The Directors also participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group by attending seminars/ courses and/or reading relevant materials thereto.

BOARD MEETING AND PROCEDURES

The Board schedules at least four meetings a year at approximately quarterly intervals and will meet as necessary to discuss the overall strategy and operational or financial performance of the Company. 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"). All Board meetings involve the active participation of the Directors who make effort to contribute the formulation of policy and the success of the Company.

DIRECTORS' ATTENDANCE AT BOARD/BOARD COMMITTEE/GENERAL MEETINGS

Apart from obtaining consents from all Board members through circulation of written resolutions, the Board held five Board meetings and one general meeting for the year ended 31 December 2014, and the attendance records of individual directors are set below:–

	Number of Meetings Attended/Held[1]	
	Board Meeting	**General Meeting**
Executive Directors:		
Mr. Ling Chiu Yum	5/5	1/1
Mr. Wong Wai Hon Telly	5/5	1/1
Ms. Chang Men Yee Carol	5/5	1/1
Mr. Suen Fuk Hoi	5/5	1/1
Mr. Phung Nhuong Giang[2]	5/5	1/1
Independent Non-executive Directors:		
Mr. Wong Sik Kei	5/5	1/1
Mr. Ngan Chi Keung	5/5	1/1
Mr. Yung Kai Tai	5/5	1/1

Note:

1. Refers to the number of meetings attended/held while the Board member holds his/her office.
2. Mr. Phung's directorship lasts up to 31 March 2015.

The Company Secretary is responsible for assisting 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.

Should a potential conflict of interest involving a substantial shareholder or a Director arise, the matter will be discussed in a physical meeting, as opposed to being dealt with by written resolution. Independent Non-Executive Directors with no conflict of interest will be present at meetings dealing with such conflict issues.

The Company has arranged appropriate directors and officers liability insurance in respect of legal action against the Directors.

Independent Non-Executive Directors are identified as such in all corporate communications containing the names of the Directors. An updated list of the Directors identifying the Independent Non-Executive Directors and the roles and functions of the Directors is maintained on the websites of the Company and the Stock Exchange.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1 of the 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.

The Chairman is primarily responsible for leading the Board and ensuring that it functions effectively and smoothly. He takes primary responsibility for ensuring that good corporate governance practices and procedures are established. Directors are encouraged to participate actively in all Board and committee meetings of which they are members and voice their concerns. Sufficient time for discussion of issues is allowed and the consensus of the Directors are reflected in the Board's decisions.

During the year ended 31 December 2014, the Chairman had met with the Independent Non-Executive Directors without the presence of the Executive Directors to discuss the matters of the Company.

DIRECTORS' APPOINTMENT, RE-ELECTION AND REMOVAL

Each of the Executive Directors and Independent Non-Executive Directors (except Mr. Phung Nhuong Giang) has entered into a new service contract or a new appointment letter with the Company for a term of three years commencing from 21 December 2014 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

NOMINATION COMMITTEE

The Nomination Committee was established with written terms of reference in compliance with the GEM Listing Rules and the Code from time to time. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

The Nominee Committee 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 for 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.

The members of the Nomination Committee currently comprise Mr. Wong Sik Kei (Chairman), Mr. Ling Chiu Yum, Ms. Chang Men Yee Carol, Mr. Ngan Chi Keung, and Mr. Yung Kai Tai, the majority of whom are Independent Non-Executive Directors.

During the year ended 31 December 2014, the Nomination Committee held two meetings, and the attendance records of the individual committee members are set out below:–

	Number of Meetings Attended/Held [1]
Mr. Wong Sik Kei (Chairman)	2/2
Mr. Ling Chiu Yum	2/2
Ms. Chang Men Yee Carol	2/2
Mr. Ngan Chi Keung	2/2
Mr. Yung Kai Tai	2/2

Note:

1. Refers to the number of meetings attended/held while the member of Nomination Committee holds his/her office.

The summary of work of the Nomination Committee during the year is as follows:

– reviewed the Board's structure, size and composition based on the board diversity policy adopted by the Board of Directors in September 2013 (the "Board Diversity Policy");

– evaluated the Board performance;

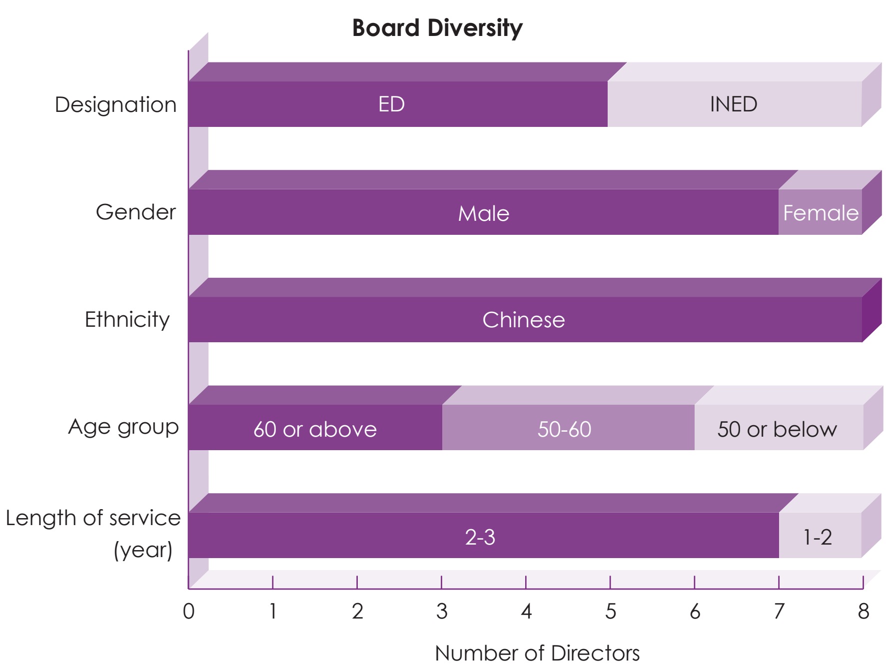
– reviewed the independence of the Independent Non-executive Directors; and

– made recommendation on the retiring Directors at the Annual General Meeting of the Company.

According to the Board Diversity Policy, in designing the Board's composition, the diversity of the Board has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of the diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee reviewed the Board's composition under diversified perspectives, and monitored the implementation of the Board Diversity Policy annually.

As at 31 December 2014, the Board's composition under major diversified perspectives was summarized as follows:



ED: Executive Director
INED: Independent Non-Executive Director

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 the 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 2014 is set out in the Independent Auditors' Report on pages 61 and 62. 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. The management provides sufficient explanation and information to the Board to enable it to make an informed assessment of financial and other information before approval.

The Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties under the GEM Listing Rules.

REMUNERATION COMMITTEE

The Remuneration Committee was established with written terms of reference in compliance with the GEM Listing Rules and the Code from time to time. The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

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.

The members of the Remuneration Committee currently comprise Mr. Yung Kai Tai (Chairman), Mr. Wong Sik Kei, Mr. Wong Wai Hon Telly and Mr. Ngan Chi Keung, the majority of whom are Independent Non-Executive Directors.

During the year ended 31 December 2014, the Remuneration Committee held two meetings and the attendance records of individual committee members are set below:

	Number of Meetings Attended/Held (1)
Mr. Yung Kai Tai (Chairman)	2/2
Mr. Wong Wai Hon Telly	2/2
Mr. Wong Sik Kei	2/2
Mr. Ngan Chi Keung	2/2

Note:

1. Refers to the number of meetings attended/held while the member of Remuneration Committee holds his/her office.

The summary of work of the Remuneration Committee during the year is as follows:

– recommended to the Board the proposal of bonus to the senior management including Executive Directors for the year 2014;

– reviewed the remuneration packages of all Executive Directors for the year 2015 and recommended to the Board for approval; and

– reviewed the directors' fees of the Independent Non-executive Directors for the year 2015 and recommended to the Board for approval.

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference in compliance with the GEM Listing Rules and the Code from time to time. The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

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 members of the Audit Committee currently comprise Mr. Ngan Chi Keung (Chairman), Mr. Wong Sik Kei and Mr. Yung Kai Tai, all of whom are Independent Non-Executive Directors.

The Audit Committee held four meetings during the year ended 31 December 2014, and the attendance records of individual committee members are set below:

	Number of Meetings Attended/Held [1]
Mr. Ngan Chi Keung (Chairman)	4/4
Mr. Wong Sik Kei	4/4
Mr. Yung Kai Tai	4/4

Note:

1. Refers to the number of meetings attended/held while the member of Audit Committee holds his/her office.

The summary of work of the Audit Committee during the year is as follows:

– met with the external auditors and reviewed the annual, interim and quarterly reports of the Company;

– reviewed the effectiveness of the Company's internal control and risk management systems;

– reviewed and approved audit fee; and

– recommended the re-appointment of auditors.

AUDITORS AND THEIR REMUNERATION

The accounts for the year ended 31 December 2014 were audited by HLB Hodgson Impey Cheng Limited ("HIC") whose term of office will expire upon the forthcoming annual general meeting of the Company. The Audit Committee has recommended to the Board that HIC be re-appointed as the auditors of the Company at the forthcoming annual general meeting of the Company.

During the year ended 31 December 2014, the remuneration paid or payable to HIC, the auditors of the Company, in respect of the audit services rendered was approximately HK$926,000 (2013: HK$900,000). The remuneration paid or payable to HIC for services of Transfer Listing provided by HIC for the year was approximately HK$400,000 (2013: Nil).

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 twice during the year under review to ensure an effective and adequate internal control system in place. Based on the reviews 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.

CORPORATE GOVERNANCE FUNCTIONS

The Board, including all the Executive Directors and Independent Non-Executive Directors, is responsible for performing the corporate governance duties including developing and reviewing the Company's policies and practices on corporate governance. With the assistance of the Company Secretary, the Board reviews and monitors the training and continuous professional development of the Directors and senior management and the Company's policies and practices on compliance with legal and regulatory requirements. The Board is also responsible for developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to the employees and Directors.

DELEGATION BY THE BOARD

While at all times the Board retains full responsibility for guiding and monitoring the Company in discharging its duties, certain responsibilities are delegated to various board committees which have been established by the Board to deal with different aspects of the Company's affairs. Unless otherwise specified in their respective written terms of reference as approved by the Board, these board committees are governed by the Company's Articles of Association as well as the Board's policies and practices (in so far as the same are not in conflict with the provisions contained in the Articles of Association).

With the establishment of the Audit Committee, Remuneration Committee and Nomination Committee, the Independent Non-executive Directors will be able to effectively devote their time to perform the duties required by the respective board committees.

The Board has also delegated the responsibility of implementing its strategies and the day-to-day operation to the management of the Company under the leadership of the Executive Directors. Clear guidance has been made as to the matters that should be reserved to the Board for its decision which include matters on, inter alia, capital, finance and financial reporting, internal controls, communication with shareholders, Board membership, delegation of authority and corporate governance.

COMPANY SECRETARY

The Board approves the selection, appointment or dismissal of the Company Secretary. The Company Secretary reports to the Chairman of the Board and/or the chief executive officer of the Company. All Directors have access to the advice and services of the Company Secretary to ensure that board procedures, and all applicable laws, rules and regulations, are followed.

During the year under review, Mr. Suen Fuk Hoi, an Executive Director, acted as company secretary of the Company. Mr. Suen Fuk Hoi undertook over 15 hours' professional training to update his skill and knowledge in compliance with the GEM Listing Rules.

CHANGES IN CONSTITUTIONAL DOCUMENTS

During the year under review, there are no changes in the constitutional documents of the Company.

SHAREHOLDERS' RIGHTS

According to the Articles of Association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

And, if a shareholder wishes to propose a person other than a Director retiring at the meeting for election as a Director at an annual general meeting, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting should deposit a written notice of nomination at the head office of the Company or at the office of the Company's Branch Share Registrar at least a 7-day period commencing from the day after the dispatch of the notice of the annual general meeting and ending on no later than seven (7) days prior to the date of such general meeting. The relevant procedures are set out in the circular regarding, among others, the 2015 Annual General Meeting of the Company, which will be delivered together with the 2014 Annual Report of the Company to the shareholders.

THE PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

Specific enquiries from shareholders to the Board can be sent in writing to the Company at our head office in Hong Kong or by email through info@eprotel.com.hk as stated on the Company's website.

COMMUNICATION 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.

The Chairman of the Board attends the annual general meeting. The chairmen of the Audit, Remuneration, Nomination Committees are invited to attend the annual general meeting to answer questions at the annual general meeting. The external auditors are invited to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

The notice of annual general meeting is distributed to all shareholders at least 20 clear business days prior to the annual general meeting and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the GEM Listing Rules. The chairman of the annual general meeting exercises his power under the Articles of Association of the Company to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the meeting prior to the polls being taken. Voting results are posted on the GEM website and the Company's website on the day of the annual general meeting.

Save as mentioned under the sub-heading "The Procedures for Sending Enquiries to the Board" above, in order to provide more relevant information to our shareholders, the Company has published all corporate information, news and events about the Group on its website for easy access by the shareholders.

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 for the period from the Listing Date to 31 December 2014 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 for the period from the Listing Date to 31 December 2014. 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 31 December 2014.

The Directors are pleased to present their report and the audited consolidated financial statements (the "Financial Statements") of the Company and of the Group for the year ended 31 December 2014.

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 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 the GEM since the Listing Date.

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 1 to the Financial Statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 and the state of affairs of the Group at that date are set out in the Financial Statements on pages 63 to 133 of this Report.

DIVIDENDS

During the year under review, the Group declared and paid dividends in aggregate amounts of approximately HK$1.96 million for the six months ended 30 June 2014 to the shareholders of the Company on 29 August 2014.

The Board has resolved to recommend the payment of a final dividend of HK1.5 cents per ordinary share in cash for the year ended 31 December 2014 (2013: HK1.5 cents) on or about 19 May 2015 (Tuesday), subject to approval of the shareholders of the Company at the forthcoming annual general meeting, to the shareholders registered on 12 May 2015.

CLOSURE OF THE REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting, the Register of Members will be closed from 30 April 2015 (Thursday) to 4 May 2015 (Monday), both days inclusive, during which period no transfers of Shares shall be registered. In order to be eligible 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 level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 29 April 2015 (Wednesday).

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 134 and 135 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 close 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 2014 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 received fees for acting as the Company's compliance adviser.

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 28 to the Financial Statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under 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 of the Company.

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

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 30 to the Financial Statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2014, 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$37,222,000 (2013: HK$42,512,000).

MAJOR CLIENTS AND SUPPLIERS

Sales to the Group's five largest clients accounted for approximately 55% of the total sales for the year and sales to the single largest client amounted to approximately 16% of the total sales for the year. The Group's purchases from our five largest suppliers together accounted for approximately 97% of our total purchase for the year. The Group purchases approximately 71% from our single largest supplier for the year.

None of the Directors or any of their associates or any shareholders of the Company (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 of the Company 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 of the Company 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 of the Company 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)*
Mr. Wong Wai Hon Telly *(Chairman)*
Ms. Chang Men Yee Carol *(Chief Executive Officer)*
Mr. Suen Fuk Hoi *(Company Secretary)*
Mr. Phung Nhuong Giang

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Wong Sik Kei
Mr. Ngan Chi Keung
Mr. Yung Kai Tai

Mr. Phung Nhuong Giang has tendered his resignation as director of the Company taking effect from 1 April 2015 based on personal reason. Mr. Phung confirmed that he has no claims whatsoever against the Company for fees, compensation for loss of office, remuneration, severance payments, pension, expenses or otherwise and there is no disagreement with the Board and there are no matters relating to his retirement that need to be brought to the attention of the shareholders of the Company or the Stock Exchange.

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 Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation. And, according to the Corporate Governance Code under Appendix 15 to the GEM listing Rules, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

To comply with the above, Ms. Chang Men Yee Carol, Mr. Suen Fuk Hoi and Mr. Yung Kai Tai shall retire from office at the AGM and, being eligible, offer themselves for re-election at the AGM.

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 29 to 32 of this Report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and independent non-executive Directors (except Mr. Phung Nhuong Giang) has entered into a new service contract or a new appointment letter with the Company for an initial term of three years commencing from 21 December 2014 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 2014 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 34 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 for the year ended 31 December 2014.

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 throughout the year ended 31 December 2014.

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 2014, as far as the Directors are aware of, none of the Directors or the controlling 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 2014, 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 31 December 2014, 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

So far as is known to the Directors, as at 31 December 2014, 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 31 December 2014, 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 33 to 45 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 29 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 2014 are set out in note 34 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.

CONNECTED TRANSACTION

The Group entered into the following transaction which constituted non-exempt connected transaction of the Company under the GEM Listing Rules during the financial year and up to the date of approval of this Report:-

DISPOSAL OF EPRO BPO SERVICES LIMITED

On 22 December 2014, Eastside Fortune Limited (the "Vendor"), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the "Agreement") with Multi-Dollars Holdings Limited (the "Purchaser") with Mr. Xu Jie being the guarantor (the "Guarantor") for the disposal (the "Disposal") of the entire issued share capital of Elite Depot Holdings Limited including its subsidiaries (which include Epro BPO Services Limited, Guangzhou Eprotech Company Limited（廣州普廣科技有限公司）and Guangzhou Junfeng Network Technology Limited#（廣州浚峰網絡技術有限公司）("Guangzhou Junfeng")) (the "Disposal Group") at the aggregate consideration of HK$8,000,000 (the "Sale Consideration").

The Sale Consideration shall be payable by the Purchaser in the following manner:

(a) HK$4,000,000 shall be payable upon completion of the Disposal; and

(b) the remaining HK$4,000,000 shall be payable on or before 28 February 2015.

As the Purchaser is owned by the Guarantor who is a registered holder of 82% of the registered capital of Guangzhou Junfeng, the Purchaser is deemed to be a connected person of the Company at the subsidiary level and henceforth the Disposal also constituted a connected transaction to the Company under the GEM Listing Rules.

The Disposal Group was acquired by the Group in 2013. It was expected at that time that the acquisition would expand and enhance the existing business of the Group in Guangzhou City, the PRC. However, the Group experienced fierce competition from other market players. The Company believed that with reference to the current financial position of the Disposal Group, it may not continue to contribute positively to the profitability of the Group in future. Taking into consideration of the gain from the Disposal and also that the management of the Group could concentrate on other business operations, the Board considered that the Disposal represents an opportunity for the Group to re-allocate its resources.

Please also refer to the announcement made by the Company on 22 December 2014 regarding the above transaction for further details.

CONTINUING CONNECTED TRANSACTIONS

The Group entered into the following transactions which constituted non-exempt continuing connected transactions of the Company under the GEM Listing Rules during the financial year and up to the date of approval of this Report:-

(1) SOFTWARE OEM DISTRIBUTORSHIP AGREEMENT

On 2 January 2014, Epro Logic Limited ("ELL"), a member of the Group, entered into a Software OEM Distributorship Agreement (the "OEM Agreement") with Epro Techsoft Limited ("ETL"), a connected person (as defined under the the GEM Listing Rules) of the Company as Mr Ling Chiu Yum and Mr Wong Wai Hon Telly and, who are the executive Directors, are interested in 46% and 47% of ETL respectively.

Pursuant to the OEM Agreement, ETL was appointed by ELL as OEM distributor to sell and distribute the perpetual licence to use the WISE-xb System to the end users in Hong Kong, the PRC and Macau for a term for the period from 2 January 2014 to 31 December 2015 unless prior written notification of termination is delivered by one of the parties in accordance with the terms of the OEM Agreement. ETL provides professional sales and marketing support and customization services of the WISE-xb System to customers based on the customers' needs and request. The end users who pay licence fees to ETL are granted the licence to use the WISE-xb System, but the ownership of the WISE-xb System remains with the Group. According to the OEM Agreement, the licence fee payable by ETL to ELL are 50% of the amount of the sales of the licences to use the WISE-xb System.

The Directors considered that the distribution business of ETL does not compete with that of the Group as ETL can provide customization services of the WISE-xb System to customers based on the customers' needs and request, whereas the provision of such customization services are not the Group's focus and the Group will not provide customization services to customers when selling such licences. The Directors considered that the provision of customization services by ETL will assist the Group to sell the licence to customers who require further customization to the WISE-xb System to suit their specific needs, and therefore broaden the customer base to use our WISE-xb System.

ETL and ELL also entered into a System Maintenance Service Outsourcing Agreement ("Outsourcing Agreement") on 31 December 2012 (details of which are listed in sub-section (2) – System Maintenance Service Outsourcing Agreement below). For details, please refer to the announcements made by the Company on 31 December 2012 for the Outsourcing Agreement and 2 January 2014 for the OEM Agreement respectively.

The Group has also entered into the following continuing connected transactions (which are subject to reporting and announcement requirements but exempt from independent shareholders' approval requirements) during the financial year and up to the date of approval of this Report:-

(2) SYSTEM MAINTENANCE SERVICE OUTSOURCING AGREEMENT

On 31 December 2012, ELL, a member of the Group, entered into a System Maintenance Service Outsourcing Agreement (the "Service Agreement") with ETL, a connected person (within the meaning of Chapter 20 of the GEM Listing Rules) of the Company as Mr. Wong Wai Hon Telly and Mr. Ling Chiu Yum, who are the Executive Directors, are indirectly interested in 47% and 46% of ETL respectively. Pursuant to which, ETL appointed ELL to provide the professional system development and maintenance support services for the WISE-xb System and/or related system services (the "Services") to ETL and its customers from time to time and ETL will pay ELL the service fee (the "Service Fee").

In consideration of and subject to the provision of the Services provided by ELL with the Service Agreement, ETL shall pay ELL the Service Fee at a rate not less than 95% and not more than 100% of the corresponding contract sum agreed between ETL and the customers from time to time. ETL shall place order to ELL requesting the provision of the Services for each individual customer, and ELL shall then invoice ETL based on the agreed amount within 7 working days. ETL shall settle the payment to ELL within 30 calendar days upon receiving the invoice from ELL. The Service Fee shall be the maximum amounts payable by ETL customers for the Services inclusive of all relevant taxes (if applicable) and out-of-pocket expenses incurred by ELL (including its agents, employees and subcontractors) unless otherwise agreed by ETL in advance in writing.

The term of the Service Agreement commenced on 1 January 2013 and, unless terminated subject to the terms and conditions as set forth in the Service Agreement, shall remain in full force and effect for a term of two years, and will be automatically renewed for successive one year term unless prior written notification of termination or non-renewal is delivered by one of the parties by giving not less than three months' prior notice in writing to the other party for the first two years from 1 January 2013 and not less than two months' prior notice in writing to the other party for the third year from 1 January 2013, if applicable.

ELL has appointed ETL to sell and distribute the perpetual licence to use the WISE-xb System to the end users since 2003 (please refer to the sub-section (1) Software OEM Distributorship Agreement under the heading of "Continuing Connected Transactions" in this Report on page 56 for further details). With the provision of customization services of the WISE-xb System to customers through ETL, the Group obtained proven records of broadened customer base and increased revenue. In view of the increasing demand from end users on maintenance of system and software but lack of technical know-how and experienced man power in ETL to provide such maintenance services, the Board considers that the engagement of ELL by ETL to provide the Services is in the interests of the Group as a whole.

Please also refer to the announcement made by the Company on 31 December 2012 relating to this transaction for further details.

(3) TECHNICAL SUPPORT SERVICES AGREEMENT

Previously, Guangzhou Junfeng Network Technology Limited# (廣州浚峰網絡技術有限公司) ("Guangzhou Junfeng", a subsidiary of the Company since 5 July 2013 up to 22 December 2014) entered into a services agreement with Guangzhou Epro Information Technology Company Limited# (廣州潤寶信息科技有限公司) ("Guangzhou Epro") dated 1 January 2011 (the "Previous Services Agreement").

Guangzhou Epro is owned as to 60% by Epro Techsoft Limited, which is ultimately owned as to 46% by Mr Ling Chiu Yum and as to 47% by Mr Wong Wai Hon Telly, executive Directors and controlling shareholders of the Company, and is regarded as connected person (within the meaning of Chapter 20 of the GEM Listing Rules) to the Company under the GEM Listing Rules.

As Guangzhou Junfeng became a subsidiary of the Company in 31 July 2013, the transactions contemplated under the Previous Services Agreement were regarded as continuing connected transactions to the Company under the GEM Listing Rules.

Since the terms of the Previous Services Agreement did not conform with the requirements of the GEM Listing Rules relating to continuing connected transactions, a new Technical Support Services Agreement (the "New Services Agreement") was entered into between the parties on 5 July 2013 for a term from 5 July 2013 to 31 December 2015. The technical support and related services provided by Guangzhou Epro and the pricing bases involved in both the Previous Services Agreement and the New Services Agreement are identical. Same as the Previous Services Agreement, Guangzhou Epro shall provide call centre agents and all necessary facilities, systems, telecommunication lines and technical support for managing the outbound contact centre services designed by Guangzhou Junfeng to Guangzhou Epro. With all the labor cost, management support and operating risk borne by Guangzhou Epro, the Group would retain 25% of the revenue with the remaining 75% of the revenue being the service fee payable by Guangzhou Junfeng to Guangzhou Epro.

Please also refer to the announcement made by the Company on 5 July 2013 regarding the above transaction for further details.

As Guangzhou Junfeng ceased to be a member of the Group after completion of the disposal of Epro BPO Services Limited (as described under "Connected Transaction") in this Report on page 55) on 22 December 2014, the continuing connected transactions under the New Services Agreement also ceased to be continuing connected transactions of the Group accordingly.

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).

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors reviewed the above continuing connected transactions contemplated under the Software OEM Distributorship Agreement, the System Maintenance Service Outsourcing Agreement and the Technical Support Services 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.

The amounts of the Continuing Connected Transactions did not exceed the corresponding annual caps for the financial year ended 31 December 2014 as announced by the Group.

CONFIRMATION OF AUDITORS OF THE COMPANY

HLB Hodgson Impey Cheng Limited ("HIC"), the Company's auditors, have issued their 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 Report as required under the GEM Listing Rules.

AUDITORS

The accounts for the year ended 31 December 2014 were audited by HIC whose term of office will expire upon the annual general meeting. A resolution for the re-appointment of HIC as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting. The accounts for the year ended 31 December 2011 were audited by HLB Hodgson Impey Cheng. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganized as HIC. The accounts for the years ended 31 December 2012 and 2013 were audited by HIC. Save for the above, there has been no other change in the auditors of the Company in any of the preceding three years.

On Behalf of the Board

Wong Wai Hon Telly
Chairman and Executive Director

Hong Kong, 19 March 2015

The English transliteration of the Chinese names in this Report, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

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 61 to 133, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other 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 2014, 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 Limited
Certified Public Accountants

Kwok Kin Leung
Practising Certificate Number: P05769

Hong Kong, 19 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Revenue	5	**176,044**	169,741
Other income	6	**971**	591
Other losses – net	7	**(150)**	(19)
Employee benefits expenses	8	**(101,169)**	(94,077)
Depreciation and amortization		**(9,589)**	(7,712)
Other operating expenses		**(49,681)**	(36,505)
Operating profit		**16,426**	32,019
Finance costs	9	**(659)**	(758)
Share of loss of an associate accounted for using the equity method	18	**–**	(3)
Profit before tax	10	**15,767**	31,258
Income tax expense	11	**(1,384)**	(5,584)
Profit for the year		**14,383**	25,674
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Currency translation differences on translating foreign operations		**(48)**	48
Total comprehensive income for the year		**14,335**	25,722
Profit attributable to owners of the Company		**14,335**	25,722
Total comprehensive income attributable to owners of the Company		**14,335**	25,722
Earnings per share attributable to owners of the Company – Basic and diluted (HK cents)	12	**5.1**	9.2

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	16	**7,628**	10,473
Intangible assets	17	**9,706**	20,817
Investment in an associate	18	**–**	–
Deferred income tax assets	27	**874**	788
		18,208	32,078
Current assets			
Trade and other receivables	19	**65,617**	46,408
Financial assets designated as at fair value through profit or loss	20	**7,626**	4,802
Amount due from an associate	18	**4,959**	1,121
Amounts due from related companies	21	**2,299**	3,882
Pledged bank deposits	22	**4,777**	4,768
Current income tax recoverable		**743**	–
Cash and cash equivalents	23	**17,121**	34,539
		103,142	95,520
Current liabilities			
Trade and other payables	24	**12,114**	19,061
Borrowings	25	**3,930**	7,060
Amounts due to related companies	26	**–**	353
Current income tax liabilities		**–**	2,345
		16,044	28,819
Net current assets		**87,098**	66,701
Total assets less current liabilities		**105,306**	98,779
Non-current liabilities			
Deferred income tax liabilities	27	**517**	2,165
Net assets		**104,789**	96,614
Equity attributable to the owners of the Company			
Share capital	28	**2,800**	2,800
Share premium	28	**25,238**	25,238
Reserves	30	**76,751**	68,576
Total equity		**104,789**	96,614

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 19 March 2015 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 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Investments in subsidiaries	15	**40,151**	40,151
Current assets			
Other receivables	19	**14,105**	103
Amounts due from subsidiaries	15	**35,675**	42,642
Cash and cash equivalents	23	**11,279**	13,834
		61,059	56,579
Current liabilities			
Other payables	24	**2,578**	918
Amounts due to subsidiaries	15	**18,385**	9,502
Current income tax liabilities		**74**	847
		21,037	11,267
Net current assets		**40,022**	45,312
Net assets		**80,173**	85,463
Equity attributable to the owners of the Company			
Share capital	28	**2,800**	2,800
Share premium	28	**25,238**	25,238
Reserves	30	**52,135**	57,425
Total equity		**80,173**	85,463

Wong Wai Hon Telly
Director

Ling Chiu Yum
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company					
	Share capital HK$'000 *(Note 28)*	**Share premium** HK$'000 *(Note 28)*	**Merger reserve** HK$'000 *(Note 30)*	**Translation** HK$'000	**Retained profits** HK$'000	**Total equity** HK$'000
Balance as at 1 January 2013	2,800	25,238	25,624	–	22,830	76,492
Profit for the year	–	–	–	–	25,674	25,674
Other comprehensive income						
Currency translation differences	–	–	–	48	–	48
Total comprehensive income for the year	–	–	–	48	25,674	25,722
Dividends paid *(Note 14)*	–	–	–	–	(5,600)	(5,600)
Balance as at 31 December 2013 and 1 January 2014	2,800	25,238	*25,624	*48	*42,904	96,614
Profit for the year	–	–	–	–	14,383	14,383
Other comprehensive income						
Currency translation differences	–	–	–	68	–	68
Disposal of subsidiaries	–	–	–	(116)	–	(116)
Total comprehensive income for the year	–	–	–	(48)	14,383	14,335
Dividends paid *(Note 14)*	–	–	–	–	(6,160)	(6,160)
Balance as at 31 December 2014	**2,800**	**25,238**	***25,624**	***–**	***51,127**	**104,789**

* These reserve accounts comprise the consolidated reserves of approximately HK$76,751,000 (2013: HK$68,576,000) 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 2014

	Note	2014 HK$'000	2013 HK$'000
Cash flows from operating activities			
Profit before tax		**15,767**	31,258
Adjustments for:			
Interest income		**(886)**	(519)
Interest expense		**659**	758
Depreciation and amortization		**9,589**	7,712
Gain on disposal of subsidiaries	33	**(791)**	–
Loss on disposal of property, plant and equipment		**–**	17
Share of loss of an associate		**–**	3
Fair value loss/(gain) on financial assets designated as at fair value through profit or loss		**455**	(17)
Operating cash flows before changes in working capital		**24,793**	39,212
Trade and other receivables		**(3,492)**	(3,072)
Amount due from an associate		**(3,838)**	(1,121)
Amounts due from related companies		**(3,976)**	(760)
Financial assets designated as at fair value through profit or loss		**(3,279)**	(1,546)
Amounts due to related companies		**(335)**	(13,428)
Trade and other payables		**(278)**	(1,970)
Cash generated from operations		**9,595**	17,315
Income tax paid		**(5,727)**	(2,380)
Net cash generated from operating activities		**3,868**	14,935
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	32	**–**	555
Disposal of subsidiaries, net of cash proceeds	33	**(2,344)**	–
Interest received		**886**	519
(Increase)/Decrease in pledged bank deposits		**(9)**	4,993
Additions of intangible assets		**(3,650)**	(7,797)
Payment for acquisition of an associate		**–**	(3)
Purchase of property, plant and equipment		**(6,292)**	(6,273)
Net cash used in investing activities		**(11,409)**	(8,006)
Cash flows from financing activities			
Dividends paid		**(6,160)**	(5,600)
Interest paid		**(659)**	(758)
Proceeds from bank borrowings		**81,361**	99,121
Repayment of bank borrowings		**(84,491)**	(105,602)
Net cash used in financing activities		**(9,949)**	(12,839)
Net decrease in cash and cash equivalents		**(17,490)**	(5,910)
Effect of foreign exchange rate changes, net		**72**	46
Cash and cash equivalents at the beginning of the year		**34,539**	40,403
Cash and cash equivalents at the end of the year	23	**17,121**	34,539

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

1. GENERAL INFORMATION

ETS Group Limited (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.

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.

As at 31 December 2014, the directors regard Excel Deal Holdings Limited, a company incorporated in the British Virgin Islands, as the parent and ultimate holding company of the Company.

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 consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issued by the Board of Directors on 19 March 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these 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 of the Company have 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 and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

The preparation of 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.

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

Amendments to HKFRS 10, "Consolidated Financial Statements" include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

Amendment to HKAS 32, "Financial Instruments: Presentation" on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group financial statements.

Amendments to HKAS 36, "Impairment of Assets", on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of cash-generating units ("CGU") which had been included in HKAS 36 by the issue of HKFRS 13.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(a) New and amended standards adopted by the Group (continued)

HK(IFRIC) 21, "Levies", sets out the accounting for an obligation to pay a levy if that liability is within the scope of HKAS 37 "Provisions". The interpretation addresses what the obligating event is that gives rise to the payment a levy and when a liability should be recognized. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, "Financial Instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKFRS 9's full impact.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) New standards and interpretations not yet adopted (continued)

HKFRS 15, "Revenue from Contracts with Customers", deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Business combinations (continued)

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of profit or loss and other comprehensive income.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(b) Changes in ownership interests 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 of the subsidiary in their capacity as owners). The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount 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.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognized in the consolidated statement of profit or loss and other comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to "share of profit of investments accounted for using equity method" in the consolidated statement of profit or loss and other comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognized in the consolidated statement of profit or loss and other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.5 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 (HK$), 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 profit or loss and other comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

All foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income within "Other losses – net".

Changes in the fair value of debt 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 amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences 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 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's entities (none of which has the currency of a hyper-inflationary 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 end of reporting period;

(ii) income and expenses for each statement of profit or loss and other 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 rate on the dates of the transactions); and

(iii) all resulting currency translation 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. Currency translation differences arising are recognized in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment

Property, plant and equipment is 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 consolidated statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

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 Note 2.8.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other losses – net" in the consolidated statement of profit or loss and other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(b) Internally generated software development costs

Costs associated with maintaining computer software programs 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 or sale;
- 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets (continued)

(b) Internally generated software development costs (continued)

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, which does not exceed four years.

2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life 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: at fair value through profit or loss, loans and receivables, and available-for-sale. 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. 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. The Group's loans and receivables comprise "trade and other receivables", "amount due from an associate", "amounts due from related companies", "pledged bank deposits" and "cash and cash equivalents" in the consolidated statement of financial position.

(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 profit or loss and other 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 profit or loss and other comprehensive income within "Other losses – 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 profit or loss and other 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 profit or loss and other comprehensive income.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

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 profit or loss and other 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 profit or loss and other 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, if any such evidence exists 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. 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 profit or loss and other comprehensive income.

For equity investments, 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 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 profit or loss and other comprehensive income on equity instruments are not reversed through the consolidated statement of profit or loss and other 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 allowance for impairment.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes 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 and entity statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables 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 profit or loss and other 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 Borrowing costs

All borrowing costs are recognized in profit or loss in the period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statement of profit or loss and other 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 and associates 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.

(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, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associate, 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. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(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 tax 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 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 benefits expenses 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.

(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 at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. 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.

(c) Profit-sharing and bonus plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss and other comprehensive income, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(b) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 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.

2.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for the sales of goods and services provided, stated net of discounts returns and value added taxes. The Group recognizes revenue when the amount of revenue can be reliably measured; when 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.

(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) System maintenance income is recognized upon the rendering of the relevant services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Interest income

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognized using the original effective interest rate.

2.24 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 profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

2.25 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 or directors, where appropriate.

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 currency risk

Foreign currency risk mainly arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

The management of the Group considers the foreign exchange risk of the Group is not significant, and thus does not have any active policies to hedge against the foreign exchange risk.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Price risk

Equity price risk is the risk that the fair values of investment decrease as a result of changes in the levels of equity indices and the value of individual investment. 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 value of the investment, with all other variables held constant and before any impact on tax, based on their carrying amount at the end of the reporting period.

	Carrying amount of investment HK$'000	**Increase/ (Decrease) in profit before tax HK$'000**	**Increase/ (Decrease) in equity HK$'000**
As at 31 December 2014			
Unlisted investment at fair value			
– Financial assets designated as at fair value through profit or loss			
5% increase in fair value	**381**	**381**	**381**
5% decrease in fair value	**(381)**	**(381)**	**(381)**

	Carrying amount of investment HK$'000	Increase/ (Decrease) in profit before tax HK$'000	Increase/ (Decrease) in equity HK$'000
As at 31 December 2013			
Unlisted investment at fair value			
– Financial assets designated as at fair value through profit or loss			
5% increase in fair value	240	240	240
5% decrease in fair value	(240)	(240)	(240)

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 dollar 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.

If interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit before taxation would have been decreased/increased by approximately HK$39,000 (2013: HK$71,000). The sensitivity analysis has been determined assuming that the change in interest rates had occurred throughout the year end had been applied to the exposure to interest rate risk for bank borrowings in existence at the end of the reporting period. The 100 basis points decreased/increased represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group over the period until the end of next reporting period.

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, amount due from an associate, amounts due from related companies, pledged bank deposits and cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

As at 31 December 2014, the Group has certain concentrations of credit risk as 22% and 54% (2013: 17% and 62%) 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 2014			
Trade and other payables excluding non-financial liabilities	**10,463**	**–**	**10,463**
Borrowings			
– Term loan subject to a repayable on demand clause	**4,016**	**–**	**4,016**
	14,479	**–**	**14,479**

	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 2013			
Trade and other payables excluding non-financial liabilities	17,042	–	17,042
Borrowings			
– Term loan subject to a repayable on demand clause	7,263	–	7,263
	24,305	–	24,305

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 2014			
Borrowings-Term loan subject to a repayable on demand clause	**3,000**	**1,016**	**4,016**
As at 31 December 2013			
Borrowings-Term loan subject to a repayable on demand clause	4,892	2,371	7,263

3.2 Capital 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, return capital to shareholders, issue new shares, raise new debt financing or sell assets to reduce debt.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital 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, borrowings and amounts due to related companies 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 and reserves as shown in the consolidated statement of financial position) plus net debt.

The gearing ratios of the Group are as follows:

	2014 **HK$'000**	2013 HK$'000
Total debt	**16,044**	26,474
Less: cash and cash equivalents	**(17,121)**	(34,539)
Net debt	**–**	–
Total equity	**104,789**	96,614
Total capital	**104,789**	96,614
Gearing ratio	**N/A**	N/A

3.3 Fair value estimation

The following table below analyzes financial instruments carried at fair value, by valuation method. The different 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 2014.

	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	**–**	**7,626**	**–**	**7,626**

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2013.

	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	–	4,802	–	4,802

There were no significant transfers of financial assets between Level 1 and Level 2 fair value hierarchy classifications and no transfers into or out of Level 3 during the year.

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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

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.

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

3.4 Financial instruments by category – Group and Company

(a) Group

	2014 HK$'000	2013 HK$'000
Assets as per statement of financial position		
Financial assets designated as at fair value through profit or loss	**7,626**	4,802
Loans and receivables:		
– Trade and other receivables excluding prepayments	**65,092**	42,929
– Amount due from an associate	**4,959**	1,121
– Amounts due from related companies	**2,299**	3,882
– Pledged bank deposits	**4,777**	4,768
– Cash and cash equivalents	**17,121**	34,539
	101,874	92,041

	2014 HK$'000	2013 HK$'000
Liabilities as per statement of financial position		
At amortized costs:		
– Trade and other payables excluding non-financial liabilities	**10,463**	17,042
– Borrowings	**3,930**	7,060
– Amounts due to related companies	**–**	353
	14,393	24,455

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Financial instruments by category-Group and Company (continued)

(b) Company

	2014 HK$'000	2013 HK$'000
Assets as per statement of financial position		
Loans and receivables:		
– Other receivables excluding prepayments	**13,965**	–
– Amounts due from subsidiaries	**35,675**	42,642
– Cash and cash equivalents	**11,279**	13,834
	60,919	56,476

	2014 HK$'000	2013 HK$'000
Liabilities as per statement of financial position		
At amortized costs:		
– Other payables excluding non-financial liabilities	**2,578**	918
– Amounts due to subsidiaries	**18,385**	9,502
	20,963	10,420

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 and the PRC. Significant judgment is required in determining the amount of the provision for income taxes. 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 and the People's Republic of China (the "PRC"):

(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 licencing, sales of system and software and system maintenance.

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 2013 and 2014 are as follows:

For the year ended 31 December 2014

	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						
Hong Kong	13,448	56,965	29,051	29,686	7,305	136,455
PRC	18,418	16,388	4,027	61	695	39,589
	31,866	73,353	33,078	29,747	8,000	176,044
Segment results						
Hong Kong	2,094	8,003	5,510	8,746	5,140	29,493
PRC	2,205	1,009	711	9	160	4,094
	4,299	9,012	6,221	8,755	5,300	33,587
Depreciation and amortization	993	2,789	–	3,926	1,099	8,807
Total segment assets						
Hong Kong	6,303	22,789	7,131	15,447	7,570	59,240
	6,303	22,789	7,131	15,447	7,570	59,240
Total segment assets includes: Additions to non-current assets (other than financial instruments)	261	1,523	–	2,480	1,271	5,535
Total segment liabilities						
Hong Kong	77	2,838	1,524	291	500	5,230
	77	2,838	1,524	291	500	5,230

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

For the year ended 31 December 2013

	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						
Hong Kong	10,161	64,730	41,649	27,421	6,358	150,319
PRC	6,688	10,510	2,125	99	–	19,422
	16,849	75,240	43,774	27,520	6,358	169,741
Segment results						
Hong Kong	2,010	16,496	8,227	9,458	5,316	41,507
PRC	1,332	2,873	741	52	–	4,998
	3,342	19,369	8,968	9,510	5,316	46,505
Depreciation and amortization	880	2,029	–	3,734	690	7,333
Total segment assets						
Hong Kong	4,678	24,618	4,419	20,441	4,020	58,176
PRC	314	783	6,232	487	–	7,816
	4,992	25,401	10,651	20,928	4,020	65,992
Total segment assets includes: Additions to non-current assets (other than financial instruments)	3,135	7,200	–	12,447	1,112	23,894
Total segment liabilities						
Hong Kong	336	3,452	1,965	338	–	6,091
PRC	810	500	225	6	–	1,541
	1,146	3,952	2,190	344	–	7,632

There were no inter-segment sales during the year ended 31 December 2014. The revenue from external parties reported to the Company's directors is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

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

	2014 **HK$'000**	2013 HK$'000
Segment results for reportable segments	**33,587**	46,505
Unallocated:		
Other income	**971**	591
Other losses – net	**(150)**	(19)
Depreciation and amortization	**(782)**	(379)
Finance costs	**(659)**	(758)
Share of loss of an associate	**–**	(3)
Corporate and other unallocated expenses	**17,200**	(14,679)
Profit before tax	**15,767**	31,258

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:

	2014 **HK$'000**	2013 HK$'000
Segment assets for reportable segments	**59,240**	65,992
Unallocated:		
Property, plant and equipment	**749**	1,458
Financial assets designated as at fair value through profit or loss	**7,626**	4,802
Current income tax recoverable	**743**	–
Deferred income tax assets	**874**	788
Corporate and other unallocated assets	**52,118**	54,558
Total assets per consolidated statement of financial position	**121,350**	127,598

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:

	2014 HK$'000	2013 HK$'000
Segment liabilities for reportable segments	5,230	7,632
Unallocated:		
Deferred income tax liabilities	517	2,165
Current income tax liabilities	–	2,345
Borrowings	3,930	7,060
Corporate and other unallocated liabilities	6,884	11,782
Total liabilities per consolidated statement of financial position	16,561	30,984

Breakdown of the revenue from all services is as follows:

Analysis of revenue by category

	2014 HK$'000	2013 HK$'000
Service fee income from provision of telecommunication and related services	168,044	163,383
Licence fee income	–	160
Sales of system and software	6,446	4,949
System maintenance income	1,554	1,249
	176,044	169,741

The Company is domiciled in the Cayman Islands with the Group's major operations located in Hong Kong. The result of its revenue from external customers in Hong Kong is HK$136,455,000 (2013: HK$150,319,000), and the total of revenue from external customers from other countries is HK$39,589,000 (2013: HK$19,422,000). The breakdown of the major component of the total of revenue from external customers from other countries is disclosed above.

The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in Hong Kong is HK$17,334,000 (2013: HK$30,241,000), and none of these non-current assets is located in other countries (2013: HK$1,049,000).

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:

	2014 HK$'000	2013 HK$'000
Customer A	28,395	26,777
Customer B	25,013	N/A[1]
Customer C	20,701	20,347
Customer D	N/A[1]	23,565
Customer E	N/A[1]	18,408
	74,109	89,097

[1] The corresponding revenue did not contribute to 10% or more of the total revenues of the Group for the year ended 31 December 2013 and 2014.

6. OTHER INCOME

	2014 HK$'000	2013 HK$'000
Interest income from bank deposits	886	519
Sundry income	85	72
	971	591

7. OTHER LOSSES – NET

	2014 HK$'000	2013 HK$'000
Financial assets designated as at fair value through profit or loss *(Note 20)*		
– Fair value (loss)/gain	(455)	17
Net foreign exchange losses	(486)	(36)
Gain on disposal of subsidiaries *(Note 33)*	791	–
	(150)	(19)

8. EMPLOYEE BENEFITS EXPENSES

	2014 HK$'000	2013 HK$'000
Salaries and allowances	**99,376**	96,964
Pension costs – defined contribution plans	**5,443**	4,910
Total employee benefits expenses, including directors' remuneration	**104,819**	101,874
Less: Amounts capitalized in deferred development costs	**(3,650)**	(7,797)
	101,169	94,077

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive for the year ended 31 December 2014 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 schemes HK$'000	Total HK$'000
Executive directors						
Mr. Ling Chiu Yum	–	1,800	341	–	17	2,158
Mr. Wong Wai Hon Telly	–	1,896	360	–	17	2,273
Ms. Chang Men Yee Carol *(Note i)*	–	1,800	341	–	92	2,233
Mr. Suen Fuk Hoi	–	600	114	–	17	731
Mr. Phung Nhuong Giang *(Note ii)*	–	746	130	–	–	876
Independent non-executive directors						
Mr. Wong Sik Kei	82	–	–	–	–	82
Mr. Ngan Chi Keung	82	–	–	–	–	82
Mr. Yung Kai Tai *(Note iii)*	82	–	–	–	–	82
	246	6,842	1,286	–	143	8,517

8. EMPLOYEE BENEFITS EXPENSES (CONTINUED)

(a) Directors' and chief executive's emoluments (continued)

The remuneration of every director and the chief executive for the year ended 31 December 2013 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 schemes HK$'000	Total HK$'000
Executive directors						
Mr. Ling Chiu Yum	–	1,800	–	–	15	1,815
Mr. Wong Wai Hon Telly	–	1,896	–	–	15	1,911
Ms. Chang Men Yee Carol *(Note i)*	–	1,800	–	–	90	1,890
Mr. Suen Fuk Hoi	–	600	–	–	15	615
Mr. Phung Nhuong Giang *(Note ii)*	–	684	–	–	–	684
Independent non-executive directors						
Mr. Wong Sik Kei	82	–	–	–	–	82
Mr. Ngan Chi Keung	82	–	–	–	–	82
Mr. Phung Nhuong Giang *(Note ii)*	7	–	–	–	–	7
Mr. Yung Kai Tai *(Note iii)*	82	–	–	–	–	82
	253	6,780	–	–	135	7,168

Notes:

(i) Ms. Chang Men Yee Carol is also the chief executive officer of the Group.

(ii) Re-designated from an independent non-executive director to an executive director on 1 February 2013.

(iii) Appointed on 1 February 2013.

8. EMPLOYEE BENEFITS EXPENSES (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include five (2013: five) directors whose emoluments are reflected in the analysis presented above.

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 (2013: Nil). None of the Company's directors waived any emoluments during the year ended 31 December 2014 (2013: Nil).

9. FINANCE COSTS

	2014 **HK$'000**	2013 HK$'000
Interest on bank borrowings and bank overdrafts wholly repayable within five years	**659**	758

10. PROFIT BEFORE TAX

	2014 **HK$'000**	2013 HK$'000
Profit before tax is stated after charging:		
Depreciation and amortization		
Depreciation of owned property, plant and equipment	**4,653**	3,448
Amortization of intangible assets	**4,936**	4,264
Total depreciation and amortization	**9,589**	7,712
Auditors' remuneration	**926**	900
Operating lease payments in respect of rented premises	**10,828**	10,425
Loss on disposal of property, plant and equipment	**–**	17
Research and development costs	**4,936**	4,264

11. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2014 HK$'000	2013 HK$'000
Current tax:		
Current tax on profits for the year	**2,562**	3,660
Adjustments in respect of prior years	**538**	288
Total current tax	**3,100**	3,948
Deferred income tax *(Note 27)*	**(1,716)**	1,636
Income tax expense	**1,384**	5,584

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2014 HK$'000	2013 HK$'000
Profit before tax	**15,767**	31,258
Tax calculated at domestic tax rates applicable to profits in the respective countries	**2,695**	5,786
Tax effects of:		
– Income not subject to tax	**(362)**	(171)
– Expenses not deductible for tax purposes	**359**	27
– Tax effect of temporary differences not recognized	**(1,391)**	(262)
– Adjustments in respect of prior years	**538**	288
– Tax losses for which no deferred income tax asset was recognized	**65**	526
– Utilization of previous unrecognized tax losses	**(696)**	(70)
– Others	**176**	(540)
Tax charge	**1,384**	5,584

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 280,000,000 ordinary shares issued during the year (2013: 280,000,000 ordinary shares).

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 2013 and 2014.

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to the owners of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$870,000 (2013: HK$21,500,000).

14. DIVIDENDS

	2014 **HK$'000**	2013 HK$'000
Interim dividend paid of HK0.7 cents (2013: HK0.9 cents) per ordinary share	**1,960**	2,520
Proposed final dividend of HK1.5 cents (2013: HK1.5 cents) per ordinary share	**4,200**	4,200
	6,160	6,720

The dividends paid in 2013 and 2014 were HK$5,600,000 (HK2.0 cents per ordinary shares) and HK$6,160,000 (HK2.2 cents per ordinary shares) respectively.

At a meeting held on 19 March 2015, the board of directors declared the payment of a final dividend of HK1.5 cents per ordinary share for the year ended 31 December 2014. The proposed final dividend for the year ended 31 December 2014 is to be approved by the shareholders at the forthcoming annual general meeting. This final dividend has not been recognized as a liability at the year ended 31 December 2014.

15. INVESTMENTS IN SUBSIDIARIES

	2014 HK$'000	2013 HK$'000
Unlisted, at cost	**40,151**	40,151

The amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand.

The following is a list of the subsidiaries at 31 December 2013 and 2014:

Name	Place of incorporation and kind of legal entity	Principal activities	Particulars of issued share capital	Interest held 2014	Interest held 2013
Eastside Fortune Limited	British Virgin Islands, limited liability company	Investment holding	2 ordinary shares of US$1 each	100% (direct)	100% (direct)
Future Data Limited	British Virgin Islands, limited liability company	Investment holding	2 ordinary shares of US$1 each	100% (indirect)	Nil
Epro Telecom Holdings Limited	Hong Kong, limited liability company	Investment holding	20,533,987 ordinary shares of HK$1 each	100% (indirect)	100% (indirect)
Epro Telecom Services Limited	Hong Kong, limited liability company	Provision of telecommunication and related services and sales of system and software	23,000,001 ordinary shares of HK$1 each	100% (indirect)	100% (indirect)
Epro Logic Limited	Hong Kong, limited liability company	Research and development of telecommunication systems software, provision of related consulting services and sales of system and software	3,000,000 ordinary shares of HK$1 each	100% (indirect)	100% (indirect)
Interactive Business Services Limited	Hong Kong, limited liability company	Provision of telecommunication and related services	3,000,000 ordinary shares of HK$1 each	100% (indirect)	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)	100% (indirect)

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation and kind of legal entity	Principal activities	Particulars of issued share capital	Interest held 2014	Interest held 2013
Epro Online Services Limited	Hong Kong, limited liability company	Provision of consultancy services on recruitment, training and sales of system and software	1 ordinary share of HK$1	100% (indirect)	100% (indirect)
Elite Depot Holdings Limited	British Virgin Islands limited liability company	Investment holding	2 ordinary shares of US$2 each	Nil	100% (indirect)
Epro BPO Services Limited	Hong Kong, limited liability company	Investment holding	1,000,000 ordinary share of HK$1	Nil	100% (indirect)
Guangzhou EproTech Company Limited ("廣州普廣科技有限公司")	PRC, limited liability company	Research, development and selling of electronic components, meters and computer software and consulting services in relation to communication system software and electronic technology	Registered capital of HK$4,208,000	Nil	100% (indirect)
Guangzhou JunFeng Network Technology Company Limited ("廣州浚峰網絡技術有限公司") (Note)	PRC, limited liability company	Development of computer network and technical services, call centre and information services	Registered capital of Reminbi ("RMB") 5,000,000	Nil	100% (indirect)

Note: Guangzhou JunFeng Network Technology Company Limited is a limited liability company established in the PRC to be operated up to 50 years. The equity interest is held by individual nominees on behalf of the Group.

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 2013						
Cost	18,371	22,296	12,542	14,983	462	68,654
Accumulated depreciation	(16,227)	(21,585)	(9,498)	(14,455)	(269)	(62,034)
Net book amount	2,144	711	3,044	528	193	6,620
Year ended 31 December 2013						
Opening net book amount	2,144	711	3,044	528	193	6,620
Currency translation differences	2	–	–	6	2	10
Acquisition of subsidiaries *(Note 32)*	156	–	18	477	384	1,035
Additions	4,012	386	1,169	706	–	6,273
Disposals	(17)	–	–	–	–	(17)
Depreciation charge	(1,488)	(516)	(927)	(354)	(163)	(3,448)
Closing net book amount	4,809	581	3,304	1,363	416	10,473
As at 31 December 2013						
Cost	24,078	22,682	13,633	16,707	2,750	79,850
Accumulated depreciation	(19,269)	(22,101)	(10,329)	(15,344)	(2,334)	(69,377)
Net book amount	4,809	581	3,304	1,363	416	10,473
Year ended 31 December 2014						
Opening net book amount	**4,809**	**581**	**3,304**	**1,363**	**416**	**10,473**
Currency translation differences	**(7)**	**–**	**(3)**	**(1)**	**(2)**	**(13)**
Disposal of subsidiaries *(Note 33)*	**(2,841)**	**–**	**(324)**	**(1,159)**	**(147)**	**(4,471)**
Additions	**4,032**	**253**	**1,286**	**721**	**–**	**6,292**
Depreciation charge	**(2,313)**	**(398)**	**(1,183)**	**(500)**	**(259)**	**(4,653)**
Closing net book amount	**3,680**	**436**	**3,080**	**424**	**8**	**7,628**
As at 31 December 2014						
Cost	**22,675**	**22,935**	**14,535**	**15,395**	**462**	**76,002**
Accumulated depreciation	**(18,995)**	**(22,499)**	**(11,455)**	**(14,971)**	**(454)**	**(68,374)**
Net book amount	**3,680**	**436**	**3,080**	**424**	**8**	**7,628**

17. INTANGIBLE ASSETS

	Goodwill HK$'000	Internally generated software development costs HK$'000	Total HK$'000
As at 1 January 2013			
Cost	–	25,046	25,046
Accumulated amortization	–	(17,587)	(17,587)
Net book amount	–	7,459	7,459
Year ended 31 December 2013			
Opening net book amount	–	7,459	7,459
Additions	–	7,797	7,797
Acquisition of subsidiaries *(Note 32)*	9,825	–	9,825
Amortization charge	–	(4,264)	(4,264)
Closing net book amount	9,825	10,992	20,817
As at 31 December 2013			
Cost	9,825	32,844	42,669
Accumulated amortization	–	(21,852)	(21,852)
Net book amount	9,825	10,992	20,817
Year ended 31 December 2014			
Opening net book amount	**9,825**	**10,992**	**20,817**
Additions	**–**	**3,650**	**3,650**
Disposal of subsidiaries *(Note 33)*	**(9,825)**	**–**	**(9,825)**
Amortization charge	**–**	**(4,936)**	**(4,936)**
Closing net book amount	**–**	**9,706**	**9,706**
As at 31 December 2014			
Cost	**–**	**36,494**	**36,494**
Accumulated amortization	**–**	**(26,788)**	**(26,788)**
Net book amount	**–**	**9,706**	**9,706**

Internally generated capitalized software development costs have definite useful lives and are amortized on a straight-line basis over 4 years.

17. INTANGIBLE ASSETS (CONTINUED)

Impairment for goodwill

During the year ended 31 December 2013, the Group acquired 100% interests in Epro BPO Services Limited and its subsidiaries, thereby resulting in a goodwill of approximately HK$9,825,000. An impairment test of this goodwill was carried out by management based on a value-in-use calculation.

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 20.01%. Cash flows beyond the five-year period were extrapolated using the estimated growth rates of 5%.

18. INVESTMENT IN AN ASSOCIATE

	2014 HK$'000	2013 HK$'000
Unlisted, at cost	**3**	3
Share of net liabilities	**(3)**	(3)
	–	–

The amount due from an associate is unsecured, interest-free and has no fixed term of repayment. The balance is denominated in the functional currency of the associate.

The following is a list of the associate at 31 December 2014:

Name of entity	**Place of business/ country of incorporation**	**% of ownership interest**	**Principal activities**
Epro Career Limited	Hong Kong	25	Provision of human resources services

18. INVESTMENT IN AN ASSOCIATE (CONTINUED)

The following table illustrates the aggregate financial information of the Group's associate that are not individually material:

	2014 HK$'000	2013 HK$'000
Share of the associate's loss	**–**	(3)
Share of the associate's other comprehensive income	**–**	–
Share of the associate's total comprehensive income	**–**	(3)
Aggregate carrying amount of the Group's investment in the associate	**–**	–

The Group has discontinued the recognition of its share of losses of an associate because the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amounts of the Group's unrecognized share of losses of this associate for the current year and cumulatively were approximately HK$4,243,000 (2013: approximately HK$2,361,000) and approximately HK$6,604,000 (2013: approximately HK$2,361,000), respectively.

19. TRADE AND OTHER RECEIVABLES

	The Group		**The Company**	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Trade receivables	**37,697**	36,160	**–**	–
Other receivables, deposits and prepayments	**27,920**	10,248	**14,105**	103
	65,617	46,408	**14,105**	103

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

The average credit period on the Group's sales is 32 days. The aging analysis of the trade receivables based on invoice date is as follows:

	2014 HK$'000	2013 HK$'000
0 – 30 days	23,587	30,326
31 – 60 days	5,371	5,257
61 – 90 days	2,315	345
Over 90 days	6,424	232
	37,697	36,160

As at 31 December 2014, the Group's trade receivables of approximately HK$14,055,000 (2013: HK$5,834,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2014 HK$'000	2013 HK$'000
0 – 30 days	4,159	5,257
31 – 60 days	3,469	345
61 – 90 days	1,684	32
Over 90 days	4,743	200
	14,055	5,834

As at 31 December 2014, none of the Group's trade receivables were impaired (2013: Nil).

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2014 HK$'000	2013 HK$'000
HK$	65,617	32,026
RMB	–	14,382
	65,617	46,408

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 carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

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

	2014 HK$'000	2013 HK$'000
Unlisted investment:		
– Designated as at fair value through profit or loss	7,626	4,802
Market value of the unlisted investment	7,626	4,802

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

The fair value of the investment as at the end of the reporting period is based on its current bid prices 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 company	Maximum amount outstanding during the year HK$'000	2014 HK$'000	2013 HK$'000
Epro Techsoft Limited	2,299	2,299	898
Guangzhou Epro Information Technology Company Limited	5,874	–	2,984
As at 31 December		2,299	3,882

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.

Guangzhou Epro Information Technology Company Limited is a company established in the PRC. It is owned as to 60% by Epro Techsoft Limited and as to 40% by an independent third party.

The amounts due from related companies are unsecured, interest-free and have no fixed terms of repayment.

The above balances are denominated in the functional currency of the relevant 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 0.03% to 0.6% per annum at 31 December 2014 (2013: from 0.02% to 0.7% per annum). The maturity of these deposits ranged from 30 to 91 days. The carrying amounts of pledged bank deposits are denominated in HK$.

23. CASH AND CASH EQUIVALENTS

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.

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and on hand	**10,081**	21,322	**4,239**	617
Short-term bank deposits	**7,040**	13,217	**7,040**	13,217
Cash and cash equivalents	**17,121**	34,539	**11,279**	13,834

As at 31 December 2014, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to approximately HK$7,290,000 (2013: 4,915,000). The RMB is not freely convertible into other currencies in PRC, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

24. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**993**	840	**–**	–
Other payables and accruals	**11,121**	18,221	**2,578**	918
	12,114	19,061	**2,578**	918

24. TRADE AND OTHER PAYABLES (CONTINUED)

At 31 December 2014, the aging analysis of the trade payables based on invoice date is as follows:

	2014 HK$'000	2013 HK$'000
0 – 30 days	297	458
31 – 60 days	95	230
61 – 90 days	95	26
Over 90 days	506	126
	993	840

25. BORROWINGS

	2014 HK$'000	2013 HK$'000
Current		
Secured bank borrowings	3,793	7,060
Unsecured bank borrowings	137	–
	3,930	7,060

All the bank borrowings are analyzed as follows (Note):

	2014 HK$'000	2013 HK$'000
Within 1 year	2,931	4,774
More than 1 year but not more than 2 years	999	1,287
More than 2 years but not more than 5 years	–	999
	3,930	7,060

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.

25. BORROWINGS (CONTINUED)

The effective interest rates of the bank borrowings is from 2.75% to 7% per annum as at 31 December 2014 (2013: from 4% to 7% per annum) and mature until 2016.

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

As at 31 December 2014, the banking facilities and factoring facilities of the Group were secured by the followings:

(i) Corporate guarantees executed by ETS Group Limited;

(ii) Pledged financial assets designated as at fair value through profit or loss with carrying amount of approximately HK$7,626,000 (2013: HK$4,802,000);

(iii) Pledged bank deposits with carrying amount of approximately HK$4,777,000 (2013: HK$4,768,000);

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

(v) Assignment of certain trade receivables by the subsidiaries of the Company.

26. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the amounts due to related companies are denominated in the functional currency of the relevant entities.

27. DEFERRED INCOME TAX

The gross movement on the deferred income tax account is as follows:

	2014 HK$'000	2013 HK$'000
As at 1 January	**1,377**	(267)
Currency translation differences	**(9)**	8
Disposal of subsidiaries *(Note 33)*	**(9)**	–
Consolidated statement of profit or loss (credited)/charged *(Note 11)*	**(1,716)**	1,636
As at 31 December	**(357)**	1,377

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities:	**Provision for unrealized profit HK$'000**	**Accelerated tax depreciation HK$'000**	**Total HK$'000**
As at 1 January 2013	–	416	416
Charged to the consolidated statement of profit or loss	1,613	128	1,741
Currency translation differences	8	–	8
As at 31 December 2013	1,621	544	2,165
Credited to the consolidated statement of profit or loss	(1,612)	(18)	(1,630)
Currency translation differences	(9)	–	(9)
Disposal of subsidiaries *(Note 33)*	–	(9)	(9)
As at 31 December 2014	**–**	**517**	**517**

27. DEFERRED INCOME TAX (CONTINUED)

Deferred tax assets:	**Decelerated tax depreciation HK$'000**
As at 1 January 2013	(683)
Credited to the consolidated statement of profit or loss	(105)
As at 31 December 2013	(788)
Credited to the consolidated statement of profit or loss	(86)
As at 31 December 2014	**(874)**

Deferred income tax assets are recognized for tax loss carry-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 2014, the Group has unused tax losses of approximately HK$1,376,000 (2013: approximately HK$8,459,000) which are available for offset against future profits. Tax losses of the PRC subsidiaries had an expiry period of five years, while tax losses of Hong Kong subsidiaries may be carried forward indefinitely. Certain amounts of unused tax losses are subject to approval from the Hong Kong Inland Revenue Department.

28. SHARE CAPITAL AND PREMIUM – GROUP AND COMPANY

	Number of ordinary shares	Ordinary shares of HK$0.01 each
		HK$'000
Authorized share capital:		
As at 31 December 2013 and 2014	5,000,000,000	50,000

	Number of ordinary shares	Ordinary shares of HK$0.01 each	Share premium
		HK$'000	HK$'000
Issued and fully paid up:			
As at 31 December 2013 and 2014	280,000,000	2,800	25,238

29. SHARE OPTION SCHEME – GROUP AND COMPANY

Pursuant to an ordinary resolution passed by the sole shareholder at general meeting of the Company held on 21 December 2011, the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives or rewards to eligible participants for their contribution to the Group and/or enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any invested entity.

On and subject to the terms of the Scheme, the directors of the Company shall be entitled at any time during the term of the Scheme, at their absolute discretion, to offer to grant to any participant an option to subscribe for such number of shares as the directors of the Company may determine at the subscription price.

The maximum number of shares which may be issued upon exercise of all outstanding options granted under the Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time.

The total number of shares which option may be granted under the Scheme and any other share option schemes of the Company shall not exceed 28,000,000 shares, being 10% of the total number of shares in issue immediately following completion of the placing and the capitalization issue (the "Scheme Mandate Limit") on 9 January 2012 unless the Company seeks the approval of the shareholders in general meeting for refreshing the Scheme Mandate Limit under the Scheme provided that options lapsed in accordance with the terms of the Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating whether the Scheme Mandate Limit has been exceeds.

29. SHARE OPTION SCHEME – GROUP AND COMPANY (CONTINUED)

The total number of shares issued and to be issued upon exercise of all options granted and to be granted (including both exercised and outstanding options) in any 12-month period up to the date of grant of each eligible participant shall not exceed 1% of the total number of shares issued unless (i) a shareholders' circular is despatched to the shareholders; (ii) the shareholders approve the grant of the options in excess of the 1% limit referred to in this paragraph; and (iii) the relevant eligible participant and its associates abstain from voting on such resolution.

The subscription price of the option shares granted under the Scheme may be determined by the directors at its absolute discretion but in any case shall not be lower than the higher of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day; (ii) the average closing price of the Company's share as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share.

The Scheme shall be valid and effective for a period of 10 years commencing from 21 December 2011 unless terminated by the Group.

Options granted under the Scheme must be taken up within 21 days of the date of grant. Upon acceptance of the option, the grantee shall pay HK$1 to the Company as consideration for the grant.

No share options were granted since the adoption of the Scheme and there were no share option outstanding as at 31 December 2013 and 2014.

30. 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.

30. RESERVES (CONTINUED)

(b) The Company

	Special reserve HK$'000	Retained profits HK$'000	Total HK$'000
As at 1 January 2013	40,151	1,374	41,525
Profit for the year	–	21,500	21,500
Dividends paid *(Note 14)*	–	(5,600)	(5,600)
As at 31 December 2013	40,151	17,274	57,425
Profit for the year	–	870	870
Dividends paid *(Note 14)*	–	(6,160)	(6,160)
As at 31 December 2014	**40,151**	**11,984**	**52,135**

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.

31. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	2014 HK$'000	2013 HK$'000
Property, plant and equipment	–	1,932

31. COMMITMENTS (CONTINUED)

(b) 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:

	2014 **HK$'000**	2013 HK$'000
No later than 1 year	**6,722**	9,618
Later than 1 year and no later than 5 years	**1,005**	5,758
	7,727	15,376

The Group leases office premises are under operating lease agreements. Lease for properties are for terms ranging from 1 to 2 years.

32. BUSINESS COMBINATIONS

On 31 July 2013, the Group acquired 100% of the share capital and obtained all the control of Epro BPO Services Limited and its subsidiaries at a consideration of HK$3,100,000. Epro BPO Services Limited and its subsidiaries were principally engaged in the provision of technical programming and development of the WISE-xb System with lower cost of staff in PRC.

As a result of the acquisition, the Group was expected to benefit the existing development of the WISE-xb Systems with a synergy effect and lower the cost of the Group for the development of WISE-xb Systems and strengthen the Group on its involvement in the development of the WISE-xb Systems in the PRC. The goodwill of HK$9,825,000 arising from the acquisition was attributable to acquired customer base and economies of scale expected from combining the operations of the Group and Epro BPO Services Limited and its subsidiaries. None of the goodwill recognized was expected to be deductible for income tax purposes.

The following table summarizes the consideration paid for Epro BPO Services Limited and its subsidiaries, the fair value of assets acquired and liabilities assumed at the acquisition date.

32. BUSINESS COMBINATIONS (CONTINUED)

Consideration: **As at 31 July 2013**	**HK$'000**
Cash	3,100
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	3,655
Property, plant and equipment *(Note 16)*	1,035
Amounts due from related companies	2,832
Amounts due to related companies	(13,781)
Current income tax liabilities	(12)
Trade and other receivables	7,425
Trade and other payables	(7,879)
Total identifiable net liabilities	**(6,725)**
Goodwill *(Note 17)*	9,825
	3,100
Net cash inflow on acquisition of subsidiaries:	
Cash and cash equivalent acquired	3,655
Less: cash consideration	(3,100)
	555

The revenue included in the consolidated statement of profit or loss and other comprehensive income since 1 August 2013 contributed by Epro BPO Services Limited and its subsidiaries was approximately HK$19,422,000. Epro BPO Services Limited and its subsidiaries also contributed profit of approximately HK$1,091,000 over the same period.

Had Epro BPO Services Limited and its subsidiaries been consolidated from 1 January 2013, the consolidated statement of profit or loss and other comprehensive income would show pro-forma revenue of approximately HK$169,824,000 and profit of approximately HK$23,772,000.

33. DISPOSAL OF SUBSIDIARIES

On 22 December 2014, the Group disposed of its 100% equity interest in Elite Depot Holdings Limited and its subsidiaries at a consideration of HK$8,000,000, which the consideration shall be payable by the purchaser in the following manner:

(i) As to HK$4,000,000 shall be payable by the purchaser upon completion of the disposal; and

(ii) As to the remaining balance HK$4,000,000 share be payable by the purchaser on or before 28 February 2015.

33. DISPOSAL OF SUBSIDIARIES (CONTINUED)

The purchaser further undertakes and warrants that it will procure for the following matters:

(i) Elite Depot Holdings Limited and its subsidiaries to repay the current balance outstanding and owed to the Group as at the date of completion within one year from the date of completion; and

(ii) The equity holders of Guangzhou JunFeng Network Technology Company Limited, a subsidiary of Elite Depot Holdings Limited, to repay the outstanding loan of RMB7,000,000 in full to the Group on or before 30 June 2015.

The net assets of Elite Depot Holdings Limited and its subsidiaries at the date of disposal was as follows:

	HK$'000
Property plant and equipment *(Note 16)*	4,471
Goodwill *(Note 17)*	9,825
Trade and other receivables	8,916
Amount due from a related company	5,559
Cash and cash equivalents	6,344
Trade and other payables	(18,475)
Amount due to a related company	(18)
Current income tax liabilities	(461)
Deferred income tax liabilities *(Note 27)*	(9)
Net assets disposed of	**16,152**
Release of foreign currency translation reserve	(116)
Recognition of receivables from disposal group upon disposal	(8,827)
Gain on disposal of subsidiaries *(Note 7)*	791
	8,000
Satisfied by:	
Cash consideration	**8,000**
Net cash outflow on disposal of subsidiaries:	
Cash consideration received during the year	4,000
Cash and cash equivalents disposed of	(6,344)
	(2,344)

34. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed in Notes 8, 18, 21 and 26 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*	**2014 HK$'000**	2013 HK$'000
Epro Techsoft Limited	Licence fee income	*(i), (iii) & (iv)*	**–**	(160)
	System maintenance income	*(ii), (iii) & (iv)*	**(1,554)**	(1,249)
Guangzhou Epro Information Technology Company Limited	Subcontracting fee for software technical research and development services	*(ii), (iii) & (iv)*	**6,065**	1,877
Epro Career Limited	Insourcing fee	*(ii) & (v)*	**12,571**	8,579
	Facilities management income	*(ii) & (v)*	**–**	(25)
Take Shine Limited	Premise rental expenses	*(iii) & (vi)*	**97**	484
eGalaxy Immigration Consultants Limited	Facilities management income	*(ii), (iii)& (vii)*	**(56)**	–

34. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

(i) 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.

(ii) System maintenance income, subcontracting fee, licence fee income, insourcing fee, facilities management income are based on terms mutually agreed between the parties involved.

(iii) Epro Techsoft Limited, Guangzhou Epro Information Technology Company Limited, Take Shine Limited and eGalaxy Immigration Consultants Limited are subsidiaries of Epro Group International Limited.

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

(v) Epro Career Limited is an associate of Epro Telecom Holdings Limited.

(vi) Pursuant to a rental agreement entered into between Take Shine Limited and Guangzhou JunFeng Network Technology Company Limited (a former subsidiary of the Company) on 23 January 2013, Guangzhou JunFeng Network Technology Company Limited agreed to lease the premise for a term from 1 January 2013 to 1 February 2014.

(vii) Pursuant to a rental agreement entered into between eGalaxy Immigration Consultants Limited and Epro Online Services Limited (a subsidiary of the Company) on 1 November 2014, eGalaxy Immigration Consultants Limited agreed to lease the facilities for a term from 1 November 2014 to 31 October 2015.

Key management personnel compensation

	2014 **HK$'000**	2013 HK$'000
Salaries and short-term employee benefits	**8,374**	7,033
Post-employment benefits	**143**	135
	8,517	7,168

	For the year ended 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**176,044**	169,741	164,619	195,762	191,147
Operating profit	**16,426**	32,019	16,465	24,432	17,945
Finance costs	**(659)**	(758)	(445)	(1,433)	(1,628)
Share of loss of associate accounted for using the equity method	**–**	(3)	–	–	–
Profit before tax	**15,767**	31,258	16,020	22,999	16,317
Income tax expense	**(1,384)**	(5,584)	(1,833)	(3,772)	(2,563)
Profit for the year	**14,383**	25,674	14,187	19,227	13,754

FINANCIAL SUMMARY

	At 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Asset and liabilities					
Property, plant and equipment	**7,628**	10,473	6,620	8,078	7,298
Intangible assets	**9,706**	20,817	7,459	3,598	3,290
Available-for-sales financial assets	**–**	–	–	–	–
Investment in an associate	**–**	–	–	–	–
Deferred income tax assets	**874**	788	683	–	–
Net current assets	**87,098**	66,701	62,146	28,918	27,113
Total assets less current liabilities	**105,306**	98,779	76,908	40,594	37,701
Borrowings – non current	**–**	–	–	(150)	(228)
Deferred income tax liabilities	**(517)**	(2,165)	(416)	(297)	(53)
Net assets	**104,789**	96,614	76,492	40,147	37,420
Capital and reserves					
Share capital	**2,800**	2,800	2,800	–	20,534
Share premium	**25,238**	25,238	25,238	–	–
Reserves	**76,751**	68,576	48,454	40,147	16,886
Total equity	**104,789**	96,614	76,492	40,147	37,420
Earnings per share attributable to owners of the Company – Basic and diluted (HK cents)	**5.1**	9.2	5.1	9.2	6.5

Notes:

1. The results of the Group for the year ended 31 December 2014 and 2013 are those set out on page 63 of this annual report.
2. The consolidated statement of financial position as at 31 December 2014 and 2013 are those set out on page 64 of this annual report.