ETS
易通訊

2012
Annual Report

ETS Group Limited
易通訊集團有限公司

2012年報

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

(Stock Code 股份代號: 8031)

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

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

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

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

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

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Mr. Wong Wai Hon Telly

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Bank of China (Hong Kong) Limited

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WEBSITE

www.etsgroup.com.hk

STOCK CODE

8031

Dear Shareholders,

On behalf of the board of Directors (the "Board") of 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 2012 to all shareholders and investors.

Our Group is a well-established company for more than 20 years, principally engaged in the businesses of outsourcing inbound contact service, outsourcing outbound contact service, staff insourcing service and contact service centre facilities management service.

For the financial year ended 31 December 2012, the Group recorded a revenue of approximately HK$165 million, representing a decrease of approximately 16% as compared with that of 2011. Profit attributable to owners of the Company decreased 26% from approximately HK$19.2 million for the year ended 31 December 2011 to approximately HK$14.2 million for the year ended 31 December 2012.

The Board recommends the payment of final dividend of HK1.1 cents per share for the year ended 31 December 2012 to shareholders.

Leveraging on our existing network connection and taking into account our expansion in contact service centre facilities management service, the Group had embarked on a journey to expand our business. In February 2013, our Group has set up the first business centre with gross area of over 8,000 square feet for capturing opportunities from different market segments and industry sectors to further increase the profitability of the Group.

Moreover, our Group realizes the increasing demand of business centre in the market owing to the increasing business operation costs in rentals and wages. The Group plans to further expand its services covering different profitable and new industry sectors in Hong Kong and mainland China apart from our existing service sectors such as telecommunications, banking and insurance for the purpose of capturing more market share in this segment and enhancing our market position as a leading professional multi-media contact service provider.

There are other new revenue projects that have been in progress but we have yet to reach fruition and the Group will leverage on our core business and relationship with our business partners to expand and explore more investment opportunities in the mainland China and the South East Asia.

On behalf of the Board, I would like to express my sincere appreciation to our fellow directors, especially Mr Yung Kai Tai who was appointed as an independent non-executive director on 1 February 2013, management and staff for their diligence and contributions to the Group's development, and would also express my sincere gratitude to our customers and shareholders for their support to the Group over the years.

Wong Wai Hon Telly
Chairman

Hong Kong, 18 March 2013

BUSINESS OVERVIEW

The Company is principally engaged in providing comprehensive multi-media contact services and contact centre system. Our current clientele are corporations in diverse sectors in Hong Kong, which are mainly telecommunications, banking and financial services and insurance. We operate three contact service centres in Hong Kong with over 850 workstations and employ an average of approximately 900 contact service staff in 2012. The Group's self developed multi-media WISE-xb Contact Centre System supports the operation of the Group's contact centre services and also has been marketed through distributors.

The principle services of the Group include:

OUTSOURCING INBOUND CONTACT SERVICE

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

OUTSOURCING OUTBOUND CONTACT SERVICE

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

STAFF INSOURCING SERVICE

The Group assigns contact service staff that meet the required qualification and requirements to work at our clients' contact service centres or other designated premises to assist 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 comprises 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. The workstation leasing service comes in two models namely, "shared" or "fully dedicated" in terms of physical and system set up. The IVRS hosting service is a total outsourcing solution that covers all aspects of providing an IVR service including call flow design, system setup, telecommunication facilities, recording and system monitoring support. The contact centre system hosting solution is provided by means of the WISE-xb Contact Centre System.

BUSINESS ENVIRONMENT

With the Euro debt crisis remained a major threat to the global economy, the continual recession in the Eurozone, the sluggish US economy and the negative impact on Asia continued to weigh heavily on economic activities in the region. Hong Kong economy grew modestly during the year of 2012. Local business sentiments were generally rather cautious in the period.

Having said that, the major industries that the Group serves which include banking and financial services, insurance and telecommunication, all experienced modest to healthy growth during the period, which in turn help maintaining the business volume and scale of services that our clients outsourced to the Group.

The overall increase in rental of local office and industrial premises remained notable during the year of 2012. The tight labour market and steady growth in labour cost represent challenges in overall staff recruitment and retention. The Group believes both factors will continue to put pressure on the operating cost of the business beyond the short term.

FINANCIAL AND BUSINESS REVIEW

The Group recorded a decrease in total revenue from approximately HK$195.8 million for the year ended 31 December 2011 to approximately HK$164.6 million for the year ended 31 December 2012. The service demand in outsourcing inbound and outbound contact services remained relatively steady in the period, and the utilization rate of contact service centre was recorded over 85% during the year. A net decrease in the number of insourced staff resulted from the conversion arrangement of insourced staff to client staff led to a drop of approximately 30.5% in staff insourcing revenue. During the period, the revenue of facilities management service continues to maintain a healthy growth of approximately 13.5% as compared to that of the previous year.

In view of the active labour market in 2012, the Group allocated large amount of resources on staff recruitment, retention and training in order to recruit and retain quality contact service staff to maintain the growth of the business. Training resources had been continually allocated to enhance the multi-skill capability and productivity of the contact service staff in order to make staff deployment more flexible and efficient. The Group kept utilizing the predictive dialling system in the outsourcing outbound contact service to increase the service productivity with a sustainable level of manpower.

The Group has continued to maintain our service quality and data security by successfully renewing the ISO 27001 Information Security Management System Certificate, the ISO 9001 Quality Management System Certificate (2008) and the P2P Telemarketing Code of Practice Certificate (established by the Hong Kong Call Centre Association) in 2012. The accredited qualifications uphold our credit in the outsourcing contact service industry and our professional standing in the business.

For the year ended 31 December 2012, the Group's total revenue was approximately HK$164.6 million, representing a decrease of approximately HK$31.1 million as compared to that of last year. The outsourcing inbound contact service, outsourcing outbound contact service, staff insourcing service, contact service centre facilities management service and others accounted for approximately 5.9%, 37.3%, 35.7%, 18.3% and 2.8% of the Group's total revenue for the year ended 31 December 2012 respectively. The gross profit of our Group increased from approximately 19.6% for the year ended 31 December 2011 to approximately 21.8% for the year ended 31 December 2012.

The following table sets forth the analysis of revenue by business units of our Group for the year ended 31 December 2012 and 2011 respectively:

COMPOSITION OF REVENUE

	Year ended 31 December			
	2012		2011	
	HK$'000		HK$'000	
Outsourcing inbound contact service	**9,719**	**5.9%**	9,804	5.0%
Outsourcing outbound contact service	**61,402**	**37.3%**	73,570	37.6%
Staff insourcing service	**58,764**	**35.7%**	84,600	43.2%
Contact service centre facilities management service	**30,189**	**18.3%**	26,603	13.6%
Others*	**4,545**	**2.8%**	1,185	0.6%
Revenue	**164,619**	**100%**	195,762	100%

The following table sets forth the analysis of segment result by business units of our Group for the year ended 31 December 2012 and 2011 respectively:

SEGMENT RESULT AND GROSS PROFIT MARGIN

	Year ended 31 December			
	2012		2011	
		Gross profit margin		Gross profit margin
	HK$'000	**%**	HK$'000	%
Outsourcing inbound contact service	**1,212**	**12.5%**	1,088	11.1%
Outsourcing outbound contact service	**16,344**	**26.6%**	18,643	25.3%
Staff insourcing service	**6,516**	**11.1%**	10,765	12.7%
Contact service centre facilities management service	**8,342**	**27.6%**	7,000	26.3%
Others*	**3,518**	**77.4%**	790	66.7%
Total	**35,932**	**21.8%**	38,286	19.6%

* The "Others" segment which principally comprises licencing and sales of system and software.

OUTSOURCING INBOUND CONTACT SERVICE

For the year ended 31 December 2012, the outsourcing inbound contact service segment recorded a revenue of approximately HK$9.7 million representing a slightly decrease of approximately 0.9% as compared to that of last year. The gross profit margin of outsourcing inbound contact service increased from approximately 11.1% for the year ended 31 December 2011 to approximately 12.5% for the year ended 31 December 2012.

The increase in the gross profit margin of the outsourcing inbound contact service was mainly contributed to the efficient utilization of multi-skilled contact service staff.

OUTSOURCING OUTBOUND CONTACT SERVICE

For the year ended 31 December 2012, the outsourcing outbound contact service segment recorded a revenue of approximately HK$61.4 million representing a decrease of approximately 16.5% as compared to that of last year. The gross profit margin for outsourcing outbound contact service increased from approximately 25.3% for the year ended 31 December 2011 to approximately 26.6% for the year ended 31 December 2012.

The decrease in revenue of the outsourcing outbound contact service was mainly contributed to a decrease in volume of outbound contact service from existing clients during the period. The better gross profit margin was a result of higher efficiency gained from extensive training programs and the use of predictive dialling system.

STAFF INSOURCING SERVICE

For the year ended 31 December 2012, the staff insourcing service segment recorded a revenue of approximately HK$58.8 million representing a decrease of approximately 30.5% as compared to that of last year. The decrease in revenue of the staff insourcing service was due to a net decrease in the number of insourced staff resulted from the conversion arrangement of insourced staff to client staff. The gross profit margin for staff insourcing service decreased from approximately 12.7% for the year ended 31 December 2011 to approximately 11.1% for the year ended 31 December 2012. The decrease in the gross profit margin was mainly due to the decrease of revenue and the increase in staff cost.

CONTACT SERVICE CENTRE FACILITIES MANAGEMENT SERVICE

For the year ended 31 December 2012, the contact service centre facilities management service recorded a revenue of approximately HK$30.2 million representing a continual increase of approximately 13.5% as compared to that of last year. The gross profit margin for contact service centre facilities management service also increased from approximately 26.3% for the year ended 31 December 2011 to approximately 27.6% for the year ended 31 December 2012.

The Group continues to provide solid infrastructure and professional support for our client's contact service centre operation established at our contact centre premises in 2012. The increase in revenue of the contact service centre facilities management service represents the robust demand at subscription of workstation from our clients.

OTHERS

The "Others" segment principally comprises licence fee income of WISE-xb Contact Centre System and sales of system and software. For the year ended 31 December 2012, the segment recorded a revenue of approximately HK$4.5 million (2011: approximately HK$1.2 million).

The segment result for the "Others" segment amounted to approximately HK$3.5 million for the year ended 31 December 2012 (2011: approximately HK$0.8 million).

EXPENSES

During the year under review, the employee benefit expenses decreased from approximately HK$144.6 million for the year ended 31 December 2011 to approximately HK$119.8 million for the year ended 31 December 2012. The decrease in employee benefits expenses was mainly due to the reduced number of contact service agents from a monthly average of 1,062 in 2011 to a monthly average of 893 in 2012. The Group's other operating expenses were approximately HK$21.8 million (2011: approximately HK$21.4 million). The other operating expenses to sales ratio increased from approximately 11% for the year ended 31 December 2011 to approximately 13% for the year ended 31 December 2012. The Group's depreciation and amortization expenses increased from approximately HK$5.8 million for the year ended 31 December 2011 to approximately HK$6.9 million for the year ended 31 December 2012 which was mainly due to the increase of amortization expenses of the intangible assets. The Group's finance costs for the year ended 31 December 2012 were approximately HK$0.4 million, representing a decrease of approximately 69% as compared to that of the previous year (2011: approximately HK$1.4 million) which was mainly due to a decrease in bank loans.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group's profit attributable to owners of the Company decreased from approximately HK$19.2 million for the year ended 31 December 2011 to approximately HK$14.2 million for the year ended 31 December 2012. The decrease in profit attributable to owners of the Company was mainly due to a decrease in revenue from staff insourcing service and outsourcing outbound service income.

AWARDS AND CERTIFICATION

In 2012, the Group has again successfully renewed and maintained the ISO 9001 Quality Management System Certificate (2008) and ISO 27001 Information Security Management System (ISMS) Certificate which were audited by the Hong Kong Quality Assurance Agency (HKQAA).

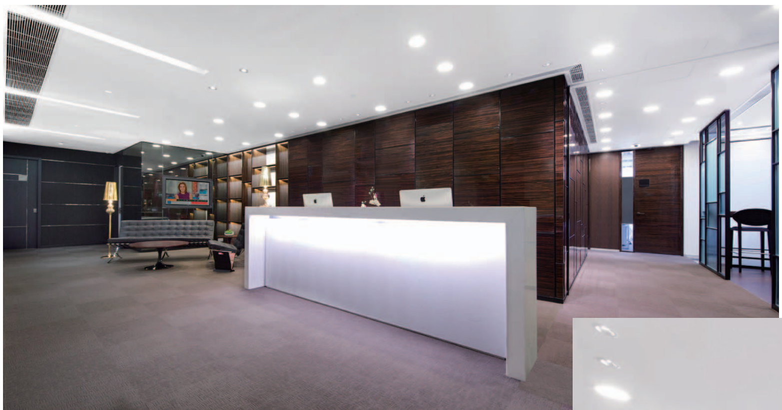
Besides, the Group has also, for the second year, obtained the P2P Telemarketing Code of Practice Certificate established by the Hong Kong Call Centre Association in 2012. The Group will continue to uphold our professional standards and strive to bring better services and add value to our clients' business on a continual basis.

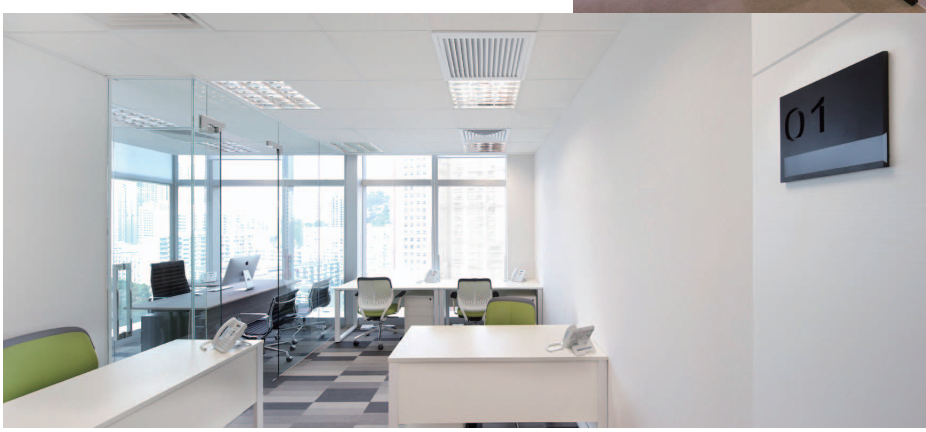
PROSPECT

Ride on our experience in contact centre facilities management service and supported by our solid and sizable information technology ("IT") team, the Group has opened its first business centre in February 2013. The business centre is named "Elite Business Centre" and is located at a Grade-A office premises at Millennium City 3, Kwun Tong. It is amid the commercial hub of East Kowloon District with unsurpassed accessibility and delightful view. Elite Business Centre occupies a whole floor area of over 8,000 square feet, accommodating rooms with size ranging from 2 to 6 persons per room. Its tasteful and professional décor together with full fledged supporting facilities and service, makes Elite Business Centre one of the highest quality business centres in the area. It is anticipated that the new business centre is able to capture different market segments and provides desirable financial contribution to the Group in the coming years.

The Group recognizes the vital need to keep abreast with the latest technological development in communications, and to maintain the competitiveness of the WISE-xb System as well as our contact services which ride on the WISE-xb System platform. During the year of 2012, the Group invested approximately HK$4.4 million in the research and development of the WISE-xb System by enhancing the current functionalities that can further improve the contact service operation management and efficiency.

With increasing popularity and impact of social media on all walks of life and business in the society, the Group anticipates the ability to communicate with customers via different social media will become an integral part of contact centre services. In light of this, the Group has developed connectivity between WISE-xb System and social media such as Facebook and QQ Weibao to enhance the customer service and customer relationship management abilities of the system, and which at the same time, improve the competitiveness of the WISE-xb System.





With the WISE-xb System supporting all the contact centre services of the Group as well as serving as a revenue stream through licencing and sales of system and software, the Group will continue to invest in the research and development of the WISE-xb System and at the same time, explore other opportunities and synergies base on our IT development knowhow and scale.

Currently, the Group is actively serving local corporations in different business sectors including banking and financial services, insurance and telecommunications. The Group intends to ride on our solid contact centre experience in Hong Kong to further extend our service coverage to other industry sectors as well as other Asian regions including China.

DIVIDENDS

At a Board meeting held on 10 May 2012, the Directors resolved to pay an interim dividend for the year ended 31 December 2012 of HK2.1 cents per ordinary share in cash. The interim dividend was paid to the shareholders of the Company on 5 June 2012.

The Board has resolved to recommend the payment of a final dividend of HK1.1 cents per ordinary share for the year ended 31 December 2012 (2011: nil) on or about 21 May 2013 (Tuesday) to the shareholders of the Company whose names recorded on the register of members of the Company as at 14 May 2013 (Tuesday).

LIQUIDITY AND FINANCIAL POSITION

The Group adheres to a prudent financial management policy and has a healthy financial position. During the year under the review, the Group financed our operations with internally generated cash flows and banking facilities provided by the banks. As at 31 December 2012, the Group had net current asset of approximately HK$62.1 million (2011: approximately HK$28.9 million) including cash and bank balances of approximately HK$40.4 million (2011: approximately HK$3.2 million).

As at 31 December 2012, the Group's current ratio (current assets/current liabilities) and gearing ratio (total debts/total assets) were 3.26 (2011: 2.01) and 13% (2011: 24%) respectively.

The Group had interest-bearing loan approximately HK$13.5 million (2011: approximately HK$16.8 million). The debt-to-equity ratio (total loans/total equity) was 18% (2011: 42%).

COMPARSION BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

As analysis comparing the business objectives as set out in the prospectus of the Company dated 30 December 2011 (the "Prospectus") with the Group's actual business progress for the period from 9 January 2012, the date on which the initial listing of the securities of the Company on GEM (the "Listing Date") to 31 December 2012 is set out below:

Business objectives for the year ended 31 December 2012 as stated in the Prospectus	Actual business progress up to 31 December 2012
Setting up new contact service centres for capturing the demand from different market segments and more industry sectors	
• Set up two new contact service centres with 250 to 300 workstations and 100 to 140 workstations respectively.	• Approximately HK$0.7 million of the net proceeds from the placing for listing in January 2012 ("Shares Placing") was used to set up the new Elite Business Centre completed closely after 2012. Similar to the Group's contact centre facilities management service, the new business centre is anticipated to target new market segments and provide desirable financial contributions to the Group. Actual application is lower than the planned use of proceeds from the Shares Placing as stated in the Prospectus. The Directors intends to revisit the business objectives as stated in the Prospectus for the period from the Listing Date to 31 December 2012. The Directors will regularly evaluate the Group's business objectives and may change or modify plans after taking into account the changing market conditions.

Expanding and enhancing our contact centre system and software

- Finish developing interactive voice and video response (IVVR) and video contact centre feature.
- Finish developing workforce management development.
- Develop new contact service centre solution to support another brand of operating system.
- Effect developing social media features in WISE-xb System.
- Effect developing customer relationship management.

- Approximately HK$4.4 million was mainly invested to expand and enhance the WISE-xb System on functions and features relating to customer relationship management, social media features, predictive dialling as well as supporting the operation of the new business centre.

To cope with the changing market conditions and the set up of the new business centre, some of the planned enhancements of the WISE-xb System will be deferred to the year of 2013.

Enhancing capabilities of existing contact service centre facilities

- Complete the improvement work at the contact service centre at Kowloon Bay.

- Approximately HK$0.8 million was mainly used to enhance and improve the physical environment of the existing contact service centres as well as upgrade some of the systems and equipment in 2012. Further enhancement and upgrade of the contact centre facilities are planned to be carried out in the year of 2013.

USE OF PROCEEDS

The business objectives and planned use of proceeds from the Shares Placing as stated in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied in accordance with the actual development of the market. During the period from the Listing Date to 31 December 2012, the net proceeds from the Shares Placing had been applied as follows:

	Total use of proceeds (HK$ million)	Planned use of proceeds as stated in the Prospectus during the period ended 31 Dec 2012 (HK$ million)	Actual use of proceeds during the period ended 31 Dec 2012 (HK$ million)	Remaining proceeds for future use (HK$ million)
Setting up new contact service centres for capturing the demand from different market segments and more industry sectors	14.0	14.0	0.7	13.3
Expanding and enhancing our contact centre system and software	7.5	4.4	4.4	3.1
Enhancing capabilities of existing contact service centre facilities	4.0	2.0	0.8	3.2
Use as general working capital of our Group	1.5	1.5	1.5	–
Total:	27.0	21.9	7.4	19.6

The Directors intend to revisit the business objectives as stated in the Prospectus for the period from the Listing Date to 31 December 2012. The Directors will regularly evaluate the Group's business objectives and may change or modify plans after taking into account the changing market conditions.

Any net proceeds that were not applied immediately have been temporarily deposited with banks in Hong Kong.

PLEDGE OF ASSETS

As at 31 December 2012, the Group had pledged its bank deposits of approximately HK$9.8 million (2011: approximately HK$3.6 million) to secure its banking facilities and trade receivable financing.

FOREIGN EXCHANGE EXPOSURE

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

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

Save for those disclosed in this report, there were no significant investments held as at 31 December 2012, nor were there material acquisitions and disposals of subsidiaries during the year. There is no plan for material investments or capital assets as at the date of this report.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Group did not have any other significant contingent liabilities and capital commitments as at 31 December 2012.

NUMBER AND REMUNERATION OF EMPLOYEE

The Group employed an average of over 950 employees in 2012 (2011: 1,116 employees). Remuneration was maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industry practice. The remuneration packages mainly comprise salary payments, group medical insurance plans, mandatory provident fund and discretionary bonuses awarded on a performance basis.

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Ling Chiu Yum (凌炤鑫) ("Mr. Ling"), aged 63, 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 51, is the co-founder of Epro Logic Limited, Interactive Business Services Limited and Epro Marketing Limited and joined the Group on 28 September 1989. Mr. Wong is an Executive Director and the Chairman of the Group, an authorised representative and a member of the remuneration committee of the Company. Mr. Wong is also a Director of all the subsidiaries of the Company. He was appointed as an Executive Director of the Company on 29 June 2011. Mr. Wong is responsible for directing the whole business policy, strategic and business development of the Group. Mr. Wong holds a degree in Master of Business Administration in 2000 and a Diploma in Management in 1999 from the Asia International Open University (Macau). Mr. Wong has over 20 years of experience in the contact service industry. Before joining the Group, Mr. Wong was the Manager for Management Information System at a paging company in Hong Kong from 1982 to 1989.

Ms. Chang Men Yee Carol (張敏儀) ("Ms. Chang"), aged 49, 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 48, 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 50, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Sik Kei（王錫基）("Mr. SK Wong"), aged 65, 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 38, 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 61, 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

Ms. Ting Yee Mei (丁綺薇) ("Ms. Ting"), aged 51, joined the Group on 1 October 1990. She is the General Manager for Operation of the Group. Ms. Ting has more than 31 years of experience in operation management in the contact service industry. She was an operation manager in a paging company in Hong Kong from 1979 to 1990.

Mr. Yeung Tim Hee Tony (楊添喜) ("Mr. Yeung"), aged 52, joined the Group on 28 June 1999. He is the General Manager for Call Centre of the Group. Mr. Yeung has over 29 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 46, 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 10 years of experience in information technology & project management.

Mr. Cheung Chi Tat（張志達）("Mr. Cheung"), aged 50, 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 25 years of experience in electronic engineering.

Ms. Yung Kwan Yee（容坤儀）("Ms. Yung"), aged 42, 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 15 years' extensive experience in sales and marketing in the telecommunications industry.

Ms. Chan Yin Ming（陳燕鳴）("Ms. Chan"), aged 39, 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 15 years of experience in accounting.

Mr. Siu Man On（蕭文安）("Mr. Siu"), aged 34, 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 10 years of experience in auditing and accounting.

CORPORATE GOVERNANCE PRACTICES

Recognising the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, the Company is committed to maintain a high standard of corporate governance in the interests of its shareholders. The Company's corporate governance practices are based on the principles and code provisions as set out in the Code on Corporate Governance Practices (the "CG Code"), during the period from the Listing Date to 31 March 2012, and the new Corporate Governance Code (the "New Code"), during the period from 1 April 2012 to 31 December 2012 in Appendix 15 to the GEM Listing Rules on the GEM of the Stock Exchange.

For the period from the Listing Date to 31 December 2012, the Company has complied with the CG Code and the New 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 period from the Listing Date to the date of this Report.

BOARD OF DIRECTORS

BOARD COMPOSITION

The Board of Directors (the "Board") comprises five Executive Directors and three Independent Non-Executive Directors. The composition of the Board up to the date of this annual report (the "Report") 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

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

Mr. Phung Nhuong Giang was re-designated from Independent Non-Executive Director to Executive Director of the Company and Mr. Yung Kai Tai was appointed as Independent Non-Executive Director of the Company, both with effect from 1 February 2013. Save as disclosed in this Report, there was no change in composition of the Board.

The particulars of the Directors and other senior management are disclosed in the section headed "Particulars of Directors and Senior Management" on pages 18 to 21 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 a 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 since the Listing Date, 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.

A briefing session was organised for Directors in February 2013 to update the Directors on the new amendments to the CG Code and associated Listing Rules as well as the directors' duties. Certain Directors also attended professional training delivered by law firm or certified public accountants.

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

The Board held six Board meetings and one general meeting for the year ended 31 December 2012, and the attendance records of individual directors are set below:–

	Number of Meetings Attended/Held	
	Board Meeting	**General Meeting**
Executive Directors:		
Mr. Ling Chiu Yum	5/6	1/1
Mr. Wong Wai Hon Telly	5/6	1/1
Ms. Chang Men Yee Carol	5/6	1/1
Mr. Suen Fuk Hoi	6/6	1/1
Independent Non-executive Directors:		
Mr. Phung Nhuong Giang (re-designated to Executive Director on 1 February 2013)	6/6	1/1
Mr. Wong Sik Kei	6/6	1/1
Mr. Ngan Chi Keung	6/6	1/1
Mr. Yung Kai Tai (appointed on 1 February 2013)	0/0	0/0

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

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 New 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 are 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 2012, the Chairman had met with the Non-Executive Directors (including 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 and Mr. Yung Kai Tai) has entered into a service contract and an appointment letter with the Company for an initial term of three years commencing from 21 December 2011 respectively.

Mr. Phung Nhuong Giang and Mr. Yung Kai Tai, who were re-designated as Executive Director and appointed as Independent Non-Executive Director of the Company on 1 February 2013, have entered into a service contract and an appointment letter with the Company for an initial term of three years commencing from 1 February 2013 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

During the year under review, the Company established a Nomination Committee on 30 March 2012 with written terms of reference in compliance with the GEM Listing Rules and the New Code.

For the period from 30 March 2012 to 31 December 2012, the members of the Nomination Committee comprised Mr. Wong Sik Kei, Mr. Ling Chiu Yum, Ms. Chang Men Yee Carol, Mr. Phung Nhuong Giang and Mr. Ngan Chi Keung. The Chairman of the Nomination Committee is Mr. Wong Sik Kei, the majority of whom are Independent Non-Executive Directors.

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 additional appointments on the Board and senior management of the Company.

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

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

During the year ended 31 December 2012, the Nomination Committee held a meeting and discussed and reviewed the composition of the Board and the re-election of all the retiring Directors at the forthcoming 2013 annual general meeting. The attendance record of the members at the Committee meeting is set out below:–

	Number of Meetings Attended/Held
Mr. Wong Sik Kei (Chairman)	1/1
Mr. Ling Chiu Yum	1/1
Ms. Chang Men Yee Carol	1/1
Mr. Phung Nhuong Giang (resigned on 1 February 2013)	1/1
Mr. Ngan Chi Keung	1/1
Mr. Yung Kai Tai (appointed on 1 February 2013)	0/0

Commencing from 1 February 2013, the Nomination Committee consists of Mr. Ling Chiu Yum, Ms. Chang Men Yee Carol, Mr. Wong Sik Kei, Mr. Ngan Chi Keung and Mr. Yung Kai Tai.

The Nomination Committee is provided with sufficient resources enabling it to perform its duties and it can seek independent professional advice at the Company's expense if necessary. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

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 2012 is set out in the Independent Auditors' Report contained in this Report. The Board also ensures the timely publication of the financial statements. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. 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.

With effect from 1 April 2012, 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 policy of the Group is to ensure the fairness and competitiveness of total remuneration of Directors and Senior Management. The emoluments of Executive Directors are determined based on the skills, knowledge, individual performance as well as contributions, the scope of responsibility and accountability of such Directors, taking into consideration of the Company's performance and prevailing market conditions. The remuneration policy of Independent Non-Executive Directors is to ensure they are adequately compensated for their efforts and time dedicated to the Company's affairs including their participation in respective Board Committees. Their emoluments are determined with reference to their skills, experience, knowledge, duties and market trends.

The Company established the Remuneration Committee on 21 December 2011 with written terms of reference (which were updated by the Board on 19 March 2012) in compliance with the GEM Listing Rules and the New Code.

For the year ended 31 December 2012, the members of the Remuneration Committee comprise Mr. Phung Nhuong Giang, Mr. Ngan Chi Keung, Mr. Wong Sik Kei and Mr. Wong Wai Hon Telly. The Chairman of the Remuneration Committee was Mr. Phung Nhuong Giang, the majority of whom are Independent Non-Executive Directors. The primary duties of the Remuneration Committee are mainly to make recommendations to the Board on the overall remuneration policy and structure relating to the Directors and senior management of the Group, review and evaluate their performance in order to make recommendations on the remuneration package of each of the Directors and senior management personnel as well as other employee benefit arrangements. The Remuneration Committee held one meeting for year ended 31 December 2012, and the attendance records of individual Committee members are set below:

	Number of Meetings Attended/Held
Mr. Wong Wai Hon Telly	1/1
Mr. Phung Nhuong Giang (resigned on 1 February 2013) (Chairman from 21 December 2011 to 31 January 2013)	1/1
Mr. Wong Sik Kei	1/1
Mr. Ngan Chi Keung	1/1
Mr. Yung Kai Tai (appointed as Chairman on 1 February 2013)	0/0

Commencing from 1 February 2013, the Remuneration Committee consists of Mr. Wong Wai Hon Telly, Mr. Wong Sik Kei, Mr. Ngan Chi Keung and Mr. Yung Kai Tai.

The fees for Directors are subject to the approval of the shareholders at the general meetings in accordance with the Articles of Association of the Company. Details of the remuneration paid to Directors and members of senior management for the financial year ended 31 December 2012 are disclosed in the notes to the financial statements.

The Remuneration Committee consults with the Chairman and/or the Chief Executive Officer on its proposals and recommendations if necessary. The Remuneration Committee is provided with sufficient resources enabling it to perform its duties and it can seek independent professional advice at the Company's expense if necessary. The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

AUDIT COMMITTEE

The Company established the Audit Committee on 21 December 2011 with written terms of reference (which were updated by the Board on 19 March 2012) in compliance with the GEM Listing Rules and the New Code. The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

The members of the Audit Committee for the year ended 31 December 2012 comprised Mr. Ngan Chi Keung, Mr. Wong Sik Kei and Mr. Phung Nhuong Giang, all of whom are Independent Non-Executive Directors. The Chairman of the Audit Committee is Mr. Ngan Chi Keung. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of the external auditors, review the financial statements and related materials and provide advice in respect of the financial reporting process and oversee the internal control procedures of the Group.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2012.

Full minutes of the Audit Committee meetings are kept by the Company Secretary. Draft and final versions of minutes of the meetings are sent to all committee members for their comments and records within a reasonable time after the meeting.

The Audit Committee held four meetings for the year ended 31 December 2012, and the attendance records of individual Committee members are set below:

	Number of Meetings Attended/Held
Mr. Ngan Chi Keung (Chairman)	4/4
Mr. Phung Nhuong Giang (resigned on 1 February 2013)	2/4
Mr. Wong Sik Kei	4/4
Mr. Yung Kai Tai (appointed on 1 February 2013)	0/0

Commencing from 1 February 2013, the Audit Committee consists of Mr. Ngan Chi Keung, Mr. Wong Sik Kei and Mr. Yung Kai Tai.

The Audit Committee is provided with sufficient resources enabling it to perform its duties and it can seek independent professional advice at the Company's expense if necessary.

AUDITORS AND THEIR REMUNERATION

The accounts for the year ended 31 December 2012 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting of the Company. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be re-appointed as the auditors of the Company at the forthcoming annual general meeting of the Company.

During the year ended 31 December 2012, the remuneration paid or payable to HLB Hodgson Impey Cheng Limited, the auditors of the Company, in respect of the audit services rendered was approximately HK$700,000.

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.

The Board reviews the Company's compliance with Appendix 15 to the GEM Listing Rules (Corporate Governance Code and Corporate Governance Report) in its regular meetings from time to time.

For the year under review, no meetings were held by the Board in relation to the corporate governance function of the Company.

The Board is provided with sufficient resources enabling it to perform its duties in relation to the corporate governance function and it can seek independent professional advice at the Company's expense if necessary. As of the date of this Report, no terms of reference of corporate governance function of the Company were prepared by the Board.

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

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 of the Company, 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 end no later than seven (7) days prior to the date of such general meeting. The relevant procedures are set out in the circular to the shareholders which is sent together with this Report.

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 2012 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 2012. There has been no new business opportunities which are required to be referred to Independent Non-Executive Directors under the Deed of Non-competition executed by each of the Covenantors up to the date of this Report.

Hong Kong, 18 March 2013

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 2012.

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 15 to the Financial Statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2012 and the state of affairs of the Group at that date are set out in the Financial Statements on pages 52 to 115 of this Report.

DIVIDENDS

During the year under review, the Group declared and paid dividends in aggregate amounts of approximately HK$5.88 million for the three months ended 31 March 2012 to the shareholders of the Company on 5 June 2012.

The Board has resolved to recommend the payment of a final dividend of HK1.1 cents per ordinary share in cash for the year ended 31 December 2012 (2011: nil), subject to approval of the shareholders of the Company at the forthcoming annual general meeting, to the shareholders registered on 14 May 2013.

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members will be closed from 2 May 2013 (Thursday) to 6 May 2013 (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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 30 April 2013 (Tuesday).

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past four financial years is set out on page 115 of this Report.

COMPLIANCE ADVISER'S INTEREST

As notified by Mizuho Securities Asia Limited, the compliance adviser of the Company (the "Compliance Adviser"), none of the Compliance Adviser, or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Company or any right to subscribe for or to nominate any person to subscribe shares in the Company or any member of the Group as at 31 December 2012 pursuant to Rule 6A.32 of the GEM Listing Rules.

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

PROPERTY, PLANT AND EQUIPMENT

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

BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at the balance sheet date are set out in note 24 to the Financial Statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 26 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 28 to the Financial Statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2012, 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$26,612,000 (2011: NIL).

MAJOR CLIENTS AND SUPPLIERS

Sales to the Group's five largest clients accounted for approximately 66% of the total sales for the year and sales to the largest client included therein amounted to approximately 26% 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 55% from our 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 (re-designated from Independent Non-Executive Director to Executive Director on 1 February 2013)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Sik Kei
Mr. Ngan Chi Keung
Mr. Yung Kai Tai (appointed on 1 February 2013)

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.

Pursuant to Article 84(1) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation and shall be eligible for re-election. Every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

By virtue of Article 84(1) of the Articles of Association, Ms. Chang Men Yee Carol, Mr. Suen Fuk Hoi and Mr. Ngan Chi Keung, being one-third of the Directors, shall retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

By virtue of Article 83(3) of the Articles of Association, Mr. Yung Kai Tai shall hold office only until the forthcoming annual general meeting of the Company and, being eligible, offer himself for re-election at the forthcoming annual general meeting of the Company.

PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

The particulars of Directors of the Company and senior management of the Group are disclosed in the section headed "Particulars of Directors and Senior Management" on pages 18 to 21 of this Report.

DIRECTORS' SERVICE CONTRACT

Each of the executive Directors and independent non-executive Directors (except Mr. Phung Nhuong Giang and Mr. Yung Kai Tai) has entered into a service contract and an appointment letter with the Company for an initial term of three years commencing from 21 December 2011 respectively.

Mr. Phung Nhuong Giang and Mr. Yung Kai Tai, who were re-designated as Executive Director and appointed as Independent Non-Executive Director of the Company on 1 February 2013 respectively, have entered into a service contract and an appointment letter with the Company for an initial term of three years commencing from 1 February 2013 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 2012 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 30 to the Financial Statements, none of the Directors had material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries, fellow subsidiaries or its parent company was a party during the year under review.

NON-COMPETE UNDERTAKING

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

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

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

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

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2012, 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 the date of this Report, the interests and short positions of the Directors and chief executives of the Company (the "Chief Executives") in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or Chief Executive is taken or deemed to have under such provision of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company, or which were required, pursuant to standard of dealings by Directors as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:–

LONG POSITIONS IN THE SHARES OF THE COMPANY

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

Note:–

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

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

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

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

LONG POSITIONS IN THE SHARES OF THE COMPANY

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

Notes:-

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

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

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

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 22 to 33 of this Report.

EMOLUMENT POLICY

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

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 December 2012 are set out in note 30 to the Financial Statements. Those related party transactions constitute continuing connected transactions both exempted and non-exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

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

(1) SOFTWARE OEM DISTRIBUTORSHIP AGREEMENT

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

(2) TECHNICAL RESEARCH SUBCONTRACTING AGREEMENT

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

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

(3) SUB-LEASE AGREEMENT

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

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

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

(1) Licence Agreement for WISE-xb System

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

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

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

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

(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 (1) Software OEM Distributorship Agreement under the heading of "Continuing Connected Transactions" on page 44 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.

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 Technical Research Subcontracting Agreement, Sub-lease Agreement, the Licence Agreement and the Service 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 2012 as announced by the Group.

CONFIRMATION OF AUDITORS OF THE COMPANY

HLB Hodgson Impey Cheng Limited, 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 2012 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the annual general meeting. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting. The accounts for the years ended 31 December 2010 and 2011 were audited by HLB Hodgson Impey Cheng. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganized as HLB Hodgson Impey Cheng Limited. 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, 18 March 2013

國衛會計師事務所有限公司
Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants

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

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

We have audited the consolidated financial statements of ETS Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 52 to 114, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, 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
Chartered Accountants
Certified Public Accountants

Kwok Kin Leung
Practising Certificate Number: P05769

Hong Kong, 18 March 2013

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Revenue	5	164,619	195,762
Other income	6	60	436
Other gains – net	7	301	4
Employee benefits expenses	8	(119,842)	(144,581)
Depreciation and amortization		(6,921)	(5,753)
Other operating expenses		(21,752)	(21,436)
Operating profit		16,465	24,432
Finance costs	9	(445)	(1,433)
Profit before tax	10	16,020	22,999
Income tax expense	11	(1,833)	(3,772)
Profit for the year		14,187	19,227
Total comprehensive income for the year		14,187	19,227
Profit attributable to owners of the Company		14,187	19,227
Total comprehensive income attributable to owners of the Company		14,187	19,227
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 2012

	Note	**2012 HK$'000**	2011 HK$'000
Non-current assets			
Property, plant and equipment	16	**6,620**	8,078
Intangible assets	17	**7,459**	3,598
Deferred income tax assets	25	**683**	–
		14,762	11,676
Current assets			
Trade and other receivables	18	**35,911**	46,694
Financial assets designated as at fair value through profit or loss	19	**3,239**	3,203
Amounts due from related companies	20	**290**	768
Pledged bank deposits	21	**9,761**	3,577
Cash and cash equivalents (excluding bank overdrafts)	22	**40,403**	3,221
		89,604	57,463
Current liabilities			
Trade and other payables	23	**13,152**	10,062
Borrowings	24	**13,541**	16,609
Current income tax liabilities		**765**	1,874
		27,458	28,545
Net current assets		**62,146**	28,918
Total assets less current liabilities		**76,908**	40,594
Non-current liabilities			
Borrowings	24	**–**	150
Deferred income tax liabilities	25	**416**	297
		416	447
Net assets		**76,492**	40,147
Equity attributable to the owners of the Company			
Share capital	26	**2,800**	–
Share premium	26	**25,238**	–
Reserves	28	**48,454**	40,147
Total equity		**76,492**	40,147

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 18 March 2013 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.

As at 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Investments in subsidiaries	15	**40,151**	40,151
Current assets			
Other receivables		**48**	–
Amounts due from subsidiaries	15	**28,939**	–
Cash and cash equivalents	22	**16,247**	32
		45,234	32
Current liabilities			
Trade and other payables	23	**573**	–
Amount due to a subsidiary	15	**14,986**	36
Current income tax liabilities		**263**	–
		15,822	36
Net current assets/(liabilities)		**29,412**	(4)
Net assets		**69,563**	40,147
Equity attributable to the owners of the Company			
Share capital	26	**2,800**	–
Share premium	26	**25,238**	–
Reserves	28	**41,525**	40,147
Total equity		**69,563**	40,147

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 2012

	Attributable to owners of the Company				
	Share capital HK$'000 *(Note 26)*	**Share premium** HK$'000 *(Note 26)*	**Merger reserve** HK$'000 *(Note 28)*	**Retained profits** HK$'000 *(Note 28)*	**Total equity** HK$'000
Balance at 1 January 2011	20,534	5,090	–	11,796	37,420
Profit for the year	–	–	–	19,227	19,227
Total comprehensive income for the year	–	–	–	19,227	19,227
Corporate Reorganization	(20,534)	(5,090)	25,624	–	–
Interim dividend paid *(Note 14)*	–	–	–	(16,500)	(16,500)
Balance at 31 December 2011 and 1 January 2012	–	–	25,624	14,523	40,147
Profit for the year	–	–	–	14,187	14,187
Total comprehensive income for the year	–	–	–	14,187	14,187
Capitalization issue credited as fully paid on the share premium account of the Company	2,100	(2,100)	–	–	–
Issuance of new shares by way of placing	700	41,300	–	–	42,000
Share issuance costs	–	(13,962)	–	–	(13,962)
Interim dividend paid *(Note 14)*	–	–	–	(5,880)	(5,880)
Balance at 31 December 2012	**2,800**	**25,238**	***25,624**	***22,830**	**76,492**

* These reserve accounts comprise the consolidated reserves approximately HK$48,454,000 (2011: approximately HK$40,147,000) in the consolidated statement of financial position.

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

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
Profit before tax		16,020	22,999
Adjustments for:			
Interest income		(60)	(16)
Interest expense		445	1,433
Depreciation and amortization		6,921	5,753
Loss on disposal of property, plant and equipment		–	100
Fair value gain on financial assets designated as at fair value through profit or loss		(36)	(4)
Operating cash flows before changes in working capital		23,290	30,265
Trade and other receivables		10,783	(13,418)
Amounts due from related companies		478	1,260
Trade and other payables		3,090	(10,917)
Cash generated from operations		37,641	7,190
Income tax paid		(3,506)	(2,312)
Net cash generated from operating activities		34,135	4,878
Cash flows from investing activities			
Interest received		60	16
Increase in pledged bank deposits		(6,184)	(10)
Additions of intangible assets		(7,482)	(2,483)
Purchase of property, plant and equipment		(1,845)	(4,458)
Proceeds from disposal of property, plant and equipment		3	–
Net cash used in investing activities		(15,448)	(6,935)
Cash flows from financing activities			
Dividends paid		(5,880)	(16,500)
Interest paid		(445)	(1,433)
Proceeds from placing of shares		42,000	–
Payments of share issuance costs		(13,962)	–
Proceeds from bank borrowings		63,690	121,742
Repayment of bank borrowings		(65,199)	(125,411)
Repayment of finance lease liabilities		(228)	(877)
Net cash generated from/(used in) financing activities		19,976	(22,479)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		38,663	(24,536)
Cash, cash equivalents and bank overdrafts at beginning of the year		1,740	26,276
Cash, cash equivalents and bank overdrafts at end of the year	22	40,403	1,740

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

1. GENERAL INFORMATION OF THE GROUP AND CORPORATE REORGANIZATION

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of 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 available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

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.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

There are no HKFRSs or HK(IFRIC) interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Group.

(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 2012, 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, expect the following set out below:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

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

Amendment to HKAS 1, "Presentation of Financial Statements" regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in other comprehensive income.

HKFRS 13, "Fair Value Measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP.

HKFRS 9, "Financial Instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the consolidated statement of comprehensive income, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Group will also consider the impact of the remaining phases of HKFRS 9 when completed by the directors of the Company.

HKFRS 10, "Consolidated Financial Statements", builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess HKFRS 10's full impact and intends to adopt HKFRS 10 no later than the accounting period beginning on or after 1 January 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

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

HKFRS 12, "Disclosures of Interests in Other Entities", includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off statement of financial position vehicles. The Group is yet to assess HKFRS 12's full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1 January 2013.

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

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise from circumstances where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Business 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. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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.

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

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 in their capacity as owners). The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

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

2.2.2 Separate financial statements

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 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.

2.4 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 comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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

2.4 Foreign currency translation (continued)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a 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 date of that statement of financial position;

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

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

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

2.5 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 comprehensive income during the financial period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (continued)

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

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

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

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

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

2.6 Intangible assets

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)

2.6 Intangible assets (continued)

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.

2.7 Impairment of non-financial assets

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

2.8 Financial assets

2.8.1 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (continued)

2.8.1 Classification (continued)

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

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with changes in fair value presented as "Other gains – net" in the consolidated statement of comprehensive income. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognized in accordance with the accounting policies set out for below.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

(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", "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)

2.8 Financial assets (continued)

2.8.2 Recognition and measurement

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

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

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

2.9 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of financial assets

(a) Assets carried at amortized cost

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of financial assets (continued)

(b) Assets classified as available-for-sale

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

2.11 Trade and other receivables

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

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

2.12 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.

2.13 Share capital

Ordinary shares are classified as equity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Trade payables

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

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

2.15 Borrowings

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

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

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

2.16 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

2.17 Current and deferred income tax

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Current and deferred income tax (continued)

(a) Current income tax

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

(b) Deferred income tax

<u>Inside basis differences</u>

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.

<u>Outside basis differences</u>

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Current and deferred income tax (continued)

(c) Offsetting

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

2.18 Employee benefits

(a) Defined contribution plans

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

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee 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 when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 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).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

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.

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 comprehensive income, with a corresponding adjustment to equity.

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)

2.20 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.

2.21 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. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 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 are recognized using the original effective interest rate.

2.23 Leases

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

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

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

2.24 Dividend distribution

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

(ii) Price risk

Equity price risk is the risk that the fair values of securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to price risk arising from investments classified as financial assets designated as at fair value through profit or loss *(Note 19)*.

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

	Carrying amount of investments HK$'000	Increase/ (Decrease) in profit before tax HK$'000	Increase/ (Decrease) in equity HK$'000
As at 31 December 2012			
Unlisted investments at fair value			
– Financial assets designated as at fair value through profit or loss			
5% increase in fair value	**162**	**162**	**–**
5% decrease in fair value	**(162)**	**(162)**	**–**
As at 31 December 2011			
Unlisted investments at fair value			
– Financial assets designated as at fair value through profit or loss			
5% increase in fair value	160	160	–
5% decrease in fair value	(160)	(160)	–

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 (2011: 500 basis points) higher/lower with all other variables held constant, the Group's profit before taxation would have been decreased/increased by approximately HK$135,000 (2011: approximately HK$753,000). 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 (2011: 500 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, 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 2012, the Group has certain concentrations of credit risk as 20% and 75% (2011: 28% and 67%) 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 18.

(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 2012			
Trade payables	511	–	511
Financial liabilities included in other payables	11,331	–	11,331
Borrowings			
– Term loan subject to a repayable on demand clause	13,911	–	13,911
	25,753	–	25,753

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

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 2012			
Borrowings-Term loan subject to a repayable on demand clause	**10,186**	**3,725**	**13,911**
As at 31 December 2011			
Borrowings-Term loan subject to a repayable on demand clause	7,381	8,794	16,175

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, 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, and borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital comprises all components of equity (including share capital, share premium and reserves as shown in the consolidated statement of financial position) plus net debt.

The gearing ratios of the Group are as follows:

	2012 HK$'000	2011 HK$'000
Total debt	26,693	26,821
Less: cash and cash equivalents	(40,403)	(3,221)
Net debt	–	23,600
Total equity	76,492	40,147
Total capital	76,492	63,747
Gearing ratio	N/A	37%

3.3 Fair value estimation

The 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 2012.

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
Financial assets designated as at fair value through profit or loss				
– Unlisted investment designated as at fair value through profit or loss	**–**	**3,239**	**–**	**3,239**

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

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

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

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

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

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

3.4 Financial instruments by category

	2012 **HK$'000**	2011 HK$'000
Financial assets		
Financial assets designated as at fair value through profit or loss	**3,239**	3,203
Loans and receivables:		
– Trade receivables	**27,452**	37,049
– Financial assets included in other receivables	**4,581**	1,909
– Amounts due from related companies	**290**	768
– Pledged bank deposits	**9,761**	3,577
– Cash and cash equivalents	**40,403**	3,221
	85,726	49,727

	2012 **HK$'000**	2011 HK$'000
Financial liabilities		
At amortized costs:		
– Trade payables	**511**	488
– Financial liabilities included in other payables	**11,331**	8,503
– Borrowings	**13,541**	16,759
	25,383	25,750

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Income taxes

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

Estimated recoverability of trade and other receivables

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

Impairment of capitalized software development costs

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

Useful life and residual value of property, plant and equipment

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

5. SEGMENT INFORMATION AND REVENUE

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

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

(a) Outsourcing inbound contact service;

(b) Outsourcing outbound contact service;

(c) Staff insourcing service;

(d) Contact service centre facilities management service; and

(e) The "Others" segment which principally comprises licencing and sales of system and software.

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 2011 and 2012 are as follows:

For the year ended 31 December 2012

	Outsourcing inbound contact service HK$'000	Outsourcing outbound contact service HK$'000	Staff insourcing service HK$'000	Contact service centre facilities management service HK$'000	Others HK$'000	Total HK$'000
Segment revenue	9,719	61,402	58,764	30,189	4,545	164,619
Segment results	1,212	16,344	6,516	8,342	3,518	35,932
Depreciation and amortization	796	1,959	–	3,368	518	6,641
Total segment assets	2,518	16,033	5,884	12,229	4,423	41,087
Total segment assets includes:						
Additions to non-current assets (other than financial instruments)	1,064	2,620	–	4,504	1,085	9,273
Total segment liabilities	1,040	3,918	1,768	212	–	6,938

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

For the year ended 31 December 2011

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

There were no inter-segment sales during the year ended 31 December 2012. The revenue from external parties reported to the Company's directors is measured in a manner consistent with that in the consolidated statement of comprehensive income.

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

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

	2012 HK$'000	2011 HK$'000
Segment result for reportable segments	35,932	38,286
Unallocated:		
Other income	60	436
Other gains – net	301	4
Depreciation and amortization	(280)	(1,517)
Finance costs	(445)	(1,433)
Corporate and other unallocated expenses	(19,548)	(12,777)
Profit before tax	16,020	22,999

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:

	2012 HK$'000	2011 HK$'000
Segment assets for reportable segments	41,087	44,794
Unallocated:		
Property, plant and equipment	444	3,930
Financial assets designated as at fair value through profit or loss	3,239	3,203
Deferred income tax assets	683	–
Corporate and other unallocated assets	58,913	17,212
Total assets per consolidated statement of financial position	104,366	69,139

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:

	2012 HK$'000	2011 HK$'000
Segment liabilities for reportable segments	6,938	5,066
Unallocated:		
Deferred income tax liabilities	416	297
Current income tax liabilities	765	1,874
Borrowings	13,541	16,759
Corporate and other unallocated liabilities	6,214	4,996
Total liabilities per consolidated statement of financial position	27,874	28,992

Breakdown of the revenue from all services is as follows:

Analysis of revenue by category

	2012 HK$'000	2011 HK$'000
Service fee income from provision of telecommunication and related services	160,074	194,577
Licence fee income and sales of system and software	4,545	1,185
	164,619	195,762

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

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

Information about major customers

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

	2012 HK$'000	2011 HK$'000
Customer A	**43,354**	65,151
Customer B	**22,722**	22,558
Customer C	**17,596**	N/A
Customer D	**N/A[1]**	19,201
	83,672	106,910

1 The corresponding revenue did not contribute to 10% or more of the total revenues of the Group for the year ended 31 December 2012.

6. OTHER INCOME

	2012 HK$'000	2011 HK$'000
Management fee income	**–**	420
Interest income from bank deposits	**60**	16
	60	436

7. OTHER GAINS – NET

	2012 HK$'000	2011 HK$'000
Financial assets designated as at fair value through profit or loss *(Note 19)*		
– Fair value gain	**36**	4
Net foreign exchange gains	**265**	–
	301	4

8. EMPLOYEE BENEFITS EXPENSES

	2012 HK$'000	2011 HK$'000
Salaries and allowances	122,292	140,479
Pension costs – defined contribution plans	5,032	6,585
Total employee benefits expenses, including directors' remuneration	127,324	147,064
Less: Amounts capitalized in deferred development costs	(7,482)	(2,483)
	119,842	144,581

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive for the year ended 31 December 2012 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	–	–	14	1,814
Mr. Wong Wai Hon Telly	–	1,896	–	–	14	1,910
Ms. Chang Men Yee Carol *(Note i)*	–	1,800	–	–	90	1,890
Mr. Suen Fuk Hoi	–	600	–	–	14	614
Independent non-executive directors						
Mr. Phung Nhuong Giang *(Note ii)*	82	–	–	–	–	82
Mr. Wong Sik Kei	82	–	–	–	–	82
Mr. Ngan Chi Keung	82	–	–	–	–	82
Mr. Yung Kai Tai *(Note iii)*	–	–	–	–	–	–
	246	6,096	–	–	132	6,474

Notes:

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

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

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

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

8. EMPLOYEE BENEFITS EXPENSES (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2011: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2011: two) individuals during the year are as follows:

	2012 **HK$'000**	2011 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**1,190**	1,243
Bonuses	**51**	55
	1,241	1,298

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

No emoluments were paid by the Group to any of the Company's directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2011: Nil). None of the Company's directors waived any emoluments during the year ended 31 December 2012 (2011: Nil).

9. FINANCE COSTS

	2012 **HK$'000**	2011 HK$'000
Interest on bank borrowings and bank overdrafts wholly repayable within five years	**444**	1,408
Interest on finance leases	**1**	25
	445	1,433

10. PROFIT BEFORE TAX

	2012 HK$'000	2011 HK$'000
Profit before tax is stated after charging:		
Depreciation and amortization		
Depreciation of owned property, plant and equipment	3,300	3,486
Depreciation of leased property, plant and equipment	–	92
Amortization of intangible assets	3,621	2,175
Total depreciation and amortization	6,921	5,753
Auditors' remuneration	700	700
Operating lease payments in respect of rented premises	6,813	6,065
Loss on disposal of property, plant and equipment	–	100
Research and development costs	3,621	2,175

11. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the year.

	2012 HK$'000	2011 HK$'000
Current tax:		
Current tax on profits for the year	2,477	3,823
Adjustments in respect of prior years	(80)	(295)
Total current tax	2,397	3,528
Deferred income tax *(Note 25)*	(564)	244
Income tax expense	1,833	3,772

11. INCOME TAX EXPENSE (CONTINUED)

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

	2012 HK$'000	2011 HK$'000
Profit before tax	**16,020**	22,999
Tax calculated at Hong Kong profits tax rate of 16.5%	**2,643**	3,795
Tax effects of:		
– Income not subject to tax	**(10)**	(35)
– Expenses not deductible for tax purposes	**–**	17
– Tax effect of temporary differences not recognized	**(657)**	(62)
– Over-provision in current year	**–**	5
– Adjustments in respect of prior years	**(80)**	(295)
– Tax losses for which no deferred income tax asset was recognized	**369**	103
– Others	**(432)**	244
Tax charge	**1,833**	3,772

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 279,234,973 ordinary shares issued during the year. (2011: weighted average number of 210,000,000 shares – comprising 2 shares in issue and 209,999,998 shares to be issued under the capitalization issue – as if these 210,000,000 shares had been outstanding since 1 January 2011).

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 2011 and 2012.

13. PROFIT ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

The profit attributable to the equity owners of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$7,258,000 (2011: loss of approximately HK$4,000).

14. DIVIDENDS

	2012 HK$'000	2011 HK$'000
Interim dividend paid of HK2.1 cents per ordinary share	5,880	16,500
Proposed final dividend of HK1.1 cents per ordinary share	3,080	–
	8,960	16,500

At a meeting held on 18 March 2013, the board of directors declared the payment of a final dividend of HK1.1 cents per ordinary share for the year ended 31 December 2012. The proposed final dividend for the year ended 31 December 2012 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 2012. It will be recognized in owners' equity in the year ending 31 December 2013.

At a board of directors meeting held on 10 May 2012, the Directors of the Company resolved to pay an interim dividend for the year ended 31 December 2012 of HK2.1 cents per ordinary share in cash. The interim dividend was paid to the shareholders of the Company on 5 June 2012.

The interim dividend of HK$16,500,000 paid for the year ended 31 December 2011 represented the dividend paid by respective subsidiaries to their then equity owners prior to the Corporate Reorganization. The rate of dividend and the number of shares ranking for dividends have not been presented as such information is not meaningful having regard to the purpose of these consolidated financial statements.

15. INVESTMENTS IN SUBSIDIARIES

	2012 HK$'000	2011 HK$'000
Unlisted, at cost	40,151	40,151

The amounts due from/to subsidiaries are unsecured, interest fee and repayable on demand. The balances are denominated in the functional currency of the subsidiaries.

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following is a list of the subsidiaries at 31 December 2012:

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

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements, furniture and fixtures HK$'000	Computer equipment HK$'000	Computer software HK$'000	Electronic and office equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
At 1 January 2011						
Cost	16,529	21,347	9,838	14,672	462	62,848
Accumulated depreciation	(13,788)	(20,100)	(7,601)	(13,976)	(85)	(55,550)
Net book amount	2,741	1,247	2,237	696	377	7,298
Year ended 31 December 2011						
Opening net book amount	2,741	1,247	2,237	696	377	7,298
Additions	2,093	572	1,448	345	–	4,458
Disposal	(100)	–	–	–	–	(100)
Depreciation charge	(1,239)	(927)	(963)	(357)	(92)	(3,578)
Closing net book amount	3,495	892	2,722	684	285	8,078
At 31 December 2011						
Cost	18,445	21,919	11,286	15,017	462	67,129
Accumulated depreciation	(14,950)	(21,027)	(8,564)	(14,333)	(177)	(59,051)
Net book amount	3,495	892	2,722	684	285	8,078
Year ended 31 December 2012						
Opening net book amount	**3,495**	**892**	**2,722**	**684**	**285**	**8,078**
Additions	**147**	**377**	**1,256**	**65**	**–**	**1,845**
Disposal	**–**	**–**	**–**	**(3)**	**–**	**(3)**
Transfer	**(92)**	**–**	**–**	**92**	**–**	**–**
Depreciation charge	**(1,406)**	**(558)**	**(934)**	**(310)**	**(92)**	**(3,300)**
Closing net book amount	**2,144**	**711**	**3,044**	**528**	**193**	**6,620**
At 31 December 2012						
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**

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Motor vehicle includes the following amount where the Group is a lessee under a finance lease:

	2012 HK$'000	2011 HK$'000
Cost-capitalized finance leases	–	377
Accumulated depreciation	–	(92)
Net book amount	–	285

The Group leases a motor vehicle under non-cancellable finance lease agreement. The lease terms is four years and six months, and ownership of the assets lie within the Group.

17. INTANGIBLE ASSETS

	Internally generated software development costs HK$'000
At 1 January 2011	
Cost	15,081
Accumulated amortization and impairment	(11,791)
Net book amount	3,290
Year ended 31 December 2011	
Opening net book amount	3,290
Additions	2,483
Amortization charge	(2,175)
Closing net book amount	3,598
At 31 December 2011	
Cost	17,564
Accumulated amortization and impairment	(13,966)
Net book amount	3,598
Year ended 31 December 2012	
Opening net book amount	**3,598**
Additions	**7,482**
Amortization charge	**(3,621)**
Closing net book amount	**7,459**
At 31 December 2012	
Cost	**25,046**
Accumulated amortization and impairment	**(17,587)**
Net book amount	**7,459**

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

18. TRADE AND OTHER RECEIVABLES

	2012 HK$'000	2011 HK$'000
Trade receivables	27,452	37,049
Other receivables, deposits and prepayments	8,459	9,645
	35,911	46,694

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

	2012 HK$'000	2011 HK$'000
0 – 30 days	20,870	27,597
31 – 60 days	6,040	7,544
61 – 90 days	412	1,410
Over 90 days	130	498
	27,452	37,049

Trade receivables that are less than 30 days past due are not considered impaired. As at 31 December 2012, the Group's trade receivables of approximately HK$6,992,000 (2011: approximately HK$9,620,000) were past due but not impaired. These relate to a number of independent clients for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2012 HK$'000	2011 HK$'000
0 – 30 days	4,291	7,612
31 – 60 days	2,568	1,501
61 – 90 days	129	110
Over 90 days	4	397
	6,992	9,620

As at 31 December 2012, none of the Group's trade receivables were impaired (2011: Nil).

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

The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the end of the reporting period is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

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

	2012 HK$'000	2011 HK$'000
Unlisted investment:		
– Designated as at fair value through profit or loss	**3,239**	3,203
Market value of the unlisted investment	**3,239**	3,203

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

The fair value of the investment as at the end of the reporting period is based on its current bid prices 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.

20. AMOUNTS DUE FROM RELATED COMPANIES

Name of related company	Maximum amount outstanding during the year HK$'000	2012 HK$'000	2011 HK$'000
Epro Techsoft Limited	**768**	**290**	768

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

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

The above balance is denominated in the functional currency of the relevant group entities.

21. PLEDGED BANK DEPOSITS

Pledged bank deposits represent deposits pledged to banks to secure the banking facilities and factoring facilities of the Group. The effective interest rates on pledged bank deposits ranged from 0.01% to 0.70% per annum at 31 December 2012 (2011: from 0.01% to 0.80% per annum). The maturity of these deposits ranged from 31 to 92 days. The carrying amounts of pledged bank deposits are denominated in HK$.

22. 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	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Cash at bank and on hand	**27,831**	3,221	**3,675**	32
Short-term bank deposits	**12,572**	–	**12,572**	–
Cash and cash equivalents (excluding bank overdrafts)	**40,403**	3,221	**16,247**	32

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

	The Group		The Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Cash and cash equivalents	**40,403**	3,221	**16,247**	32
Bank overdrafts *(Note 24)*	**–**	(1,481)	**–**	–
Cash and cash equivalents	**40,403**	1,740	**16,247**	32

23. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**511**	488	**–**	–
Other payables and accruals	**12,641**	9,574	**573**	–
	13,152	10,062	**573**	–

At 31 December 2012, the aging analysis of the trade payables based on invoice date is as follows:

	2012	2011
	HK$'000	HK$'000
0 – 30 days	**270**	291
31 – 60 days	**209**	163
61 – 90 days	**16**	17
Over 90 days	**16**	17
	511	488

24. BORROWINGS

	2012	2011
	HK$'000	HK$'000
Non-current		
Finance lease liabilities	**–**	150
Current		
Bank overdrafts *(Note 22)*	**–**	1,481
Bank borrowings	**13,541**	15,050
Finance lease liabilities	**–**	78
	13,541	16,609
Total borrowings	**13,541**	16,759

24. BORROWINGS (CONTINUED)

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

	2012 HK$'000	2011 HK$'000
Within 1 year	10,019	8,304
More than 1 year but not more than 2 years	1,236	3,440
More than 2 years but not more than 5 years	2,286	4,787
	13,541	16,531

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

As at 31 December 2012, the bank overdrafts bore interest at Hong Kong dollar prime rate plus 0.50% to 1.00% per annum (2011: Hong Kong dollar prime rate plus 0.50% to 1.00% per annum). The effective interest rates of the bank borrowings is 4.00% per annum at 31 December 2012 (2011: from 5.00% to 7.00% per annum) and mature until 2016.

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

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

The rights to the leased assets are reverted to the lessor in the event of default of the lease liabilities by the Group.

	2012 HK$'000	2011 HK$'000
Gross finance lease liabilities – minimum lease payments:		
No later than 1 year	–	90
Between 1 and 2 years	–	90
Later than 2 years and no later than 5 years	–	67
	–	247
Future finance charges on finance leases	–	(19)
Present value of finance lease liabilities	–	228

24. BORROWINGS (CONTINUED)

	2012 HK$'000	2011 HK$'000
The present value of finance lease liabilities is as follows:		
No later than 1 year	–	78
Between 1 and 2 years	–	84
Later than 2 year and no later than 5 years	–	66
	–	228

As at 31 December 2012, the banking facilities and factoring facilities of the Group were secured by the following:

(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$3,239,000;

(iii) Pledged bank deposits with carrying amount of approximately HK$9,761,000;

(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.

25. DEFERRED INCOME TAX

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

	2012 HK$'000	2011 HK$'000
At 1 January	**297**	53
(Credited)/Charged to the consolidated statement of comprehensive income *(Note 11)*	**(564)**	244
At 31 December	**(267)**	297

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 income tax liabilities:	**Accelerated tax depreciation HK$'000**
At 1 January 2011	53
Charged to the consolidated statement of comprehensive income	244
At 31 December 2011	297
Charged to the consolidated statement of comprehensive income	119
At 31 December 2012	**416**

Deferred income tax assets:	**Decelerated tax depreciation HK$'000**
At 1 January 2011	–
Credited to the consolidated statement of comprehensive income	–
At 31 December 2011	–
Credited to the consolidated statement of comprehensive income	(683)
At 31 December 2012	**(683)**

25. DEFERRED INCOME TAX (CONTINUED)

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 2012, the Group has unused tax losses of approximately HK$2,856,000 (2011: approximately HK$624,000) which are available for offset against future profits that may be carried forward indefinitely. Certain amounts of unused tax losses are subject to approval from the Hong Kong Inland Revenue Department.

26. SHARE CAPITAL AND PREMIUM

	Number of ordinary shares	Ordinary shares of HK$0.01 each
		HK$'000
Authorized share capital:		
On 29 June 2011 (date of incorporation)	38,000,000	380
Increase in authorized share capital *(Note a)*	4,962,000,000	49,620
As at 31 December 2011 and 2012	**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:			
On 29 June 2011 (date of incorporation) *(Note b)*	1	–	–
Issuance of share pursuant to the Corporate Reorganization *(Note c)*	1	–	–
As at 31 December 2011	2	–	–
Capitalization issue credited as fully paid on the share premium account of the Company *(Note d)*	209,999,998	2,100	(2,100)
Issuance of new shares by way of placing *(Note e)*	70,000,000	700	27,338
As at 31 December 2012	**280,000,000**	**2,800**	**25,238**

26. SHARE CAPITAL AND PREMIUM (CONTINUED)

Notes:

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

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

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

(d) On 5 January 2012, pursuant to resolutions passed by the sole shareholder of the Company, the Company issued 209,999,998 ordinary shares to the then shareholders upon capitalization of an amount of HK$2,099,999.98 standing to the credit of the share premium account of the Company. Pursuant to resolutions passed by the board of directors on 21 December 2011, the capitalization shares was credited as fully paid at par by way of capitalization out of the share premium account of the Company.

(e) On 9 January 2012, the Company completed its placing by issuing 70,000,000 ordinary shares of HK$0.01 each at a price of HK$0.60 per ordinary share. The net proceeds from the initial public offering were approximately HK$28,038,000 after deduction of share issuance costs of approximately HK$13,962,000. The Company's shares were listed on the GEM on the same date.

27. 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.

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

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.

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 2011 and 2012.

28. RESERVES

(a) The Group

Share premium

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

Merger reserve

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

(b) The Company

	Special reserve HK$'000	**(Accumulated loss)/ Retained profits** HK$'000	**Total** HK$'000
Date of incorporation	–	–	–
Corporate Reorganization	40,151	–	40,151
Loss for the period	–	(4)	(4)
As at 31 December 2011	40,151	(4)	40,147
Profit for the year	–	7,258	7,258
Interim dividends paid *(Note 14)*	–	(5,880)	(5,880)
As at 31 December 2012	**40,151**	**1,374**	**41,525**

Special reserve

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

29. 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:

	2012 HK$'000	2011 HK$'000
No later than 1 year	**9,223**	5,851
Later than 1 year and no later than 5 years	**8,228**	5,412
	17,451	11,263

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

30. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed in Notes 8, 20 and 24 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*	2012 HK$'000	2011 HK$'000
Epro Techsoft Limited	Purchase of software system	*(ii) & (iii)*	**–**	274
	Management fee income	*(ii) & (iii)*	**–**	(420)
	Licence fee income	*(i), (iii) & (iv)*	**(214)**	(648)
Guangzhou EproTech Company Limited	Subcontracting fee for software technical research and development services	*(ii), (iii) & (iv)*	**1,017**	969
Guangzhou Epro Information Technology Co., Ltd	Licence fee income	*(ii) & (iii)*	**(538)**	(537)

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

(iii) Epro Techsoft Limited, Guangzhou EproTech Company Limited and Guangzhou Epro Information Technology Co., Ltd 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.

Key management personnel compensation

	2012 HK$'000	2011 HK$'000
Salaries and short-term employee benefits	6,342	6,082
Post employment benefits	132	96
	6,474	6,178

	For the year ended 31 December			
	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Results				
Revenue	**164,619**	195,762	191,147	190,632
Operating profit	**16,465**	24,432	17,945	21,271
Finance costs	**(445)**	(1,433)	(1,628)	(1,114)
Profit before tax	**16,020**	22,999	16,317	20,157
Income tax expense	**(1,833)**	(3,772)	(2,563)	(2,662)
Profit for the year	**14,187**	19,227	13,754	17,495

	At 31 December			
	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Asset and liabilities				
Property, plant and equipment	**6,620**	8,078	7,298	8,405
Intangible assets	**7,459**	3,598	3,290	2,806
Available-for-sales financial assets	**–**	–	–	4,538
Deferred income tax assets	**683**	–	–	–
Net current assets	**62,146**	28,918	27,113	28,117
Total assets less current liabilities	**76,908**	40,594	37,701	43,866
Borrowings	**–**	(150)	(228)	(803)
Deferred income tax liabilities	**(416)**	(297)	(53)	(67)
Net assets	**76,492**	40,147	37,420	42,996
Capital and reserves				
Share capital	**2,800**	–	20,534	20,534
Share premium	**25,238**	–	–	–
Reserves	**48,454**	40,147	16,886	22,462
Total equity	**76,492**	40,147	37,420	42,996
Earnings per share attributable to owners of the Company – Basic and diluted (HK cents)	**5.1**	9.2	6.5	8.3

Notes:

1. The results of the Group for the year ended 31 December 2012 and 2011 are those set out on page 52 of this annual report.

2. The consolidated statement of financial position as at 31 December 2012 and 2011 are those set out on page 53 of this annual report.