ETS Group Limited
易通訊集團有限公司

(Incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立的有限公司）
Stock Code 股份代號 : 8031

2013
Annual Report 年報

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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.

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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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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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28 Queen's Road East,
Wanchai,
Hong Kong
(with effect from 31 March 2014, the address will be changed to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong)

WEBSITE

www.etsgroup.com.hk

STOCK CODE

8031

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of ETS Group Limited (the "Company"), I am pleased to present the audited consolidated annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2013 to all shareholders and investors.

Our Group has been well-established 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 and other services such as licencing and sale of systems and software.

For the financial year ended 31 December 2013, the Group recorded a revenue of approximately HK$169.7 million, representing an increase by approximately 3% as compared with that of 2012. Profit attributable to owners of the Company increased by approximately 81% from approximately HK$14.2 million for the year ended 31 December 2012 to approximately HK$25.7 million for the year ended 31 December 2013.

The Board recommends the payment of a final dividend of HK1.5 cents per share for the year ended 31 December 2013 to shareholders.

The Group had embarked on expanding its business through the acquisition of Epro BPO Services Limited (the "Acquisition") by Elite Depot Holdings Limited, a wholly-owned subsidiary of the Company, in July 2013 to expand the development of the multi-media contact services and explore more business opportunities in the People's Republic of China (the "PRC"). The inclusion of operating profits of Epro BPO Services Limited and its subsidiaries had contributed a moderate profit to the Group for the year 2013. The Acquisition has produced the synergy effect of lowering the cost and enhancing the development of WISE-xb Systems and improving the operation efficiency of the Group.

Moreover, the new business centre established in Kwun Tong has recorded a satisfactory occupancy rate with rewardful income contributed to the Group. The Group estimated that the gross profit margin of the business centre will be improved and further increase the profitability of the Group in the coming quarters.

The Company has also engaged professional parties to commence a feasibility study on the proposed transfer of listing of shares of the Company from the Growth Enterprise Market to the Main Board of the Stock Exchange of Hong Kong Limited. The proposed transfer of listing, if successful, shall benefit the Company by enhancing its trading liquidity, promoting the Company's corporate profile and gaining recognition from public investors. The Board is of the view that the proposed transfer of listing will lead to advantages in future growth, financing flexibility and business development of the Group. However, shareholders of the Company should be aware that the implementation of the transfer of listing is subject to, among other things, the granting of the relevant approval by the Stock Exchange and may or may not proceed. Accordingly, shareholders of the Company are reminded to exercise caution when dealing in the shares of the Company.

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 Mainland China and Southeast Asia.

On behalf of the Board, I would like to express my sincere appreciation to our fellow directors, 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, 17 March 2014

BUSINESS OVERVIEW

The Group is continuously engaged in the business of providing comprehensive multi-media contact services and contact centre system. The principle services of the Group include:

OUTSOURCING INBOUND CONTACT SERVICE

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

OUTSOURCING OUTBOUND CONTACT SERVICE

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

STAFF INSOURCING SERVICE

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

CONTACT SERVICE CENTRE FACILITIES MANAGEMENT SERVICE

The contact service centre facilities management service is comprised of three types of service including (a) leasing of our contact centre facilities in form of workstation, (b) IVRS hosting service and (c) contact centre system hosting solution.

BUSINESS ENVIRONMENT

Local business environment remained challenging in the year of 2013. Even with the property market cooling measures introduced in early 2013, rental cost stayed at record high level for all the rented premises of the Group, and continued to impose pressure on the profit margin of the business. However, the flip side of the situation is better prospect and more opportunities on the demand of business centre. The opening of our business centre in early 2013 has helped the Group to capture this market segment and further expanded our service scope.

Local labour market remained active in the past year, and to respond to the challenge, the Group has continued to allocate resources to staff recruitment and retention in order to effectively recruit and retain valuable staff, while at the same time provided training to expand the multi-skill capability and in turn increase productivity of the contact service staff. Besides, our Group has started to insource agents with relevant skill sets from our associate company as an additional channel of manpower supply.

According to The Bureau of Foreign Trade and Economic Co-operation of Guangzhou Municipality, the business scale of the PRC's call centre business was over RMB60 billion by November 2013, and is growing at a rate of approximately 15% annually. To promptly capture this opportunity, the Group has acquired a new contact service centre at Guangzhou in 2013 through the control of our indirect wholly-owned subsidiary.

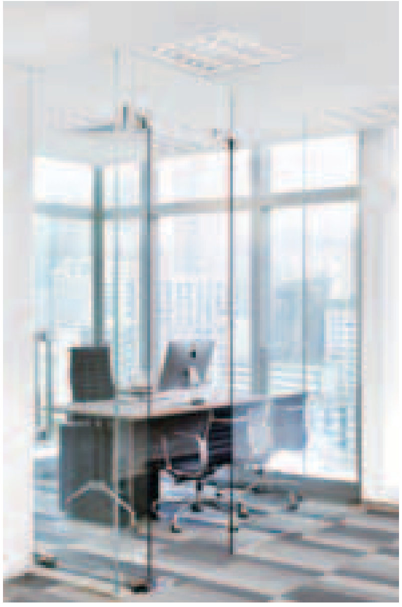
ACQUISITION

In order to increase the competitiveness and strength of our research and development capability, the Group entered into the agreement with Epro Group International Limited, pursuant to which the Group agreed to purchase the shares of Epro BPO Services Limited and its subsidiary Guangzhou EproTech Company Limited# (廣州普廣科技有限公司) (the "WOFE") on 5 July 2013. The WOFE is principally engaged in research, development and selling of electronic components, meters and computer software and consulting services in relation to communication system software and electronic technology. The Board believed that the acquisition has much synergy effect and can strengthen the ongoing development of the Group's WISE-xb Systems with a lower cost and in turn more competitive pricing. In addition, the combined expertise of Hong Kong and the PRC development teams enables the Group to further explore any IT outsourcing opportunities in the region.

Besides, the Group expanded into the PRC call centre market through entering into the control agreements with Guangzhou Junfeng Network Technology Limited# (廣州浚峰網絡技術有限公司) (the "PRC Company") on 5 July 2013, by the WOFE. The PRC Company is principally engaged in providing comprehensive multi-media contact services in the PRC with over 350 workstations and employed an average of approximately 540 contact service staff from 1 August 2013 to 31 December 2013. Through the acquisition, the Group acquires the ability to offer comprehensive multi-media contact services in both Hong Kong and the PRC.

NEW CONTACT CENTRE

To capture different market segments as well as expand and diversify our business coverage, the Group had opened its first business centre in February 2013. The business centre is named "Elite Business Centre" and is located at a Grade-A office building at 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 around 40 rental room units of various sizes.



FINANCIAL REVIEW

REVENUE

The Group recorded an increase in total revenue to approximately HK$169.7 million for the year ended 31 December 2013 from approximately HK$164.6 million for the year ended 31 December 2012, representing an increase of approximately HK$5.1 million as compared to that of last year. The revenue from outsourcing inbound and outbound contact services has significantly increased with the contribution from the PRC operation. 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 26% in staff insourcing revenue. The revenue of facilities management service decreased from approximately HK$30.2 million for the year ended 31 December 2012 to approximately HK$27.5 million for the year ended 31 December 2013. The sale and licencing income of WISE-xb System and software are approximately HK$4.5 million and approximately HK$6.4 million for the years ended 31 December 2012 and 2013 respectively which shown a positive and increasing trend.

The outsourcing inbound contact service, outsourcing outbound contact service, staff insourcing service, contact service centre facilities management service and others accounted for approximately 9.9%, 44.3%, 25.8%, 16.2% and 3.8% of the Group's total revenue for the year ended 31 December 2013 respectively. The following table sets forth the analysis of revenue by business units of our Group for the years ended 31 December 2013 and 2012 respectively:

COMPOSITION OF REVENUE

	Year ended 31 December			
	2013		2012	
	HK$'000		HK$'000	
Outsourcing inbound contact service	**16,849**	**9.9%**	9,719	5.9%
Outsourcing outbound contact service	**75,240**	**44.3%**	61,402	37.3%
Staff insourcing service	**43,774**	**25.8%**	58,764	35.7%
Contact service centre facilities management service	**27,520**	**16.2%**	30,189	18.3%
Others*	**6,358**	**3.8%**	4,545	2.8%
Revenue	**169,741**	**100%**	164,619	100%

* The "Others" segment which principally comprises licencing and system maintenance income amounted to approximately HK$1.5 million and sale of system and software income amounted to approximately HK$4.9 million.

COMPOSITION OF REVENUE BY COUNTRY

The following table sets forth the analysis of the segment by country of the Group for the years ended 31 December 2013 and 2012 respectively:

	Year ended 31 December 2013		Year ended 31 December 2012		
	HK$'000	**% to Group's turnover**	HK$'000	% to Group's turnover	Change of %
HK	**150,319**	**88.6%**	164,619	100%	(8.7%)
PRC	**19,422**	**11.4%**	–	–	
Total	**169,741**	**100%**	164,619	100%	3.1%

The Group recorded a total revenue amounted to approximately HK$169.7 million and approximately HK$164.6 million for the years ended 31 December 2013 and 2012 respectively. The revenue in Hong Kong decreased from approximately HK$164.6 million for the year ended 31 December 2012 to approximately HK$150.3 million for the year ended 31 December 2013. The decrease of revenue in Hong Kong is mainly due to the decrease of revenue of staff insourcing service. The Group recorded a revenue amounted to approximately HK$19.4 million for the five months ended 31 December 2013 from the acquired companies in the PRC.

SEGMENT RESULT AND GROSS PROFIT MARGIN

The following table sets forth the analysis of segment result and gross profit margin by business units of our Group for the years ended 31 December 2013 and 2012 respectively:

	Year ended 31 December			
	2013 HK$'000	**Gross profit margin %**	2012 HK$'000	Gross profit margin %
Outsourcing inbound contact service	**3,342**	**19.8%**	1,212	12.5%
Outsourcing outbound contact service	**19,369**	**25.7%**	16,344	26.6%
Staff insourcing service	**8,968**	**20.5%**	6,516	11.1%
Contact service centre facilities management service	**9,510**	**34.6%**	8,342	27.6%
Others	**5,316**	**83.6%**	3,518	77.4%
Total	**46,505**	**27.4%**	35,932	21.8%

The gross profit percentage of our Group increased from approximately 21.8% for the year ended 31 December 2012 to approximately 27.4% for the year ended 31 December 2013.

OUTSOURCING INBOUND CONTACT SERVICE

For the year ended 31 December 2013, the outsourcing inbound contact service segment recorded a revenue of approximately HK$16.9 million, representing an increase of approximately 73.4% as compared to that of last year. The increase of revenue was mainly due to the addition of outsourcing inbound contact service revenue of China amounted to approximately HK$6.7 million. The gross profit margin of outsourcing inbound contact service increased from approximately 12.5% for the year ended 31 December 2012 to approximately 19.8% for the year ended 31 December 2013. The increase in the gross profit margin of the outsourcing inbound contact service was mainly contributed to the improved efficiency of multi-skilled contact service staff and some short term services with high profit margin.

OUTSOURCING OUTBOUND CONTACT SERVICE

For the year ended 31 December 2013, the outsourcing outbound contact service segment recorded a revenue of approximately HK$75.2 million, representing an increase of approximately 22.5% as compared to that of last year. The increase of revenue was mainly due to the addition of outsourcing outbound contact service revenue of China amounted to approximately HK$10.5 million. The gross profit margin of outsourcing outbound contact service slightly decreased from approximately 26.6% for the year ended 31 December 2012 to approximately 25.7% for the year ended 31 December 2013.

STAFF INSOURCING SERVICE

For the year ended 31 December 2013, the staff insourcing service segment recorded a revenue of approximately HK$43.8 million, representing a decrease of approximately 25.5% as compared to that of last year. The decrease of revenue was mainly 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 of staff insourcing service increased from approximately 11.1% for the year ended 31 December 2012 to approximately 20.5% for the year ended 31 December 2013. The significant increase in the gross profit margin was mainly contributed to a higher profit margin of insourcing contact service staff with higher skill sets and technical development staff for short term software development projects.

CONTACT SERVICE CENTRE FACILITIES MANAGEMENT SERVICE

For the year ended 31 December 2013, the contact service centre facilities management service segment recorded a revenue of approximately HK$27.5 million, representing a decrease of approximately 8.8% as compared to that of last year. The decrease of revenue was mainly due to a net drop in number of workstations leased by clients. The gross profit margin of contact service centre facilities management service increased from approximately 27.6% for the year ended 31 December 2012 to approximately 34.6% for the year ended 31 December 2013. The increase in the gross profit margin was mainly contributed to the new business centre opened early in the year.

OTHERS

The "Others" segment principally comprises sale of system and software, licence fee income and maintenance fee of WISE-xb Contact Centre System. For the year ended 31 December 2013, the Group recorded a revenue of sale of system and software amounted to approximately HK$5.0 million (2012: approximately HK$4.3 million) and licence fee income amounted to approximately HK$1.4 million respectively (2012: approximately HK$0.2 million).

The segment result for others largely represents the segment result for sale of system and software which amounted to approximately HK$5.3 million for the year ended 31 December 2013.

EXPENSES

During the year under review, the employee benefit expenses decreased from approximately HK$119.8 million for the year ended 31 December 2012 to approximately HK$94.1 million for the year ended 31 December 2013. The decrease in employee benefits expenses was due to a net decrease in the number of insourced staff. Besides, the Group insourced agents with relevant skill sets as an additional channel of manpower supply in order to obtain a higher flexibility and better control on headcount resources.

The Group recorded other operating expenses amounted to approximately HK$36.5 million (2012: approximately HK$21.8 million). The other operating expenses to sales ratio increased from approximately 13.2% for the year ended 31 December 2012 to approximately 21.5% for the year ended 31 December 2013. The increase of the other operating expenses was mainly due to the increase of the operating expenses from China business units amounted to approximately HK$5.8 million and the increase of the insourcing fee for insourced agents amounted to approximately HK$8.6 million.

The Group's depreciation and amortization expenses increased from approximately HK$6.9 million for the year ended 31 December 2012 to approximately HK$7.7 million for the year ended 31 December 2013 which was mainly due to the increase of amortization expenses of the intangible assets.

The Group's finance costs increased to approximately HK$0.8 million for the year ended 31 December 2013 from approximately HK$0.4 million for the year ended 31 December 2012. It is mainly due to the increase of utilising loan financing during the year.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group's profit attributable to owners of the Company increased from approximately HK$14.2 million for the year ended 31 December 2012 to approximately HK$25.7 million for the year ended 31 December 2013. The increase in profit attributable to owners of the Company was mainly due to the increase of revenue and the decrease of employee benefits expense.

AWARDS AND CERTIFICATION

In 2013, 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 third year, obtained the P2P Telemarketing Code of Practice Certificate established by the Hong Kong Call Centre Association. The Group will continue to uphold our professional standards and strive to bring better services and add value to our clients' business on a continual basis.

As a socially responsible company, the Group has successfully obtained the "Caring Company" certification in 2013 by fulfilling the Caring for the Community, Caring for the Employees and Caring for the Environment criteria. We worked with the Mental Health Association of Hong Kong – Cornwall School, which is a special school for seriously mentally handicapped children. We paid visits to the school as well as co-ordinated and organised activities for the students. In addition, the Group had also initiated a series of charity activities such as participating in the "Stride for a Cure" walkathon organised by Hong Kong Cancer Fund and "The Community Chest Green Day" organised by The Community Chest and The Hong Kong Jockey Club. In the coming future, the Group will continue to offer our support and contribution to the local community and environmental impetus.

- Visit to Cornwall School

- Caring Company Certificate

商界展關懷
caringcompany 2013/14
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

- Stride for a Cure – Cancer Fund

PROSPECT

With well established contact centre business in Hong Kong, the Group strives to develop comprehensive contact centre business in the PRC. Through the control agreements arrangement with the PRC Company, the Group is now able to flexibly allocate contact centre services to different geographic locations, namely Hong Kong and Guangzhou, based on the needs of the clients in the most efficient and effective manner, and thus has become more competitive in the market.

The PRC Company has solid experience in contact centre operation management, and is engaged in business models very much similar to that of the Group namely, outsourcing inbound contact centre service, outsourcing outbound contact centre service, contact centre staff insourcing service and contact centre facilities management service. The PRC Company has obtained a number of contact centre awards in the past years including "中國最佳外包呼叫中心" in 2012 and 2013, "中國最佳呼叫中心優秀管理者大獎" in 2012 by "中國電子商會", and "最佳銷售合作商金獎" in 2012 by 中國電信廣州移動互聯網業務中心.

The Group believed that by combining the strength of contact centres in both territories, our well established reputation and listed status together with the local PRC operation establishment, we are at a very competitive position to attract both local as well as overseas corporations in the outsourcing contact centre service market, and the Group can eventually benefit from the opportunities arising from the growth in the PRC market and domestic demand.

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 2013, the Group has continued to invest in the research and development of the WISE-xb System by enhancing functionalities that can further improve the management and efficiency of the contact service centre operation.

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 sale of system and software, the Group will continue to invest in the research and development of the WISE-xb System. At the same time, with the addition of the WOFE development team, the Group has greatly strengthened our development capability in terms of scale and expertise, and therefore can further explore other IT development outsourcing business opportunities in Hong Kong, the PRC and other Asia Region.

Ride on our sizable contact centre operation, management experience, capability in R&D and system development as well as sales network, the Group believed that we are at a very good position to further make use of our resources to create more services and products to maximize the Group's business opportunities. In this respect, the Group will continue to look for and identify suitable partner with synergies for cooperation in Hong Kong, the PRC and the Asia Pacific Region.

As we take steps to elevate our businesses to a new market in the PRC and beyond, the Group will act with caution amid the uncertain global economic outlook. The management is confident that the Group will work diligently and in the best interest of our shareholders, and we are optimistic about the prospects in 2014.

DIVIDENDS

During the year under review, the Group declared and paid dividends in aggregate amounts of approximately HK$2.52 million for the six months ended 30 June 2013 to the shareholders of the Company on 30 August 2013.

The Board has resolved to recommend the payment of a final dividend of HK1.5 cents per ordinary share for the year ended 31 December 2013 (2012: HK1.1 cents) on or about 20 May 2014 (Tuesday) to the shareholders of the Company whose names recorded on the register of members of the Company as at 13 May 2014 (Tuesday).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 9 May 2014 (Friday) to 13 May 2014 (Tuesday) (both days inclusive) during which period no transfers of shares would be registered. In order to qualify for the final dividend, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26th Floor. Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (with effect from 31 March 2014, the address will be changed to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong) for registration not later than 4:00 p.m. on 8 May 2013 (Thursday).

LIQUIDITY AND FINANCIAL POSITION

The Group adheres to a prudent financial management policy and has a healthy financial position. During the year under the review, the Group financed our operations with internally generated cash flows and banking facilities provided by the banks.

As at 31 December 2013, the Group had net current asset of approximately HK$66.7 million (2012: approximately HK$62.1 million) including cash and bank balances of approximately HK$34.5 million (2012: approximately HK$40.4 million).

As at 31 December 2013, the Group's current ratio (current assets/current liabilities) and gearing ratio (total debts/total assets) were 3.31 (2012: 3.26) and 6% (2012: 13%) respectively.

The Group had interest-bearing loan approximately HK$7.1 million (2012: HK$13.5 million). The debt-to-equity ratio (total loans/total equity) was 7% (2012: 18%).

COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

As analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from 9 January 2012 (the "Listing Date") to 31 December 2013 is set out below:

Business objectives for the year ended 31 December 2013 as stated in the Prospectus	Actual business progress up to 31 December 2013
• Setting up new contact service centres for capturing the demand from different market segments and more industry sectors.	• Approximately HK$4.3 million of the net proceeds from the Shares Placing was used to set up the new Elite Business Centre with approximately 40 rooms in early 2013. 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.

Business objectives for the year ended 31 December 2013 as stated in the Prospectus (continued)	**Actual business progress up to 31 December 2013 (continued)**
	• Approximately HK$3.1 million of the net proceeds was used to set up the new contact centre at Nansha, China with a final capacity of over 150 workstations. It is the Group's second contact centre in China, and is expected to be fully completed at the end of Q1 of 2014. The new contact centre will further increase the capacity of our contact centre operation and business in China starting from 2014. • Actual application is lower than the planned use of proceeds from the Shares Placing as stated in the Prospectus. The Directors will continue to evaluate the Group's business objectives and may change or modify plans after taking into account the changing market conditions and opportunities.
• Expanding and enhancing our contact centre system and software.	• A total of approximately HK$7.5 million was used to expand and enhance the WISE-xb System on functions and features relating to IVVR, workforce management, supporting another operating system, supporting social media, customer relationship management as well as analytical tools.
• Enhancing capabilities of existing contact service centre facilities.	• Approximately HK$1.1 million was used to improve the physical environment and systems of the existing contact centres. • The Board planned to continuously enhance the contact centre facilities and environment to maintain the competitiveness of our services.

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 2013, 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 from the Listing Date to year ended 31 Dec 2013 (HK$ million)	Actual use of Proceeds from the Listing Date to year ended 31 Dec 2013 (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	7.4	6.6
Expanding and enhancing our contact centre system and software	7.5	7.5	7.5	–
Enhancing capabilities of existing contact service centre facilities	4.0	4.0	1.1	2.9
Use as general working capital of our Group	1.5	1.5	1.5	–
Total:	27.0	27.0	17.5	9.5

The Directors intend to revisit the business objectives as stated in the Prospectus for the period from the Listing Date to 31 December 2013. 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 will not be applied immediately have been temporarily deposited with banks in Hong Kong as at the date of this report.

PLEDGE OF ASSETS

As at 31 December 2013, the Group had pledged its bank deposits of approximately HK$4.8 million (2012: approximately HK$9.8 million) and had pledged investment fund amounted to approximately HK$4.8 million to secure its banking facilities and trade receivable financing.

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The Group had no significant contingent liabilities as at 31 December 2013 (2012: Nil). As at 31 December 2013, there was approximately HK$1.9 million capital commitments outstanding but not provided for in the financial statements (2012: Nil).

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 2013, 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.

NUMBER AND REMUNERATION OF EMPLOYEE

The Group employed an average of approximately 830 employees in 2013 (2012: 950 employees). Remuneration was maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industry practice. The remuneration packages mainly comprise salary payments, group medical insurance plans, mandatory provident fund and discretionary bonuses awarded on a performance basis.

PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Ling Chiu Yum (凌焰鑫) ("Mr. Ling"), aged 64, 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 52, 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 21 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 50, 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 49, 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 51, 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 66, 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 39, 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 62, 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 52, joined the Group on 1 October 1990. She is the General Manager for Operation of the Group. Ms. Ting has more than 32 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 53, joined the Group on 28 June 1999. He is the General Manager for Call Centre of the Group. Mr. Yeung has over 30 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 47, 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 11 years of experience in information technology & project management.

Mr. Cheung Chi Tat（張志達）(“Mr. Cheung”), aged 51, 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 26 years of experience in electronic engineering.

Ms. Yung Kwan Yee（容坤儀）(“Ms. Yung”), aged 43, 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 16 years’ extensive experience in sales and marketing in the telecommunications industry.

Ms. Chan Yin Ming（陳燕鳴）(“Ms. Chan”), aged 40, 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 16 years of experience in accounting.

Mr. Siu Man On（蕭文安）(“Mr. Siu”), aged 35, 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 11 years of experience in auditing and accounting.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

Throughout the year ended 31 December 2013, the Company has complied with the Code. The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of shareholders and investors of the Company.

CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specified enquiry with the Directors, all Directors confirmed that they have complied with the required standard of dealings concerning securities transactions by the Directors throughout the year ended 31 December 2013 and up 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 as at 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 19 to 22 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.

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

BOARD MEETING AND PROCEDURES

The Board schedules at least four meetings a year at approximately quarterly intervals and will meet as necessary to discuss the overall strategy and operational or financial performance of the Company. The Directors can attend Board meetings in persons or through other means of electronic communication in accordance with the articles of association of the Company (the "Articles of Association"). All Board meetings involve the active participation of the Directors who make effort to contribute the formulation of policy and the success of the Company.

DIRECTORS' ATTENDANCE AT BOARD/BOARD COMMITTEE/GENERAL MEETINGS

Apart from obtaining consents from all Board members through circulation of written resolutions, the Board held seven Board meetings and one general meeting for the year ended 31 December 2013, and the attendance records of individual directors are set below:–

	Number of Meetings Attended/Held[1]	
	Board Meeting	**General Meeting**
Executive Directors:		
Mr. Ling Chiu Yum	5/7[2]	1/1
Mr. Wong Wai Hon Telly	5/7[2]	1/1
Ms. Chang Men Yee Carol	6/7[2]	1/1
Mr. Suen Fuk Hoi	7/7	1/1
Mr. Phung Nhuong Giang	7/7	1/1
Independent Non-executive Directors:		
Mr. Wong Sik Kei	6/7	0/1
Mr. Ngan Chi Keung	7/7	1/1
Mr. Yung Kai Tai (appointed on 1 February 2013)	6/6	0/1

Notes:

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

2. Abstain from attending and voting at the Board meetings in accordance with the Articles of Association of the Company.

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

The Chairman 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 2013, the Chairman had met with the Independent Non-Executive Directors without the presence of the Executive Directors to discuss the matters of the Company.

DIRECTORS' APPOINTMENT, RE-ELECTION AND REMOVAL

Each of the Executive Directors and Independent Non-Executive Directors (except Mr. Phung Nhuong Giang 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 respectively on 1 February 2013, have entered into a service contract and an appointment letter respectively with the Company for an initial term of three years both commencing from 1 February 2013.

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

BOARD COMMITTEES

NOMINATION COMMITTEE

The Nomination Committee was established on 19 March 2012 with written terms of reference in compliance with the GEM Listing Rules and the Code.

Throughout the year ended 31 December 2013, the members of the Nomination Committee comprised Mr. Wong Sik Kei, Mr. Ling Chiu Yum, Ms. Chang Men Yee Carol, Mr. Ngan Chi Keung, Mr. Phung Nhuong Giang (for the period from 19 March 2012 to 31 January 2013) and Mr. Yung Kai Tai (since 1 February 2013). 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 2013, the Nomination Committee held two meetings and discussed and reviewed the composition of the Board and the re-election of all the retiring Directors at the 2013 annual general meeting. The attendance record of the members at the Committee meeting is set out below:–

	Number of Meetings Attended/Held [(1)]
Mr. Wong Sik Kei (Chairman)	2/2
Mr. Ling Chiu Yum	2/2
Ms. Chang Men Yee Carol	2/2
Mr. Ngan Chi Keung	2/2
Mr. Yung Kai Tai (appointed on 1 February 2013)	1/1
Mr. Phung Nhuong Giang (resigned on 1 February 2013)	1/1

Note:

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

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 met on 17 March 2014 to review and make recommendation to the Board on the re-appointment of the retiring Directors at the forthcoming 2014 annual general meeting.

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.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy with effect from 1 September 2013.

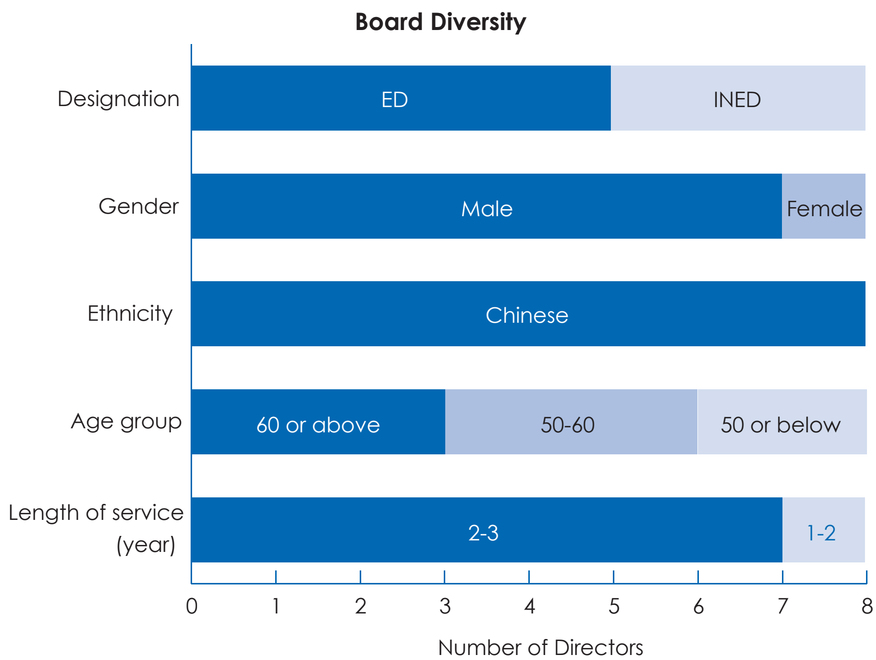
The Company recognises and embraces the benefits of diversity of Board members to the quality of its performance.

In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

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

As at the date of this Report, the Board's composition under major diversified perspectives was summarized as follows:



ED: Executive Director
INED: Independent Non-Executive Director

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledges their responsibility to prepare the Company's financial statements for each financial period and to ensure that the financial statements are prepared in accordance with the statutory requirements and applicable accounting standards. The statement prepared by the external auditors of the Company about their responsibilities on the financial statements of the Company for the year ended 31 December 2013 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.

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

REMUNERATION COMMITTEE

The remuneration 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 Remuneration Committee was established 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 Code.

For the year ended 31 December 2013, the members of the Remuneration Committee comprise Mr. Ngan Chi Keung, Mr. Wong Sik Kei, Mr. Wong Wai Hon Telly, Mr. Phung Nhuong Giang (for the period from 21 December 2011 to 31 January 2013) and Mr. Yung Kai Tai (since 1 February 2013). Mr. Phung Nhuong Giang had been the Chairman of the Remuneration Committee for the period from 21 December 2011 to 31 January 2013 and ceased to be the Chairman on 1 February 2013. Mr. Yung Kai Tai was appointed as the Chairman of the Remuneration Committee on 1 February 2013. The majority of the Remuneration Committee members 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 two meetings for year ended 31 December 2013, and the attendance records of individual Committee members are set below:

	Number of Meetings Attended/Held [1]
Mr. Yung Kai Tai (appointed as Chairman on 1 February 2013)	1/1
Mr. Wong Wai Hon Telly	2/2
Mr. Wong Sik Kei	2/2
Mr. Ngan Chi Keung	2/2
Mr. Phung Nhuong Giang (resigned on 1 February 2013) (Chairman from 21 December 2011 to 31 January 2013)	1/1

Note:

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

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 2013 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 Audit Committee was established 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 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 2013 comprised Mr. Ngan Chi Keung, Mr. Wong Sik Kei, Mr. Phung Nhuong Giang (for the period from 21 December 2011 to 31 January 2013) and Mr. Yung Kai Tai (since 1 February 2013), 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 2013.

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 2013, and the attendance records of individual Committee members are set below:

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

Note:

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

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 2013 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 2013, 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$900,000.

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

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

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

CHANGES IN CONSTITUTIONAL DOCUMENTS

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

SHAREHOLDERS' RIGHTS

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

And, if a shareholder wishes to propose a person other than a Director retiring at the meeting for election as a Director at an annual general meeting, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting should deposit a written notice of nomination at the head office of the Company or at the office of the Company's Branch Share Registrar at least a 7-day period commencing from the day after the dispatch of the notice of the annual general meeting and 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 2013 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 2013. 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.

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 2013.

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 2013 and the state of affairs of the Group at that date are set out in the Financial Statements on pages 56 to 125 of this Report.

DIVIDENDS

During the year under review, the Group declared and paid dividends in aggregate amounts of approximately HK$2.52 million for the six months ended 30 June 2013 to the shareholders of the Company on 30 August 2013.

The Board has resolved to recommend the payment of a final dividend of HK1.5 cents per ordinary share in cash for the year ended 31 December 2013 (2012: HK1.1 cents) on or about 20 May 2014 (Tuesday), subject to approval of the shareholders of the Company at the forthcoming annual general meeting, to the shareholders registered on 13 May 2014.

CLOSURE OF THE REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting, the Register of Members will be closed from 1 May 2014 (Thursday) to 5 May 2014 (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 (with effect from 31 March 2014, the address will be changed to level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong) for registration not later than 4:00 p.m. on 30 April 2014 (Wednesday).

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 125 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 2013 pursuant to Rule 6A.32 of the GEM Listing Rules.

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

PROPERTY, PLANT AND EQUIPMENT

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

BORROWINGS

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

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 28 to the Financial Statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to existing shareholders of the Company.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year under review.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the Financial Statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2013, 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$42,512,000 (2012: HK$26,612,000).

MAJOR CLIENTS AND SUPPLIERS

Sales to the Group's five largest clients accounted for approximately 61% of the total sales for the year and sales to the largest client included therein amounted to approximately 16% of the total sales for the year. The Group's purchases from our five largest suppliers together accounted for approximately 90% of our total purchase for the year. The Group purchases approximately 59% 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, Mr. Ling Chiu Yum, Mr. Wong Wai Hon Telly and Mr. Wong Sik Kei, being one-third of the Directors, shall retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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 19 to 22 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 2013 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 33 to the Financial Statements, none of the Directors had material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries, fellow subsidiaries or its parent company was a party during the year under review.

NON-COMPETE UNDERTAKING

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

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

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

The Company has received the confirmation from the Covenantors in respect of their compliance with the terms of the Deed of Non-competition for the year ended 31 December 2013.

The independent non-executive Directors reviewed and confirmed that the Covenantors complied with the Deed of Non-competition and the Deed of Non-competition has been enforced by the Company in accordance with its terms throughout the year ended 31 December 2013.

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 2013, 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 23 to 36 of this Report.

EMOLUMENT POLICY

The Company has established a remuneration committee to make recommendations to the Board with regard to the Group's remuneration policy relating to Directors and senior management of the Company, reviewing and evaluating their performance and recommending remuneration package for each of them as well as other employee benefit arrangements. The emoluments of the Directors are decided with reference to their duties and level of responsibilities and the remuneration policy of the Company and the prevailing market conditions. The Company has adopted the Share Option Scheme as an incentive to Directors and eligible participants, details of such scheme is set out in note 29 to the Financial Statements and paragraph headed "Share Option Scheme" in this Report.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 December 2013 are set out in note 33 to the Financial Statements. Those related party transactions constitute continuing connected transactions both exempted and non-exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

CONNECTED TRANSACTION

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

(1) ACQUISITION OF EPRO BPO SERVICES LIMITED

On 5 July 2013, Elite Depot Holdings Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the "Agreement") (as supplemented by a supplemental agreement dated 18 July 2013) with Epro Group International Limited (the "Vendor"), a connected person (with 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 interested in 46% and 47% of the Vendor respectively. Pursuant to the Agreement, the Purchaser agreed to purchase the Sale Shares of Epro BPO Services Limited (the "Target Company" or "Epro BPO") at a consideration of HK$3,100,000 (the "Acquisition"). The Target Company and its subsidiary, Guangzhou EproTech Company Limited# （廣州普廣科技有限公司）(the "WOFE" or "Guangzhou EproTech"), are principally engaged in the research, development and selling of electronic components, meters and computer software and consulting services in relation to communication system software and electronic technology. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Group. Further, on 5 July 2013, the WOFE entered into the control agreements (the "Control Agreements"), amongst others, with Guangzhou Junfeng Network Technology Limited#（廣州浚峰網絡技術有限公司）(the "PRC Company"). Upon completion of the Control Agreements, the WOFE will have an effective control of the PRC Company and as such, the Group will, through the WOFE, be able to consolidate the entire financial results of the PRC Company into those of the Group by way of treating the PRC Company as its indirect wholly-owned subsidiary. The PRC Company is a company established in the People's Republic of China ("PRC") and is principally engaged in the outsourcing call centre services.

In accordance with the provisions of 《外商投資產業指導目錄》(2011修訂) (Catalogue of Industries for Guiding Foreign Investment (2011 Revision)#) and 《外商投資電信企業管理規定》 (Provisions on the Administration of Foreign-funded Telecommunications Enterprises#), foreign companies are not allowed to acquire up to 50% equity interests in the value-added telecommunication enterprise such as the PRC Company. As such, the Control Agreements are designed to provide the Group with effective control over and the right to enjoy the economic benefits in and/or assets of the PRC Company.

The Group has always been interested in looking for opportunity for the Group to expand its business to the PRC market. The PRC Company is principally engaged in the outsourcing call centre services which has significant synergy with the major business of the Group. Through the Acquisition, the Group will acquire the ability to offer both Hong Kong and PRC outsourcing contact centre services to both Hong Kong as well as PRC corporations, and thus create new opportunities and potential for the business of the Group. Other than synergy in business, resources and expertise in management and operation are also expected to be able to achieve higher efficiency and cost savings to the Group in the long run. As such, the Acquisition greatly improves the competitiveness and strength of the Group in both local and PRC markets.

As the Target Company and its subsidiaries are principally engaged in the provision of technical programming and system development with lower cost of staff in the PRC, the Board believes that the Acquisition can benefit the existing development of the WISE-xb Systems with a synergy effect and lower the cost of the Group for the development and strengthen the Group on its involvement in the development of the WISE-xb Systems in the PRC.

Taking into account the above, the Board believes that the Acquisition will expand and enhance the existing business of the Group in both Hong Kong and PRC.

Please refer to the announcement and supplemental announcement dated 5 July 2013 and 18 July 2013 respectively for details. Capitalised terms used herein shall have the same meaning as defined in the said announcements.

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 during the financial year and up to the date of approval of this Report:–

(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 PRC 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 supplemental agreement expired on 2 January 2014. 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, 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 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.

Following the Acquisition as stated in sub-section (1) in "Connected Transaction" in this Report on page 46, Guangzhou EproTech ceased to be a connected person in the year 2013. The transaction under the Technical Research Subcontracting Agreement also ceased to be continuing connected transaction accordingly.

(3) SUB-LEASE AGREEMENT

On 1 November 2010, Always Beyond Limited ("Always"), an independent third party, and 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.

Following the Acquisition as stated in sub-section (1) in "Connected Transaction" in this Report on page 46, Epro BPO ceased to be a connected person in the year 2013. The transaction under the Sub-lease Agreement also ceased to be continuing connected transaction accordingly.

(4) NEW SOFTWARE OEM DISTRIBUTORSHIP AGREEMENT

On 2 January 2014, ELL, a member of the Group, entered into the Software OEM Distributorship Agreement ("New OEM Agreement") with ETL, a connected person (with 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 interested in 46% and 47% of ETL respectively.

For details of the Software OEM Distributorship Agreement entered into between ETL and ELL dated 2 January 2011 ("Previous OEM Agreement"), please refer to the sub-section (1) Software OEM Distributorship Agreement in "Continuing Connected Transactions" in this Report on page 48. The Previous OEM Agreement has expired on 2 January 2014.

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

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

ETL and ELL have also entered into a System Maintenance Service Outsourcing Agreement ("Outsourcing Agreement") on 31 December 2012 (details of which are listed in sub-section (5) – System Maintenance Service Outsourcing Agreement in this Report on page 51). For details, please refer to the announcements made by the Company on 31 December 2012 for the Outsourcing Agreement and 2 January 2014 for the New OEM Agreement respectively.

The Group has also entered into the following exempted continuing connected transactions with connected persons as defined under the GEM Listing Rules during the financial year and up to the date of approval of this Report:-

(5) System Maintenance Service Outsourcing Agreement

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

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

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

ELL has appointed ETL to sell and distribute the perpetual licence to use the WISE-xb System to the end users since 2003 (please refer to the sub-section (1) Software OEM Distributorship Agreement under the heading of "Continuing Connected Transactions" in this Report on page 48 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.

(6) TECHNICAL SUPPORT SERVICES AGREEMENT

On 1 January 2011, the PRC Company had entered into a services agreement with Guangzhou Epro Information Technology Company Limited# (廣州潤寶信息科技有限公司) ("Guangzhou Epro") (the "Existing Services Agreement"). Guangzhou Epro is owned as to 60% by ETL, which is ultimately owned as to 46% by Mr. Ling Chiu Yum and as to 47% by Mr. Wong Wai Hon Telly, executive directors and controlling shareholders of the Company, is regarded as connected person (within the meaning of Chapter 20 of the GEM Listing Rules) to the Company under the GEM Listing Rules.

Immediately following the completion of the Acquisition, the PRC Company would be deemed a subsidiary of the Company. Since the terms of the Existing Services Agreement did not conform with the requirements of Chapter 20 of the GEM Listing rules relating to continuing connected transaction, a new Technical Support Services Agreement (the "New Services Agreement") had been entered into between Guangzhou Epro and the PRC Company on 5 July 2013 for a term from 5 July 2013 to 31 December 2015 pursuant to which the PRC Company agreed to engage Guangzhou Epro to provide technical support and related services to the PRC Company. Cost of services provided by Guangzhou Epro shall be borne by Guangzhou Epro itself and 75% of the profit will be payable by the PRC Company to Guangzhou Epro.

The New Services Agreement will enable the Group to benefit from the stable income generated from the provision of the contact services and will provide stable headcount and room for further business expansion.

Please also refer to the announcement made by the Company on 5 July 2013 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).

EVENT AFTER THE REPORTING PERIOD

On 2 January 2014, ELL, a member of the Group, entered into the Software OEM Distributorship Agreement ("New OEM Agreement") with ETL, a connected person (with 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 interested in 46% and 47% of ETL respectively. The transaction constitutes a non-exempt continuing connected transaction of the Company under the GEM Listing Rules. For details of the transaction, please refer to the sub-section "(4) NEW SOFTWARE OEM DISTRIBUTORSHIP AGREEMENT" in this Report on page 50.

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, the Sub-lease Agreement, the New Software OEM Distributorship Agreement, the System Maintenance Service Outsourcing Agreement and the Technical Support Services Agreement (the "Continuing Connected Transactions") and confirmed that the Continuing Connected Transactions were entered into in the ordinary and usual course of business of the Group, and on normal commercial terms, and the terms of the Continuing Connected Transactions are fair and reasonable and in the interest of the Company and the shareholders as a whole.

The amounts of the Continuing Connected Transactions did not exceed the corresponding annual caps for the financial year ended 31 December 2013 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 2013 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, 17 March 2014

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

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

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

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

We have audited the consolidated financial statements of ETS Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 54 to 124, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Kwok Kin Leung
Practising Certificate Number: P05769

Hong Kong, 17 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Revenue	5	169,741	164,619
Other income	6	591	60
Other (losses)/gains – net	7	(19)	301
Employee benefits expenses	8	(94,077)	(119,842)
Depreciation and amortization		(7,712)	(6,921)
Other operating expenses		(36,505)	(21,752)
Operating profit		32,019	16,465
Finance costs	9	(758)	(445)
Share of loss of associate accounted for using the equity method	18	(3)	–
Profit before tax	10	31,258	16,020
Income tax expense	11	(5,584)	(1,833)
Profit for the year		25,674	14,187
Other comprehensive income for the year			
Currency translation differences		48	–
Total comprehensive income for the year		25,722	14,187
Profit attributable to owners of the Company		25,722	14,187
Total comprehensive income attributable to owners of the Company		25,722	14,187
Earnings per share attributable to owners of the Company – Basic and diluted (HK cents)	12	9.2	5.1

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 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	16	**10,473**	6,620
Intangible assets	17	**20,817**	7,459
Investment in an associate	18	**–**	–
Deferred income tax assets	27	**788**	683
		32,078	14,762
Current assets			
Trade and other receivables	19	**46,408**	35,911
Financial assets designated as at fair value through profit or loss	20	**4,802**	3,239
Amount due from an associate	18	**1,121**	–
Amounts due from related companies	21	**3,882**	290
Pledged bank deposits	22	**4,768**	9,761
Cash and cash equivalents	23	**34,539**	40,403
		95,520	89,604
Current liabilities			
Trade and other payables	24	**19,061**	13,152
Borrowings	25	**7,060**	13,541
Amounts due to related companies	26	**353**	–
Current income tax liabilities		**2,345**	765
		28,819	27,458
Net current assets		**66,701**	62,146
Total assets less current liabilities		**98,779**	76,908
Non-current liabilities			
Deferred income tax liabilities	27	**2,165**	416
Net assets		**96,614**	76,492
Equity attributable to the owners of the Company			
Share capital	28	**2,800**	2,800
Share premium	28	**25,238**	25,238
Reserves	30	**68,576**	48,454
Total equity		**96,614**	76,492

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 17 March 2014 and signed on its behalf by:

Wong Wai Hon Telly
Director

Ling Chiu Yum
Director

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Investments in subsidiaries	15	**40,151**	40,151
Current assets			
Trade and other receivables	19	**103**	48
Amounts due from subsidiaries	15	**42,642**	28,939
Cash and cash equivalents	23	**13,834**	16,247
		56,579	45,234
Current liabilities			
Trade and other payables	24	**918**	573
Amount due to a subsidiary	15	**9,502**	14,986
Current income tax liabilities		**847**	263
		11,267	15,822
Net current assets		**45,312**	29,412
Net assets		**85,463**	69,563
Equity attributable to the owners of the Company			
Share capital	28	**2,800**	2,800
Share premium	28	**25,238**	25,238
Reserves	30	**57,425**	41,525
Total equity		**85,463**	69,563

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 2013

	Attributable to owners of the Company					
	Share capital HK$'000 *(Note 28)*	**Share premium** HK$'000 *(Note 28)*	**Merger reserve** HK$'000 *(Note 30)*	**Translation** HK$'000	**Retained profits** HK$'000 *(Note 30)*	**Total equity** HK$'000
Balance at 1 January 2012	–	–	25,624	–	14,523	40,147
Comprehensive income						
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 dividends paid *(Note 14)*	–	–	–	–	(5,880)	(5,880)
Balance at 31 December 2012 and 1 January 2013	2,800	25,238	*25,624	–	*22,830	76,492
Comprehensive income						
Profit for the year	–	–	–	–	25,674	25,674
Other comprehensive income						
Currency translation differences	–	–	–	48	–	48
Total comprehensive income for the year	–	–	–	48	25,674	25,722
Dividends paid *(Note 14)*	–	–	–	–	(5,600)	(5,600)
Balance at 31 December 2013	**2,800**	**25,238**	***25,624**	***48**	***42,904**	**96,614**

* These reserve accounts comprise the consolidated reserves approximately HK$68,576,000 (2012: HK$48,454,000) in the consolidated statement of financial position.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
Profit before tax		**31,258**	16,020
Adjustments for:			
Interest income		**(519)**	(60)
Interest expense		**758**	445
Depreciation and amortization		**7,712**	6,921
Loss on disposal of property, plant and equipment		**17**	–
Share loss from an associate		**3**	–
Fair value gain on financial assets designated as at fair value through profit or loss		**(17)**	(36)
Operating cash flows before changes in working capital		**39,212**	23,290
Trade and other receivables		**(3,072)**	10,783
Amount due from an associate		**(1,121)**	–
Amounts due from related companies		**(760)**	478
Financial assets designated as at fair value through profit or loss		**(1,546)**	–
Amounts due to related companies		**(13,428)**	–
Trade and other payables		**(1,970)**	3,090
Cash generated from operations		**17,315**	37,641
Income tax paid		**(2,380)**	(3,506)
Net cash generated from operating activities		**14,935**	34,135
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		**555**	–
Interest received		**519**	60
Decrease/(Increase) in pledged bank deposits		**4,993**	(6,184)
Additions of intangible assets		**(7,797)**	(7,482)
Purchase of a shareholding in an associate		**(3)**	–
Purchase of property, plant and equipment		**(6,273)**	(1,845)
Proceeds from disposal of property, plant and equipment		**–**	3
Net cash used in investing activities		**(8,006)**	(15,448)
Cash flows from financing activities			
Dividends paid		**(5,600)**	(5,880)
Interest paid		**(758)**	(445)
Proceeds from placing of shares		**–**	42,000
Payments of share issuance costs		**–**	(13,962)
Proceeds from bank borrowings		**99,121**	63,690
Repayment of bank borrowings		**(105,602)**	(65,199)
Repayment of finance lease liabilities		**–**	(228)
Net cash (used in)/generated from financing activities		**(12,839)**	19,976
Net (decrease)/increase in cash and cash equivalents		**(5,910)**	38,663
Effect of foreign exchange rate changes, net		**46**	–
Cash and cash equivalents at beginning of the year		**40,403**	1,740
Cash and cash equivalents at end of the year	23	**34,539**	40,403

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

1. GENERAL INFORMATION

ETS Group Limited (the "Company") is an investment holding company. The Company and its subsidiaries (collectively referred as to the "Group") are principally engaged in providing comprehensive multi-media contact services and contact centre system in Hong Kong.

The Company was incorporated in the Cayman Islands on 29 June 2011 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares have been listed on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited (the "GEM") with effect from 9 January 2012.

As at 31 December 2013, the directors regard Excel Deal Holdings Limited, a company incorporated in the British Virgin Islands, as the parent and ultimate holding company of the Company.

The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of the Company's principal place of business in Hong Kong is Room 601-603, New Bright Building, 11 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issued by the Board of Directors on 17 March 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2013 and have a material impact on the Group:

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" (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). In addition, the Group has chosen to use the new titles "statement of profit or loss" and "statement of profit or loss and other comprehensive income" as introduced by the amendments in these consolidated financial statements.

HKAS 36, "Impairment of Assets", on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in HKAS 36 by the issue of HKFRS 13. The amendment is not mandatory for the Group until 1 January 2014, however the Group has decided to early adopt the amendment as of 1 January 2013.

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. As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 12, "Disclosures of Interests in Other Entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, "Financial Instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. 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 statement of profit or loss, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact. The Group will also consider the impact of the remaining phases of HKFRS 9 when completed by the Board.

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

Apart from the above, a number of improvements, minor amendments to HKFRS and HKASs have also been issued by the HKICPA but they are not yet effective for the accounting period ended 31 December 2013 and have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations would be in the period of initial application, but not yet in a position to state whether these amendments, new or revised standards and new interpretations would have a significant impact on the Group's results of operations and financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Business combinations (continued)

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

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

(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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.2 Separate financial statements

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

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

2.2.3 Associates

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.3 Associates (continued)

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

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

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

2.3 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 profit or loss and other comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 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 profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

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

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

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 profit or loss and other 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 vehicles	: 5 years

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

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

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

2.6 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquire.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets (continued)

(b) Internally generated software development costs

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

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

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

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

Computer software development costs recognized as assets are amortized over their estimated useful lives, which does not exceed four years.

2.7 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "amount due from an associate", "amounts due from related companies", "pledged bank deposits" and "cash and cash equivalents" in the consolidated statement of financial position.

(c) Available-for-sale financial assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 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 profit or loss and other comprehensive income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 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.

2.10 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 profit or loss and other comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 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 profit or loss and other comprehensive income on equity instruments are not reversed through the consolidated statement of profit or loss and other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated statement of profit or loss and other comprehensive income.

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 allowance 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 profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

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

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

2.16 Borrowing costs

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associate, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associate. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognized.

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

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) Profit-sharing and bonus plans

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 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 profit or loss and other 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.

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

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 is 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 profit or loss and other 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 profit or loss and other 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 or directors, where appropriate.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk

(i) Foreign currency risk

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

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

(ii) Price risk

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

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

	Carrying amount of investment HK$'000	Increase/ (Decrease) in profit before tax HK$'000	Increase/ (Decrease) in equity HK$'000
As at 31 December 2013			
Unlisted investment at fair value			
– Financial assets designated as at fair value through profit or loss			
5% increase in fair value	**240**	**240**	**–**
5% decrease in fair value	**(240)**	**(240)**	**–**
As at 31 December 2012			
Unlisted investment 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)	–

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk

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

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

If interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit before taxation would have been decreased/increased by approximately HK$71,000 (2012: HK$135,000). The sensitivity analysis has been determined assuming that the change in interest rates had occurred throughout the year end had been applied to the exposure to interest rate risk for bank borrowings in existence at the end of the reporting period. The 100 basis points decreased/increased represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group over the period until the end of next reporting period.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk

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

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

As at 31 December 2013, the Group has certain concentrations of credit risk as 17% and 62% (2012: 20% and 75%) of the Group's trade receivables were due from the Group's largest customer and the Group's five largest customers, respectively. Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in Note 19.

(c) Liquidity risk

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

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

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	On demand or within 1 year HK$'000	More than 1 year but less than 5 years HK$'000	Total HK$'000
As at 31 December 2013			
Trade and other payables excluding non-financial liabilities	**17,042**	**–**	**17,042**
Borrowings			
– Term loan subject to a repayable on demand clause	**7,263**	**–**	**7,263**
	24,305	**–**	**24,305**

	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 and other payables excluding non-financial liabilities	11,842	–	11,842
Borrowings			
– Term loan subject to a repayable on demand clause	13,911	–	13,911
	25,753	–	25,753

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 2013			
Borrowings – Term loan subject to a repayable on demand clause	**4,892**	**2,371**	**7,263**
As at 31 December 2012			
Borrowings – Term loan subject to a repayable on demand clause	10,186	3,725	13,911

3.2 Capital management

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

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management (continued)

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

The gearing ratios of the Group are as follows:

	2013 HK$'000	2012 HK$'000
Total debt	**26,474**	26,693
Less: cash and cash equivalents	**(34,539)**	(40,403)
Net debt	**–**	–
Total equity	**96,614**	76,492
Total capital	**96,614**	76,492
Gearing ratio	**N/A**	N/A

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 2013.

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
Financial assets designated as at fair value through profit or loss				
– Unlisted investment designated as at fair value through profit or loss	**–**	**4,802**	**–**	**4,802**

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

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

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

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

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

3.4 Financial instruments by category – Group and Company

(a) Group

	2013 HK$'000	2012 HK$'000
Assets as per statement of financial position		
Financial assets designated as at fair value through profit or loss	**4,802**	3,239
Loans and receivables:		
– Trade and other receivables excluding prepayments	**42,929**	32,033
– Amount due from an associate	**1,121**	–
– Amounts due from related companies	**3,882**	290
– Pledged bank deposits	**4,768**	9,761
– Cash and cash equivalents	**34,539**	40,403
	92,041	85,726

	2013 HK$'000	2012 HK$'000
Liabilities as per statement of financial position		
At amortized costs:		
– Trade and other payables excluding non-financial liabilities	**17,042**	11,842
– Borrowings	**7,060**	13,541
– Amounts due to related companies	**353**	–
	24,455	25,383

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

(b) Company

	2013 HK$'000	2012 HK$'000
Assets as per statement of financial position		
Loans and receivables:		
– Trade and other receivables excluding prepayments	–	40
– Amounts due from subsidiaries	42,642	28,939
– Cash and cash equivalents	13,834	16,247
	56,476	45,226

	2013 HK$'000	2012 HK$'000
Liabilities as per statement of financial position		
At amortized costs:		
– Trade and other payables excluding non-financial liabilities	918	533
– Amount due to a subsidiary	9,502	14,986
	10,420	15,519

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.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

Income taxes

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

Estimated recoverability of trade and other receivables

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

Impairment of capitalized software development costs

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

Useful life and residual value of property, plant and equipment

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

5. SEGMENT INFORMATION AND REVENUE

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

The reportable operating segments derive their revenue primarily from the following business units in Hong Kong and the People's Republic of China (the "PRC"):

(a) Outsourcing inbound contact service;

(b) Outsourcing outbound contact service;

(c) Staff insourcing service;

(d) Contact service centre facilities management service; and

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

The segment information provided to the board of directors for the reportable segments for the years ended 31 December 2012 and 2013 are as follows:

For the year ended 31 December 2013

	Outsourcing inbound contact service HK$'000	Outsourcing outbound contact service HK$'000	Staff insourcing service HK$'000	Contact service centre facilities management service HK$'000	Others HK$'000	Total HK$'000
Segment revenue						
Hong Kong	10,161	64,730	41,649	27,421	6,358	150,319
PRC	6,688	10,510	2,125	99	–	19,422
	16,849	75,240	43,774	27,520	6,358	169,741
Segment results						
Hong Kong	2,010	16,496	8,227	9,458	5,316	41,507
PRC	1,332	2,873	741	52	–	4,998
	3,342	19,369	8,968	9,510	5,316	46,505
Depreciation and amortization	880	2,029	–	3,734	690	7,333

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

For the year ended 31 December 2013 (continued)

	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
Total segment assets						
Hong Kong	4,678	24,618	4,419	20,441	4,020	58,176
PRC	314	783	6,232	487	–	7,816
	4,992	25,401	10,651	20,928	4,020	65,992
Total segment assets includes: Additions to non-current assets (other than financial instruments)	3,135	7,200	–	12,447	1,112	23,894
Total segment liabilities						
Hong Kong	336	3,452	1,965	338	–	6,091
PRC	810	500	225	6	–	1,541
	1,146	3,952	2,190	344	–	7,632

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

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						
Hong Kong	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

There were no inter-segment sales during the year ended 31 December 2013. The revenue from external parties reported to the Company's directors is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

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

	2013 HK$'000	2012 HK$'000
Segment results for reportable segments	**46,505**	35,932
Unallocated:		
Other income	**591**	60
Other (losses)/gains – net	**(19)**	301
Depreciation and amortization	**(379)**	(280)
Finance costs	**(758)**	(445)
Share of loss from an associate	**(3)**	–
Corporate and other unallocated expenses	**(14,679)**	(19,548)
Profit before tax	**31,258**	16,020

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:

	2013 HK$'000	2012 HK$'000
Segment assets for reportable segments	**65,992**	41,087
Unallocated:		
Property, plant and equipment	**1,458**	444
Financial assets designated as at fair value through profit or loss	**4,802**	3,239
Deferred income tax assets	**788**	683
Corporate and other unallocated assets	**54,558**	58,913
Total assets per consolidated statement of financial position	**127,598**	104,366

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:

	2013 HK$'000	2012 HK$'000
Segment liabilities for reportable segments	**7,632**	6,938
Unallocated:		
Deferred income tax liabilities	**2,165**	416
Current income tax liabilities	**2,345**	765
Borrowings	**7,060**	13,541
Corporate and other unallocated liabilities	**11,782**	6,214
Total liabilities per consolidated statement of financial position	**30,984**	27,874

Breakdown of the revenue from all services is as follows:

Analysis of revenue by category

	2013 HK$'000	2012 HK$'000
Service fee income from provision of telecommunication and related services	**163,383**	160,074
Licence fee income	**160**	214
Sales of system and software	**4,949**	4,331
System maintenance income	**1,249**	–
	169,741	164,619

The Company is domiciled in the Cayman Islands with the Group's major operations located in Hong Kong. The result of its revenue from external customers in Hong Kong is HK$150,319,000 (2012: HK$164,619,000), and the total of revenue from external customers from other countries is HK$19,422,000 (2012: Nil). The breakdown of the major component of the total of revenue from external customers from other countries is disclosed above.

The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in Hong Kong is HK$30,241,000 (2012: HK$14,079,000), and the total of these non-current assets located in other countries is HK$1,049,000 (2012: Nil).

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:

	2013 HK$'000	2012 HK$'000
Customer A	26,777	22,722
Customer B	23,565	43,354
Customer C	20,347	17,596
Customer D	18,408	N/A[1]
	89,097	83,672

[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

	2013 HK$'000	2012 HK$'000
Interest income from bank deposits	519	60
Sundry income	72	–
	591	60

7. OTHER (LOSSES)/GAINS – NET

	2013 HK$'000	2012 HK$'000
Financial assets designated as at fair value through profit or loss *(Note 20)*		
– Fair value gain	17	36
Net foreign exchange (losses)/gains	(36)	265
	(19)	301

8. EMPLOYEE BENEFITS EXPENSES

	2013 HK$'000	2012 HK$'000
Salaries and allowances	96,964	122,292
Pension costs – defined contribution plans	4,910	5,032
Total employee benefits expenses, including directors' remuneration	101,874	127,324
Less: Amounts capitalized in deferred development costs	(7,797)	(7,482)
	94,077	119,842

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive for the year ended 31 December 2013 is set out below:

Name of director	Fees HK$'000	Salary HK$'000	Discretionary bonus HK$'000	Other benefits HK$'000	Employer's contribution to pension schemes HK$'000	Total HK$'000
Executive directors						
Mr. Ling Chiu Yum	–	1,800	–	–	15	1,815
Mr. Wong Wai Hon Telly	–	1,896	–	–	15	1,911
Ms. Chang Men Yee Carol *(Note i)*	–	1,800	–	–	90	1,890
Mr. Suen Fuk Hoi	–	600	–	–	15	615
Mr. Phung Nhuong Giang *(Note ii)*	–	684	–	–	–	684
Independent non-executive directors						
Mr. Wong Sik Kei	82	–	–	–	–	82
Mr. Ngan Chi Keung	82	–	–	–	–	82
Mr. Phung Nhuong Giang *(Note ii)*	7	–	–	–	–	7
Mr. Yung Kai Tai *(Note iii)*	82	–	–	–	–	82
	253	6,780	–	–	135	7,168

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 2012 is set out below:

Name of director	Fees	Salary	Discretionary bonus	Other benefits	Employer's contribution to pension schemes	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'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	–	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)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include five (2012: three) directors whose emoluments are reflected in the analysis presented above. No emoluments are payable to the remaining individuals during the year (2012: two). The emoluments payable to the remaining individuals are as follows:

	2013 HK$'000	2012 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	–	1,190
Bonuses	–	51
	–	1,241

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 (2012: Nil). None of the Company's directors waived any emoluments during the year ended 31 December 2013 (2012: Nil).

9. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest on bank borrowings and bank overdrafts wholly repayable within five years	758	444
Interest on finance leases	–	1
	758	445

10. PROFIT BEFORE TAX

	2013 HK$'000	2012 HK$'000
Profit before tax is stated after charging:		
Depreciation and amortization		
Depreciation of owned property, plant and equipment	3,448	3,300
Amortization of intangible assets	4,264	3,621
Total depreciation and amortization	7,712	6,921
Auditors' remuneration	900	700
Operating lease payments in respect of rented premises	10,425	6,813
Loss on disposal of property, plant and equipment	17	–
Research and development costs	4,264	3,621

11. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2013 HK$'000	2012 HK$'000
Current tax:		
Current tax on profits for the year	3,660	2,477
Adjustments in respect of prior years	288	(80)
Total current tax	3,948	2,397
Deferred income tax *(Note 27)*	1,636	(564)
Income tax expense	5,584	1,833

11. INCOME TAX EXPENSE (CONTINUED)

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

	2013 HK$'000	2012 HK$'000
Profit before tax	**31,258**	16,020
Tax calculated at domestic tax rates applicable to profits in the respective countries	**5,786**	2,643
Tax effects of:		
– Income not subject to tax	**(171)**	(10)
– Expenses not deductible for tax purposes	**27**	–
– Tax effect of temporary differences not recognized	**(262)**	(657)
– Adjustments in respect of prior years	**288**	(80)
– Tax losses for which no deferred income tax asset was recognized	**526**	369
– Utilization of previous unrecognized tax losses	**(70)**	–
– Others	**(540)**	(432)
Tax charge	**5,584**	1,833

12. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on (i) the profit attributable to owners of the Company for the year; and (ii) the weighted average number of 280,000,000 ordinary shares issued during the year (2012: 279,234,973 ordinary shares).

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during the years ended 31 December 2012 and 2013.

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to the owners of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$21,500,000 (2012: HK$7,258,000).

14. DIVIDENDS

	2013 **HK$'000**	2012 HK$'000
Interim dividend paid of HK0.9 cents (2012: HK2.1 cents) per ordinary share	**2,520**	5,880
Proposed final dividend of HK1.5 cents (2012: HK1.1 cents) per ordinary share	**4,200**	3,080
	6,720	8,960

The dividends paid in 2012 and 2013 were HK$5,880,000 (HK2.1 cents per ordinary shares) and HK$5,600,000 (HK2.0 cents per ordinary shares) respectively.

The aggregate amounts of the dividends paid and proposed during 2012 and 2013 have been disclosed in the consolidated statement of changes in equity in accordance with the Hong Kong Companies Ordinance.

At a meeting held on 17 March 2014, the board of directors declared the payment of a final dividend of HK1.5 cents per ordinary share for the year ended 31 December 2013. The proposed final dividend for the year ended 31 December 2013 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 2013.

15. INVESTMENTS IN SUBSIDIARIES

	2013 **HK$'000**	2012 HK$'000
Unlisted, at cost	**40,151**	40,151

The amounts due from/to subsidiaries are unsecured, interest-free 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 2013:

Name	Place of incorporation and kind of legal entity	Principal activities	Particulars of issued/registered 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)

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation and kind of legal entity	Principal activities	Particulars of issued/registered share capital	Interest held
Epro BPO Services Limited	Hong Kong, limited liability company	Investment holding	1,000,000 ordinary share of HK$1	100% (indirect)
Guangzhou EproTech Company Limited (“廣州普廣科技有限公司”)	PRC, limited liability company	Research, development and selling of electronic components, meters and computer software and consulting services in relation to communication system software and electronic technology	Registered capital of HK$4,208,000	100% (indirect)
Guangzhou JunFeng Network Technology Company Limited (“廣州浚峰網絡技術有限公司”) *(Note)*	PRC, limited liability company	Development of computer network and technical services, call centre and information services	Registered capital of Renminbi (“RMB”) 5,000,000	100% (indirect)

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

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements, furniture and fixtures HK$'000	Computer equipment HK$'000	Computer software HK$'000	Electronic and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2012						
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
Year ended 31 December 2013						
Opening net book amount	**2,144**	**711**	**3,044**	**528**	**193**	**6,620**
Currency translation differences	**2**	**–**	**–**	**6**	**2**	**10**
Acquisition of subsidiaries *(Note 32)*	**156**	**–**	**18**	**477**	**384**	**1,035**
Additions	**4,012**	**386**	**1,169**	**706**	**–**	**6,273**
Disposals	**(17)**	**–**	**–**	**–**	**–**	**(17)**
Depreciation charge	**(1,488)**	**(516)**	**(927)**	**(354)**	**(163)**	**(3,448)**
Closing net book amount	**4,809**	**581**	**3,304**	**1,363**	**416**	**10,473**
At 31 December 2013						
Cost	**24,078**	**22,682**	**13,633**	**16,707**	**2,750**	**79,850**
Accumulated depreciation	**(19,269)**	**(22,101)**	**(10,329)**	**(15,344)**	**(2,334)**	**(69,377)**
Net book amount	**4,809**	**581**	**3,304**	**1,363**	**416**	**10,473**

17. INTANGIBLE ASSETS

	Goodwill HK$'000	Internally generated software development costs HK$'000	Total HK$'000
At 1 January 2012			
Cost	–	17,564	17,564
Accumulated amortization	–	(13,966)	(13,966)
Net book amount	–	3,598	3,598
Year ended 31 December 2012			
Opening net book amount	–	3,598	3,598
Additions	–	7,482	7,482
Amortization charge	–	(3,621)	(3,621)
Closing net book amount	–	7,459	7,459
At 31 December 2012			
Cost	–	25,046	25,046
Accumulated amortization	–	(17,587)	(17,587)
Net book amount	–	7,459	7,459
Year ended 31 December 2013			
Opening net book amount	**–**	**7,459**	**7,459**
Additions	**–**	**7,797**	**7,797**
Acquisition of subsidiaries *(Note 32)*	**9,825**	**–**	**9,825**
Amortization charge	**–**	**(4,264)**	**(4,264)**
Closing net book amount	**9,825**	**10,992**	**20,817**
At 31 December 2013			
Cost	**9,825**	**32,844**	**42,669**
Accumulated amortization	**–**	**(21,852)**	**(21,852)**
Net book amount	**9,825**	**10,992**	**20,817**

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

17. INTANGIBLE ASSETS (CONTINUED)

Impairment for goodwill

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

The recoverable amount of a cash-generating unit ("CGU") is determined based on value-in-use calculation using cash flow projections based on financial budgets covering a five-years period approved by senior management. The discount rate applied to the cash flow projections is 18.9%. Cash flows beyond the five-year period are extrapolated using the estimated growth rates of 5%.

18. INVESTMENT IN AN ASSOCIATE

	2013 HK$'000	2012 HK$'000
Unlisted, at cost	**3**	–
Share of net liabilities	**(3)**	–
	–	–

The amount due from an associate is unsecured, interest-free and repayable on demand. The balance is denominated in the functional currency of the associate.

The following is a list of the associate at 31 December 2013:

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

18. INVESTMENT IN AN ASSOCIATE (CONTINUED)

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

	2013 HK$'000	2012 HK$'000
Share of the associate's loss	(3)	–
Share of the associate's other comprehensive income	–	–
Share of the associate's total comprehensive income	(3)	–
Aggregate carrying amount of the Group's investment in the associate	–	–

19. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Trade receivables	36,160	27,452	–	–
Other receivables, deposits and prepayments	10,248	8,459	103	48
	46,408	35,911	103	48

The average credit period on the Group's sales is 31 days. The aging analysis of the trade receivables based on invoice date is as follows:

	2013 HK$'000	2012 HK$'000
0 – 30 days	30,326	20,870
31 – 60 days	5,257	6,040
61 – 90 days	345	412
Over 90 days	232	130
	36,160	27,452

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables that are less than 31 days past due are not considered impaired. As at 31 December 2013, the Group's trade receivables of approximately HK$5,834,000 (2012: HK$6,992,000) 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:

	2013 HK$'000	2012 HK$'000
0 – 30 days	**5,257**	4,291
31 – 60 days	**345**	2,568
61 – 90 days	**32**	129
Over 90 days	**200**	4
	5,834	6,992

As at 31 December 2013, none of the Group's trade receivables were impaired (2012: Nil).

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

	2013 HK$'000	2012 HK$'000
HK$	**32,026**	35,911
RMB	**14,382**	–
	46,408	35,911

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

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

	2013 HK$'000	2012 HK$'000
Unlisted investment:		
– Designated as at fair value through profit or loss	**4,802**	3,239
Market value of the unlisted investment	**4,802**	3,239

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

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

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

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

21. AMOUNTS DUE FROM RELATED COMPANIES

Name of related company	Maximum amount outstanding during the year HK$'000	2013 HK$'000	2012 HK$'000
Epro Techsoft Limited	**898**	**898**	290
Guangzhou Epro Information Technology Company Limited	**2,984**	**2,984**	–
As at 31 December		**3,882**	290

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

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

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

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

22. PLEDGED BANK DEPOSITS

Pledged bank deposits represent deposits pledged to banks to secure the banking facilities and factoring facilities of the Group. The effective interest rates on pledged bank deposits ranged from 0.02% to 0.7% per annum at 31 December 2013 (2012: from 0.01% to 0.70% per annum). The maturity of these deposits ranged from 28 to 94 days. The carrying amounts of pledged bank deposits are denominated in HK$.

23. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and on hand	**21,322**	27,831	**617**	3,675
Short-term bank deposits	**13,217**	12,572	**13,217**	12,572
Cash and cash equivalents	**34,539**	40,403	**13,834**	16,247

At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB amounted to approximately HK$4,915,000 (2012: Nil). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

24. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**840**	511	**–**	–
Other payables and accruals	**18,221**	12,641	**918**	573
	19,061	13,152	**918**	573

At 31 December 2013, the aging analysis of the trade payables based on invoice date is as follows:

	2013	2012
	HK$'000	HK$'000
0 – 30 days	**458**	270
31 – 60 days	**230**	209
61 – 90 days	**26**	16
Over 90 days	**126**	16
	840	511

25. BORROWINGS

	2013 HK$'000	2012 HK$'000
Current		
Bank borrowings	**7,060**	13,541

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

	2013 HK$'000	2012 HK$'000
Within 1 year	**4,774**	10,019
More than 1 year but not more than 2 years	**1,287**	1,236
More than 2 years but not more than 5 years	**999**	2,286
	7,060	13,541

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 2013, the bank overdrafts bore interest at Hong Kong dollar prime rate or prime rate plus 2% per annum (2012: Hong Kong dollar prime rate plus 0.50% to 1.00% per annum). The effective interest rates of the bank borrowings is from 4% to 7% per annum at 31 December 2013 (2012: 4.00% per annum) and mature until 2016.

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

As at 31 December 2013, 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$4,802,000;

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

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

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

26. AMOUNTS DUE TO RELATED COMPANIES

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

27. DEFERRED INCOME TAX

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

	2013 **HK$'000**	2012 HK$'000
At 1 January	**(267)**	297
Currency translation differences	**8**	–
Consolidated statement of profit or loss charged/(credited) *(Note 11)*	**1,636**	(564)
At 31 December	**1,377**	(267)

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

Deferred tax liabilities:	**Provision for unrealized profit** HK$'000	**Accelerated tax depreciation** HK$'000	**Total** HK$'000
At 1 January 2012	–	297	297
Charged to the consolidated statement of profit or loss	–	119	119
At 31 December 2012	–	416	416
Charged to the consolidated statement of profit or loss	1,613	128	1,741
Currency translation differences	8	–	8
At 31 December 2013	**1,621**	**544**	**2,165**

27. DEFERRED INCOME TAX (CONTINUED)

Deferred tax assets:	**Decelerated tax depreciation** HK$'000
At 1 January 2012	–
Credited to the consolidated statement of profit or loss	(683)
At 31 December 2012	(683)
Credited to the consolidated statement of profit or loss	(105)
At 31 December 2013	**(788)**

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 2013, the Group has unused tax losses of approximately HK$8,459,000 (2012: HK$2,856,000) which are available for offset against future profits. Tax losses of the PRC subsidiaries have an expiry period of five years, while tax losses of Hong Kong subsidiaries may be carried forward indefinitely. Certain amounts of unused tax losses are subject to approval from the Hong Kong Inland Revenue Department.

28. SHARE CAPITAL AND PREMIUM

	Number of ordinary shares	Ordinary shares of HK$0.01 each
		HK$'000
Authorized share capital:		
As at 31 December 2012 and 2013	**5,000,000,000**	**50,000**

	Number of ordinary shares	Ordinary shares of HK$0.01 each	Share premium
		HK$'000	HK$'000
Issued and fully paid up:			
As at 1 January 2012	2	–	–
Capitalization issue credited as fully paid on the share premium account of the Company *(Note a)*	209,999,998	2,100	(2,100)
Issuance of new shares by way of placing *(Note b)*	70,000,000	700	27,338
As at 31 December 2012 and 2013	**280,000,000**	**2,800**	**25,238**

Notes:

(a) 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.

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

29. SHARE OPTION SCHEME – GROUP AND COMPANY

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

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

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

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

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.

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

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 2012 and 2013.

30. RESERVES

(a) The Group

Share premium

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

Merger reserve

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

30. RESERVES (CONTINUED)

(b) The Company

	Special reserve HK$'000	Retained profits HK$'000	Total HK$'000
As at 1 January 2012	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
Profit for the year	–	21,500	21,500
Dividends paid *(Note 14)*	–	(5,600)	(5,600)
As at 31 December 2013	**40,151**	**17,274**	**57,425**

Special reserve

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

31. COMMITMENTS

(a) Capital commitments

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

	2013 HK$'000	2012 HK$'000
Property, plant and equipment	**1,932**	–

(b) Operating lease commitments

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

	2013 HK$'000	2012 HK$'000
No later than 1 year	**9,618**	9,223
Later than 1 year and no later than 5 years	**5,758**	8,228
	15,376	17,451

The Group leases office premises are under operating lease agreements. Lease for properties are for terms ranging from 6 months to 3 years.

32. BUSINESS COMBINATIONS

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

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

32. BUSINESS COMBINATIONS (CONTINUED)

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

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

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

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

33. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed in Notes 8, 18, 21, 25 and 26 to the consolidated financial statements, the Group entered into the following significant related party transactions during the year:

Name of related parties	Nature of transactions	*Notes*	2013 HK$'000	2012 HK$'000
Epro Techsoft Limited	Licence fee income	*(i), (iii) & (iv)*	(160)	(214)
	System maintenance income	*(ii), (iii) & (iv)*	(1,249)	–
Guangzhou EproTech Company Limited	Subcontracting fee for software technical research and development services	*(ii)*	–	1,017
Guangzhou Epro Information Technology Company Limited	Licence fee income	*(ii) & (iii)*	–	(538)
	Subcontracting fee for software technical research and development services	*(ii), (iii) & (iv)*	1,877	–
Epro Career Limited	Insourcing fee	*(ii) & (v)*	8,579	–
	Facilities management income	*(ii) & (v)*	(25)	–
Take Shine Limited	Premise rental expenses	*(iii) & (vi)*	484	–

33. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

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

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

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

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

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

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

Key management personnel compensation

	2013 HK$'000	2012 HK$'000
Salaries and short-term employee benefits	**7,033**	6,342
Post employment benefits	**135**	132
	7,168	6,474

FINANCIAL SUMMARY

	For the year ended 31 December				
	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Results					
Revenue	**169,741**	164,619	195,762	191,147	190,632
Operating profit	**32,019**	16,465	24,432	17,945	21,271
Finance costs	**(758)**	(445)	(1,433)	(1,628)	(1,114)
Share of loss of associate accounted for using the equity method	**(3)**	–	–	–	–
Profit before tax	**31,258**	16,020	22,999	16,317	20,157
Income tax expense	**(5,584)**	(1,833)	(3,772)	(2,563)	(2,662)
Profit for the year	**25,674**	14,187	19,227	13,754	17,495

	At 31 December				
	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Asset and liabilities					
Property, plant and equipment	**10,473**	6,620	8,078	7,298	8,405
Intangible assets	**20,817**	7,459	3,598	3,290	2,806
Available-for-sales financial assets	**–**	–	–	–	4,538
Investment in an associate	**–**	–	–	–	–
Deferred income tax assets	**788**	683	–	–	–
Net current assets	**66,701**	62,146	28,918	27,113	28,117
Total assets less current liabilities	**98,779**	76,908	40,594	37,701	43,866
Borrowings	**–**	–	(150)	(228)	(803)
Deferred income tax liabilities	**(2,165)**	(416)	(297)	(53)	(67)
Net assets	**96,614**	76,492	40,147	37,420	42,996
Capital and reserves					
Share capital	**2,800**	2,800	–	20,534	20,534
Share premium	**25,238**	25,238	–	–	–
Reserves	**68,576**	48,454	40,147	16,886	22,462
Total equity	**96,614**	76,492	40,147	37,420	42,996
Earnings per share attributable to owners of the Company – Basic and diluted (HK cents)	**9.2**	5.1	9.2	6.5	8.3

Notes:

1. The results of the Group for the year ended 31 December 2013 and 2012 are those set out on page 56 of this annual report.
2. The consolidated statement of financial position as at 31 December 2013 and 2012 are those set out on page 57 of this annual report.