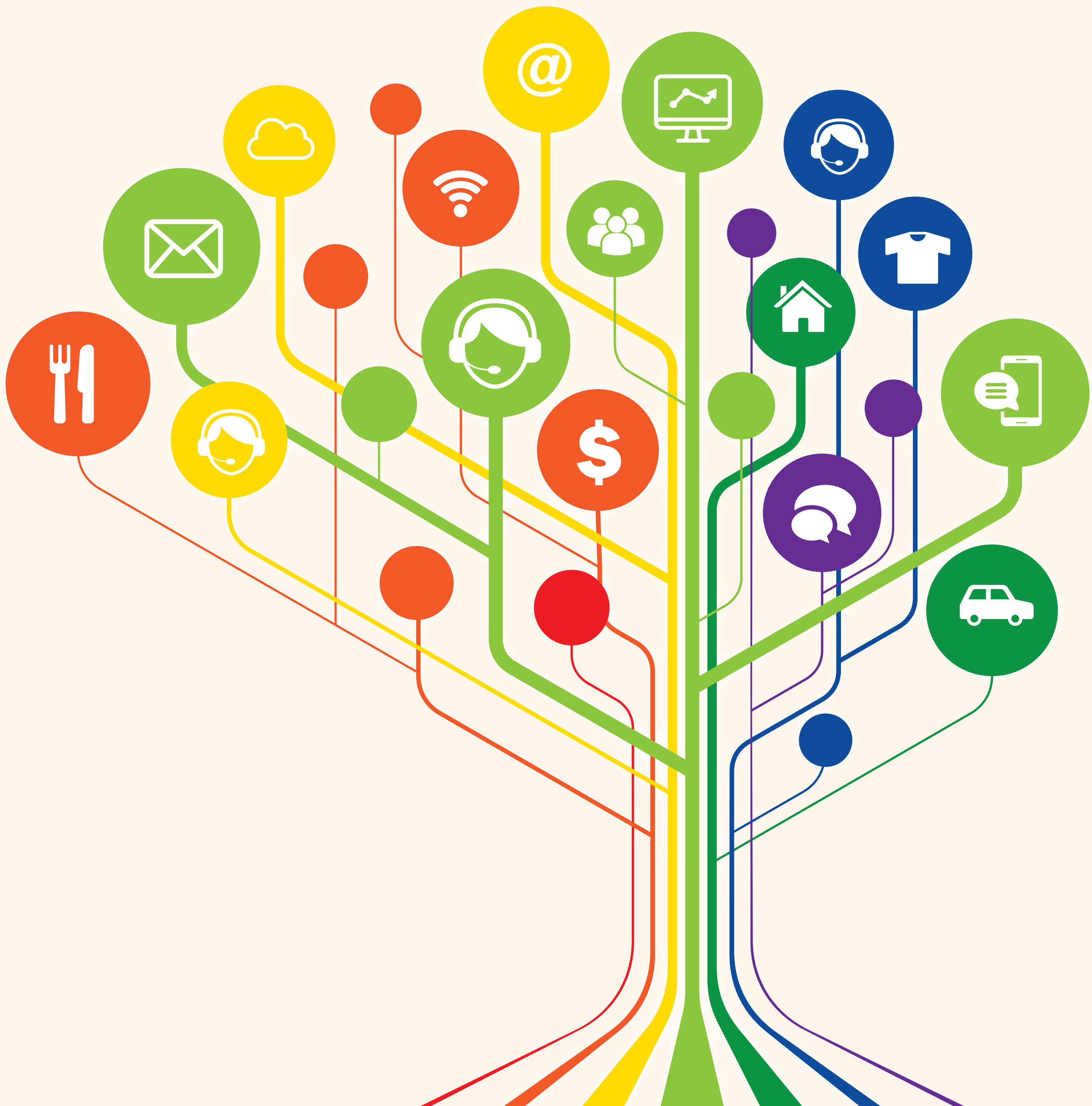
ETS

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



Annual Report 2016 年報

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

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

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

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

CONTENTS

EXECUTIVE DIRECTORS

Mr. Tang Yiu Sing *(Chief Executive Officer)*
Mr. Yeung Ka Wing

NON-EXECUTIVE DIRECTOR

Mr. Tang Shing Bor *(Chairman)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Sik Kei
Mr. Cheung Kong Ting
Mr. Wong Kam Tai

AUDIT COMMITTEE

Mr. Wong Kam Tai *(Chairman)*
Mr. Wong Sik Kei
Mr. Cheung Kong Ting

REMUNERATION COMMITTEE

Mr. Cheung Kong Ting *(Chairman)*
Mr. Tang Yiu Sing
Mr. Wong Sik Kei
Mr. Wong Kam Tai

NOMINATION COMMITTEE

Mr. Wong Sik Kei *(Chairman)*
Mr. Tang Yiu Sing
Mr. Yeung Ka Wing
Mr. Cheung Kong Ting
Mr. Wong Kam Tai

RISK MANAGEMENT AND INTERNAL CONTROL COMMITTEE

Mr. Wong Kam Tai *(Chairman)*
Mr. Tang Yiu Sing
Mr. Yeung Ka Wing
Mr. Wong Sik Kei
Mr. Cheung Kong Ting

COMPLIANCE OFFICER

Mr. Yeung Ka Wing

COMPANY SECRETARY

Mr. Suen Fuk Hoi

AUTHORISED REPRESENTATIVES

Mr. Tang Yiu Sing
Mr. Yeung Ka Wing

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

4th Floor, China Paint Building,
1163 Canton Road,
Mongkok, Kowloon,
Hong Kong

AUDITORS

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

LEGAL ADVISERS

As to Hong Kong laws
Michael Li & Co.
19th Floor,
Prosperity Tower,
No. 39 Queen's Road Central,
Central,
Hong Kong

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

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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 (the "Board") of Directors (the "Directors") of ETS Group Limited (the "Company"), I herewith present the audited consolidated annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016 to all shareholders and investors.

For the financial year ended 31 December 2016, the Group recorded a revenue of approximately HK$146 million, representing an increase by approximately 1.8% as compared with that of 2015. Profit attributable to owners of the Company decreased by 47.6% from approximately HK$9.2 million for the year ended 31 December 2015 to approximately HK$4.8 million for the year ended 31 December 2016.

The Group has pleasure to announce that we have successfully obtained the Type 1 (dealing in securities) and Type 4 (advising on securities) licenses for regulated activities from the Securities & Futures Commission of Hong Kong in 2016. We opened our first centre for securities service in January 2017, and it is our plan to continually develop our products and expand our service scopes in the future to turn it into another successful business of the Group.

The Group has invested in our securities business and continued to develop our call centre system in 2016, with the launch of the securities services in early 2017, we expect revenue to gradually start coming in and pave way for the new business stream in the coming future.

The Board recommends the payment of a final dividend of HK0.40 cents per share of the Company (the "Share") for the year ended 31 December 2016 to shareholders.

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders, business partners, the management team and customers for their continuous support over the year.

Tang Shing Bor
Chairman

Hong Kong, 16 March 2017

BUSINESS ENVIRONMENT

The business environment continues to be challenging especially for outsourcing services in the face of more stringent control from the government and corporations on data privacy and on making telemarketing calls. Longer scripts for caller identification with each customer leads to longer talk time and lower productivity, while implementation of tighter IT policy and control on customer data also leads to higher operating cost of the services. Other than reflecting part of the additional cost in our pricing scheme, the Group has continued to drive higher productivity through effective training and coaching of the staff.

Despite challenging business environment, the Group has maintained stable revenue of different services from our customers by providing sustainable results and quality services. Our operation management under ISO 9001 and information security management under ISO 27001 help to uphold our service standard and integrity while at the same time gain the confidence of our long term customers.

Our ability to provide diversified services including inbound, outbound, outsourcing, insourcing and facilities management services offers a well balance in business and allows us to address the changing needs of the customers at different times. With a relatively cautious outsourcing sentiment for some corporate customers, the demand in staff insourcing has seen a healthy growth in demand in the period. To cope with the increasing trend, the Group has strengthened our recruiting force in terms of manpower and broadened our recruiting network to cover more media and channels for more effective recruiting.

During the period under review, the Group continued to provide services to corporate customers in sectors such as financial and banking, insurance, telecommunication, Hong Kong Government departments and other conglomerates in Hong Kong, and the healthy business growth in those major industries leads to a stable demand of our service from the customers. And the Group will continue to strive to further diversify our customer base to increase the revenue streams and market presence as well as a better control of risk management.

The Group has successfully obtained the Type 1 (dealing in securities) and Type 4 (advising on securities) licenses for regulated activities from the Securities & Futures Commission of Hong Kong in November 2016, and opened our first centre for securities service in January 2017. Although there are uncertainties resulted from Brexit, economy slowdown in China and rising interest rate, the Hong Kong stock market remains one of the most mature markets in the world.

According to information provided by Hong Kong Stock Exchange (the "HKEX") as of December 2016, HKEX maintained its leadership position in the world in terms of IPO equity fund raised in 2016, and ranked No. 8 and No.11 in terms of market value of shares of domestic-listed companies and value of share trading respectively. The number of listed companies on both Main Board and the GEM increased from 1,866 in 2015 to 1,973 in 2016, reflecting a remained active stock market as a whole. The opening of the Shenzhen-Hong Kong Stock Connect in early December 2016 together with the Shanghai-Hong Kong Stock Connect launched since November 2014 are expected to further add fuel to trading in the local stock market in the coming future. The management of the Group believed our financial and securities business will benefit from the strong and active capital market in the coming years.

BUSINESS REVIEW

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

STAFF INSOURCING SERVICE

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

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.

Other than the core business of contact centre services, the Group has explored new business in finance and securities industries with the objective to broaden the Group's revenue basis to enhance our profitability and achieve better return of the Shareholders. The Group has made an application to the Securities and Futures Commission of Hong Kong ("SFC") for license to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities in Hong Kong. Following approval of the application from the SFC in November 2016, the Group has opened our first securities trading centre in January 2017, and started to operate our new business in the financial and securities business sector.

FINANCIAL REVIEW

The financial performance of the Company was affected by the challenging business environment as stated under the section headed "Business Environment" in this report. The profit for the year was dropped to approximately HK$4.8 million for the year ended 31 December 2016 from approximately HK$9.2 million for the year ended 31 December 2015.

REVENUE

The Group recorded an increase in total revenue to approximately HK$146.2 million for the year ended 31 December 2016 from approximately HK$143.6 million for the year ended 31 December 2015, representing an increase of approximately HK$2.6 million as compared to that of last year.

The total outsourcing inbound contact service, outsourcing outbound contact service, staff insourcing service, contact service centre facilities management service and others accounted for approximately 9.0%, 42.9%, 29.3%, 15.0% and 3.8% of the Group's total revenue for the year ended 31 December 2016 respectively.

The following table sets forth the analysis of revenue by business units of our Group for the years ended 31 December 2016 and 2015 respectively:

	Year ended 31 December 2016 HK$'000		Year ended 31 December 2015 HK$'000	
Outsourcing inbound contact service	**13,201**	**9.0%**	13,440	9.4%
Outsourcing outbound contact service	**62,690**	**42.9%**	64,969	45.2%
Staff insourcing service	**42,795**	**29.3%**	32,279	22.5%
Contact service centre facilities management service	**21,926**	**15.0%**	24,054	16.7%
Others*	**5,552**	**3.8%**	8,870	6.2%
Revenue	**146,164**	**100%**	143,612	100%

* The "Others" segment which principally comprises system maintenance income amounted to approximately HK$1.7 million (2015: approximately HK$1.3 million), licencing and sales of system and software income amounted to approximately HK$3.8 million (2015: approximately HK$7.5 million).

Outsourcing Inbound Contact Service

For the year ended 31 December 2016, the outsourcing inbound contact service segment recorded similar revenue of approximately HK$13.2 million as compared to that of last year. It represents the demand of the outsourcing inbound contact service maintains stable as compare with last year.

Outsourcing Outbound Contact Service

For the year ended 31 December 2016, the outsourcing outbound contact service segment recorded revenue of approximately HK$62.7 million, representing a decrease of approximately 3.5% as compared to that of last year.

Although the challenge comes from call blocking apps and fraudulent calls which have continued to throw obstacles in the way of outbound telemarking services, the Group still maintains stable revenue as compare to that of last year. It attributes to the effectiveness of our training in improving the marketing skills of the contact centre service staff. The stable trend of the revenue of outsourcing outbound contact service represents telemarking is still an acceptable channel in Hong Kong.

Staff Insourcing Service

For the year ended 31 December 2016, the staff insourcing service segment recorded revenue of approximately HK$42.8 million, representing an increase of approximately 32.6% as compared to that of last year.

The stable increasing trend of the revenue of staff insoucing service demonstrates a strong demand of staff insoucing service.

Contact Service Centre Facilities Management Service

For the year ended 31 December 2016, the contact service centre facilities management service segment recorded revenue of approximately HK$21.9 million, representing a decrease of approximately 8.8% as compared to that of last year.

Others

For the year ended 31 December 2016, the Group recorded a revenue in licencing and sales of system and software of approximately HK$3.8 million (2015: approximately HK$7.5 million) and system maintenance income of approximately HK$1.7 million respectively (2015: approximately HK$1.3 million).

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 2016 and 2015 respectively:

	Year ended 31 December 2016 HK$'000		Year ended 31 December 2015 HK$'000	
Outsourcing inbound contact service	**2,053**	**15.6%**	2,340	17.4%
Outsourcing outbound contact service	**5,732**	**9.1%**	5,957	9.2%
Staff insourcing service	**5,355**	**12.5%**	3,786	11.7%
Contact service centre facilities management service	**6,175**	**28.2%**	7,354	30.6%
Others	**1,835**	**33.1%**	5,097	57.5%
Total	**21,150**	**14.5%**	24,534	17.1%

The gross profit percentage of our Group decreased from approximately 17.1% for the year ended 31 December 2015 to approximately 14.5% for the year ended 31 December 2016. The overall decrease in segment result and the gross profit margin reflect the impact on the market of contact centre service due to the blocking apps and fraudulent telephone calls.

Outsourcing Inbound Contact Service

The gross profit margin in outsourcing inbound contact service decreased from approximately 17.4% for the year ended 31 December 2015 to approximately 15.6% for the year ended 31 December 2016. The decrease in the segment result is mainly attributable to the increase of staff cost for the year.

Outsourcing Outbound Contact Service

The gross profit margin in outsourcing outbound contact service decreased from approximately 9.2% for the year ended 31 December 2015 to approximately 9.1% for the year ended 31 December 2016. The drop was mainly attributable to the increasing resources spent in coping with the challenge created by the blocking apps, fraudulent telephone calls and the increase of the employee salary and benefits of the contact centre service staff.

Staff Insourcing Service

The gross profit margin in staff insourcing service increased from approximately 11.7% for the year ended 31 December 2015 to approximately 12.5% for the year ended 31 December 2016. The increase in the gross profit margin reflects the effectiveness of our training program in improving the productivity of our outsourcing contact centre service staff.

Contact Service Centre Facilities Management Service

The gross profit margin in contact service centre facilities management service slightly decreased from approximately 30.6% for the year ended 31 December 2015 to approximately 28.2% for the year ended 31 December 2016. The decrease in gross profit margin in this segment represents the increase of the overhead cost for the year.

Others

The "Others" segment principally comprises sale of system and software, licence service fee income and maintenance fee of WISE-xb Contact Centre System. The decrease in segment result mainly attributable to lower margin products sold to the customers as compared to that of last year.

EXPENSES

During the year under review, the employee benefits expenses increased from approximately HK$81.0 million for the year ended 31 December 2015 to approximately HK$82.9 million for the year ended 31 December 2016. The increase of employee benefit expenses was mainly due to the increase of employment of outsourcing staff for providing the staff insourcing services.

The Group recorded other operating expenses amounted to approximately HK$47.0 million (2015: approximately HK$41.1 million). The other operating expenses to sales ratio increased from approximately 28.6% for the year ended 31 December 2015 to approximately 32.2% for the year ended 31 December 2016. The increase of the other operating expenses is mainly due to the increase of insourcing fee expenses and subcontracting charges for meeting the needs of the demand of staff insourcing service and outsourcing outbound contract service respectively.

The Group's depreciation and amortization expenses increased from approximately HK$8.3 million for the year ended 31 December 2015 to approximately HK$9.8 million for the year ended 31 December 2016 which was mainly due to the increase of the capital expenditure incurred for our new office.

The Group's finance costs decreased to approximately HK$0.5 million for the year ended 31 December 2016 from approximately HK$0.6 million for the year ended 31 December 2015.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group's profit attributable to owners of the Company decreased from approximately HK$9.2 million for the year ended 31 December 2015 to approximately HK$4.8 million for the year ended 31 December 2016. The decrease in profit attributable to owners of the Company was mainly due to the increase of employee benefits expenses and the increase of other operating expenses.

PROSPECT

Following more and more stringent data privacy policies and information security regulations, the relevant requirements and cost for operating outsourcing services will become higher and higher. In spite of the unfavourable factors, the need to meeting higher operating standards has, at the same time, differentiated our services from that of our competitors, and in turn enhanced our competitiveness in the outsourcing market. With the continual effort in maintaining our operation and information security service levels, the Group is confident to stay as one of the most preferred outsourcing service providers in the market.

Practical progress has been made in the advancement on our proprietary contact centre system to the cloud platform through the Software as a Service (SaaS) model. The new platform will allow the Company to offer our WISE-xb Contact Centre System not only as a customized system solution, but also through a software distribution model on the Internet that can be marketed to anywhere in the world. The management anticipated that the initial development of the new model will be finished within 2017, and the Group will be able to enjoy the economic benefit from then on.

Following the opening of our first securities trading centre in January 2017, the Group has started our new financial business and anticipates to have revenue generated from brokerage commission, interest income generated from margin lending and discretionary account services including investment policy addressing, asset allocation and trade execution on the client behalf. In the coming future, the Group will seek to further develop other financial products and services in order to expand our service scopes and coverage. Although there are worries of the financial market which may face a number of uncertainties in the year to come, the Group expects impact on our target group of high net-worth customers will not be significant. As a major international financial centre, the management of the Group believes Hong Kong will continue to play an important role in the capital market, and is confident in driving long-term solid growth in the new business.

DIVIDEND

During the year under review, no interim dividend was declared and paid to the shareholders of the Company.

The Board has resolved to recommend the payment of a final dividend of HK0.40 cents per ordinary share for the year ended 31 December 2016 (2015: HK0.96 cents) on or about 18 May 2017 (Thursday) to the shareholders of the Company whose names recorded on the register of members of the Company as at 12 May 2017 (Friday).

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 2016, the Group had net current asset of approximately HK$92.8 million (2015: approximately HK$95.0 million) including cash and bank balances of approximately HK$47.2 million (2015: approximately HK$31.9 million).

As at 31 December 2016, the Group's current ratio (current assets/current liabilities) and gearing ratio were 5.1 (2015: 6.8) and 5.1% (2015: 1.4%) respectively. The gearing ratio was defined as the borrowings divided by the total assets.

The Group had interest-bearing loan approximately HK$6.8 million (2015: approximately HK$1.7 million). The debt-to-equity ratio (total loans/total equity) was 6.1% (2015: 1.6%).

PLEDGE OF ASSETS

As at 31 December 2016, the Group had pledged its bank deposits of approximately HK$4.8 million (2015: approximately HK$4.8 million) and had pledged investment fund amounted to approximately HK$7.1 million (2015: approximately HK$6.6 million) to secure its banking facilities and trade receivables financing.

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Group had no significant contingent liabilities as at 31 December 2016 (2015: Nil). As at 31 December 2016, there was no capital commitments outstanding but not provided for in the financial statements (2015: Nil).

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

Save as disclosed in this report, there were no significant investments held as at 31 December 2016, nor were there material acquisitions and disposals of subsidiaries during the year. There was no plan for material investments or capital assets as at 31 December 2016.

PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Tang Yiu Sing (鄧耀昇), aged 31, was appointed as an executive Director and a director of the relevant members of the Group on 29 July 2015 and is the Chief Executive Officer of the Group, an authorised representative and a member of the remuneration committee, the nomination committee and the risk management and internal control committee of the Company. He has over 10 years of experience in corporate management and property investment. He is the founder and Chief Executive Officer of Stan Group (Holdings) Limited ("Stan Group"), a company engaged in various businesses such as restaurant operation, hotel management, marketing, property investment, storage, wedding planning services and financing, and is responsible for the corporate strategic planning and overall business development of the company. Mr. YS Tang is the Honorary Chairman of the Association for Hong Kong Catering Services Management Limited, a member of Chinese Entrepreneurs Organization, Secretary of Lions Club of Metropolitan Hong Kong and a Director of Innovative Entrepreneur Association. Mr. YS Tang obtained a master's degree in Business Administration from the University of Western Ontario in 2014. He is also the son of Mr. Tang Shing Bor, a non-executive Director of the Company.

Mr. Yeung Ka Wing (楊家榮), aged 45, was appointed as an executive Director and a director of the relevant members of the Group on 29 July 2015 and is the Compliance Officer, an authorised representative and a member of the nomination committee and the risk management and internal control committee of the Company. He has over 20 years of experience in accounting, auditing, and corporate restructuring. He is the Chief Financial Officer of Stan Group. Prior to joining Stan Group, Mr. Yeung was the managing director of FTI Consulting, a consulting company specialised in, among other things, corporate restructuring, receivership and forensic accounting. Mr. Yeung was an Executive Director of Creative Energy Solutions Holdings Limited (stock code: 8109) ("Creative Energy"), a company listed on GEM, for the period from 30 January 2010 to 29 July 2010. During the term of Mr. Yeung's office as its Executive Director, the group of Creative Energy was principally engaged in the provision of energy saving services and sales of energy saving products. Following the completion of the restructuring of Creative Energy, Mr. Yeung resigned as an Executive Director of Creative Energy with effect from 29 July 2010. Mr. Yeung was graduated from Simon Fraser University with a bachelor's degree in Business Administration majoring in Accounting in 1994 and obtained a master's degree in Business Administration from the University of Western Ontario in 2014. He is a member of the American Institute of Certified Public Accountants and a Chartered Global Management Accountant.

NON-EXECUTIVE DIRECTOR

Mr. Tang Shing Bor (鄧成波), aged 83, was appointed as a non-executive Director on 29 July 2015 and is the Chairman of the Board. He has over 40 years' experience in property investment and developments and also has experience in food and beverage industry and retail industry in Hong Kong. Mr. Tang is the father of Mr. YS Tang, an executive Director of the Company. He is also the sole beneficial owner and a director of Million Top Enterprises Limited, the controlling shareholder of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Sik Kei (王錫基), aged 69, was appointed as an independent non-executive Director on 21 December 2011 and is the Chairman and a member of the nomination committee, and a member of each of the audit committee, the remuneration committee as well as the risk management and internal audit committee of the Company. Mr. 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. 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. Wong served as the director general of the OFTA from 1997 to 2003. In 2003, Mr. 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. Cheung Kong Ting (張江亭), aged 54, was appointed as an independent non-executive Director on 30 June 2016 and is the Chairman and a member of the remuneration committee, and a member of each of the risk management and internal control committee, the audit committee and the nomination committee of the Company. He is the chief executive officer of China Israel Consultant Co. Ltd. Prior to that, Mr. Cheung worked as the managing director and head of China Market of Edmond de Rothschild, Hong Kong from 2014 to 2015, as the head of China Market Team of Union Bank of Switzerland from 2011 to 2014, as the head of China Market of Barclays Bank PLC from 2008 to 2011 and as the head of Commercial Division of Bank of China Hong Kong from 1984 to 2008.

Mr. Cheung is an associate of the Hong Kong Institution of Bankers since 1998. He has over 31 years of experience in banking and finance. Mr. Cheung graduated from Hang Seng School of Commerce with Diploma in Business Studies (Banking) in 1984, The Hong Kong Polytechnic University with Higher Certificate in Business Studies (Banking) in 1989 and The Open University of Hong Kong with a Master's Degree in Business Administration in 2003.

Mr. Wong Kam Tai (黃錦泰), aged 43, was appointed as an independent non-executive Director on 12 January 2017 and is the Chairman and a member of each of the audit committee and the risk management and internal control committee, and a member of each of the remuneration committee and the nomination committee of the Company. He has obtained a Master of Business Administration (Strategic Financial Management) from the University of Hull in the United Kingdom in 2001, a Master of Law (Commercial Law) from the University of Northumbria at Newcastle in the United Kingdom in 2002 and a Master of Arts from Macquarie University in Australia in 2011. Mr. Wong is also a member of the Hong Kong Institute of Certified Public Accountants, a member of the Chartered Institute of Public Finance and Accountancy in the United Kingdom and a fellow member of CPA Australia. Mr. Wong has worked in the accounting field for ten years before becoming an accounting academic in 2002. Mr. Wong is currently an Assistant Professor in Accounting of Centennial College.

SENIOR MANAGEMENT

Ms. Chang Men Yee Carol (張敏儀), aged 53, is the Chief Operating Officer of the Group, Ms. Chang joined the Group on 1 January 1991 and is also a director of all the subsidiaries of the Company. Ms. Chang is responsible for the business and resources planning, operational administration, sales and marketing supervision 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.

Mr. Suen Fuk Hoi (孫福開), aged 52, is the company secretary and the Finance Controller of the Group, Mr. Suen joined the Group on 20 June 2003 and 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.

Mr. Yeung Tim Hee Tony (楊添喜), aged 56, joined the Group on 28 June 1999. He is the General Manager for Call Centre of the Group. Mr. Yeung has over 32 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), aged 50, 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 13 years of experience in information technology & project management.

Mr. Cheung Chi Tat (張志達), aged 54, 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 28 years of experience in electronic engineering.

Ms. Yung Kwan Yee (容坤儀), aged 46, 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 18 years' extensive experience in sales and marketing in the telecommunications industry.

Ms. Chan Yin Ming (陳燕鳴), aged 43, joined the Group on 20 April 2004. She is the 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 18 years of experience in accounting.

Mr. Siu Man On (蕭文安), aged 38, 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 13 years of experience in auditing and accounting.

CORPORATE GOVERNANCE PRACTICES

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

For the year ended 31 December 2016, the Company has complied with all the code provisions as set out in the Code except for the code provisions A.6.2 (a) of the Code, details of which are set out below.

According to code provision A.6.2 (a) of the Code, the functions of non-executive directors should include participating in board meetings to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. During the year under review, Mr. Tang Shing Bor, a non-executive Director, was absent from seven board meetings due to other important engagements in the relevant times and was not entitled to attend one board meeting for considering transactions in which he has material interest. According to code provision A5.1 of the Code, the nomination committee of the Company should comprise a majority of independent non-executive directors. Owing to the pass away of Mr. Ngan Chi Keung (who was an independent non-executive director of the Company (the "INED") and a member of the nomination committee of the Company) on 15 October 2016, the Company deviates from this code provision as the nomination committee of the Company comprises two executive directors and two INEDs. Following the appointment of Mr. Wong Kam Tai as an INED and a member of the nomination committee of the Company with effect from 12 January 2017, the nomination committee of the Company comprises a majority of independent non-executive directors and the Company has complied with this code provision.

The Company continues to enhance its corporate governance practices appropriate to the conduct and growth of its business, and to review and improve such practices from time to time to ensure that business activities and decision making processes are regulated in a proper and prudent manner in accordance with international best practices.

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 (including Mr. Yung Kai Tai, a former Director who was in office during the year under review, and excluding Mr. Ngan Chi Keung who passed away on 15 October 2016 and Mr. Wong Kam Tai who was newly appointed as Director on 12 January 2017) all such Directors confirmed that they had complied with the required standard of dealings concerning securities transactions by the Directors throughout the year ended 31 December 2016.

BOARD OF DIRECTORS

BOARD COMPOSITION

The Board currently comprises two executive Directors, one non-executive Director and three independent non-executive Directors. The composition of the Board is as follows:

Executive Directors
Mr. Tang Yiu Sing *(Chief Executive Officer)*
Mr. Yeung Ka Wing *(Compliance Officer)*

Non-Executive Director
Mr. Tang Shing Bor *(Chairman)*

Independent Non-Executive Directors
Mr. Wong Sik Kei
Mr. Cheung Kong Ting
Mr. Wong Kam Tai

The particulars of the Directors and other senior management are disclosed in the section headed "Particulars of Directors and Senior Management" on pages 13 to 15 in this report. Save as disclosed in this report, there is no relationship, including financial, business, family or other material/relevant relationship(s) among members of the Board and between the Chairman and the Chief Executive Officer of the Company. The Board formed the view that the composition of the Board is well balanced. Each of the Directors has relevant expertise and extensive corporate and strategic planning experiences that may contribute to the business of the Group.

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

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

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

In respect of the compliance with Rules 5.05(1), 5.05(2) and 5.28 of the GEM Listing Rules, owing to the pass away of Mr. Ngan Chi Keung (who was an INED and a member of the audit committee of the Company (the "Audit Committee")) on 15 October 2016, the Company failed to meet the relevant requirements as it only had two INEDs, namely, Mr. Wong Sik Kei and Mr. Cheung Kong Ting, and none of the INEDs and the members of the Audit Committee have appropriate professional qualifications or accounting or related financial management expertise. Following the appointment of Mr. Wong Kam Tai as an INED with effect from 12 January 2017 (who also has appropriate professional qualifications or accounting or related financial management expertise), the Company has been in compliance with the requirements of having at least three INEDs under Rule 5.05(1), and having at least one of the INEDs and one of the members of the Audit Committee with the requisite professional qualifications under Rule 5.05(2) and 5.28, of the GEM Listing Rules since then.

The Company has received a written confirmation of independence from each of the existing INEDs pursuant to Rule 5.09 of the GEM Listing Rules. The Company, based on such confirmation, considers all INEDs to be independent.

DIRECTORS' TRAINING

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

The Directors (including the existing Directors, namely, Messrs. Tang Shing Bor, Tang Yiu Sing, Yeung Ka Wing, Wong Sik Kei, Cheung Kong Ting and Wong Kam Tai; and the former Directors who were in office during the year, namely, Messrs. Ngan Chi Keung and Yung Kai Tai) 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 making decisions via passing written resolutions, the Board held eight Board meetings during the year ended 31 December 2016. The attendance records of individual directors at such meetings and the annual general meeting held by the Company during the year under review are set below:–

	Number of Meeting Attended/Held[1]	
	Board Meeting	**General Meeting**
Executive Directors:		
Mr. Tang Yiu Sing	7/8[2]	1/1
Mr. Yeung Ka Wing	8/8	1/1
Non-executive Director:		
Mr. Tang Shing Bor	0/8[2]	1/1
Independent Non-executive Directors:		
Mr. Wong Sik Kei	8/8	1/1
Mr. Cheung Kong Ting[3]	3/3	N/A[3]
Mr. Wong Kam Tai	N/A[4]	N/A[4]
Mr. Yung Kai Tai[5]	5/5	1/1
Mr. Ngan Chi Keung[6]	7/7	1/1

Notes:

1. Refers to the number of meetings attended/held while the Board member holds his office.
2. Not entitled to attend one meeting for considering transactions in which he has material interest.
3. Mr. Cheung Kong Ting's directorship commenced on 30 June 2016 and the general meeting was held on 4 May 2016.
4. Mr. Wong Kam Tai's directorship commenced on 12 January 2017.
5. Mr. Yung Kai Tai's directorship ceased on 30 June 2016.
6. Mr. Ngan Chi Keung's directorship ceased on 15 October 2016.

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. Tang Shing Bor and Mr. Tang Yiu Sing respectively.

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

During the year ended 31 December 2016, 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 the non-executive Director has entered into a service contract with the Company for a term of three years commencing on 29 July 2015.

Mr. Wong Sik Kei, an independent non-executive Director, has entered into a service contract or a appointment letter with the Company for a term of three years commencing on 21 December 2014.

Each of Mr. Cheung Kong Ting and Mr. Wong Kam Tai, independent non-executive Directors newly appointed on 30 June 2016 and 12 January 2017 respectively, has entered into a letter of appointment with the Company for an initial term of three years commencing from their respective appointment date.

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

BOARD COMMITTEES

NOMINATION COMMITTEE

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

The Nominee Committee is responsible for the formulation of nomination policies, review of the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis, and where necessary, nominating potential candidates to fill casual vacancies or for additional appointments on the Board and senior management of the Company.

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

The members of the Nomination Committee currently comprise Mr. Wong Sik Kei (Chairman), Mr. Tang Yiu Sing, Mr. Yeung Ka Wing, Mr. Cheung Kong Ting, and Mr. Wong Kam Tai, the majority of whom are independent non-executive Directors.

Apart from making decisions via passing written resolutions, the Nomination Committee held one meeting during the year ended 31 December 2016, and the attendance records of the individual committee members are set out below:–

	Number of Meetings Attended/Held (1)
Mr. Wong Sik Kei (Chairman)	1/1
Mr. Tang Yiu Sing	1/1
Mr. Yeung Ka Wing	1/1
Mr. Cheung Kong Ting	N/A(2)
Mr. Yung Kai Tai(3)	1/1
Mr. Ngan Chi Keung(4)	1/1

Notes:

1. Refers to the number of meetings attended/held while the member of Nomination Committee holds his office.
2. Mr. Cheung Kong Ting's membership commenced on 30 June 2016 and no meeting was held thereafter.
3. Mr. Yung Kai Tai's membership ceased on 30 June 2016.
4. Mr. Ngan Chi Keung's membership ceased on 15 October 2016.

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

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

– evaluated the Board performance;

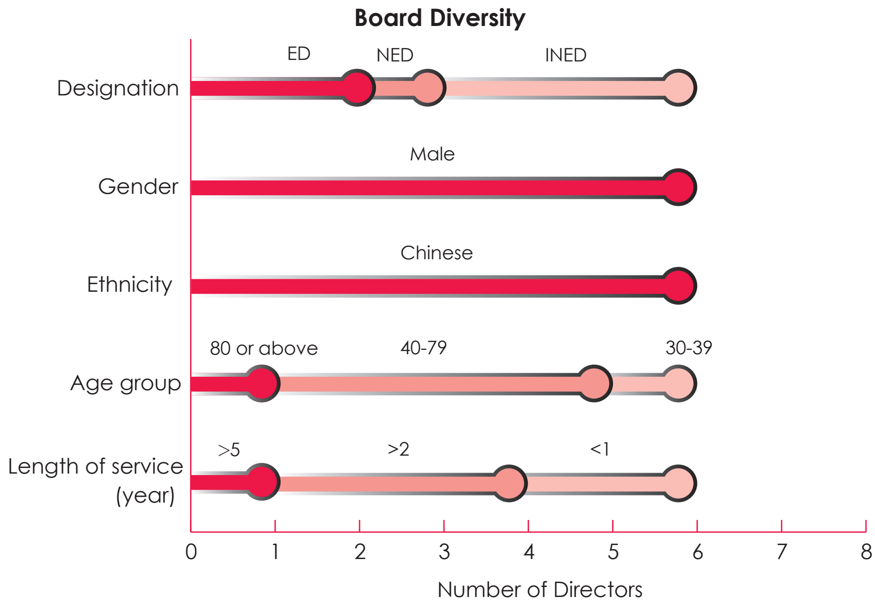
– reviewed the independence of the independent non-executive Directors; and

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

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

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

As at 31 December 2016, the Board's composition under major diversified perspectives was summarized as follows:



ED: Executive Director
NED: Non-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 2016 is set out in the Independent Auditors' Report on pages 54 to 57. The Board also ensures the timely publication of the financial statements. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The management provides sufficient explanation and information to the Board to enable it to make an informed assessment of financial and other information before approval.

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

REMUNERATION COMMITTEE

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

The primary duties of the Remuneration Committee are mainly to make recommendations to the Board on the overall remuneration policy and structure relating to the Directors and senior management of the Group, review and evaluate their performance in order to make recommendations on the remuneration package of each of the Directors and senior management personnel as well as other employee benefit arrangements.

The members of the Remuneration Committee currently comprise Mr. Cheung Kong Ting (Chairman), Mr. Tang Yiu Sing, Mr. Wong Sik Kei and Mr. Wong Kam Tai, the majority of whom are independent non-executive Directors.

Apart from making decisions via passing written resolutions, the Remuneration Committee held two meetings during the year ended 31 December 2016, and the attendance records of the individual committee members are set out below:–

	Number of Meetings Attended/Held [1]
Mr. Cheung Kong Ting (Chairman)	N/A[2]
Mr. Tang Yiu Sing	2/2
Mr. Wong Sik Kei	2/2
Mr. Wong Kam Tai	N/A[3]
Mr. Yung Kai Tai[4]	2/2
Mr. Ngan Chi Keung[5]	2/2

Notes:

1. Refers to the number of meetings attended/held while the member of Remuneration Committee holds office.
2. Mr. Cheung Kong Ting's membership commenced on 30 June 2016 and no meeting was held thereafter.
3. Mr. Wong Kam Tai's membership commenced on 12 January 2017.
4. Mr. Yung Kai Tai's membership ceased on 30 June 2016.
5. Mr. Ngan Chi Keung's membership ceased on 15 October 2016.

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

– reviewed the remuneration packages of the newly appointed Director who joined the Board on 30 June 2016 and recommended to the Board for approval.

AUDIT COMMITTEE

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

The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of the external auditors, review the financial statements and related materials and provide advice in respect of the financial reporting process and oversee the internal control procedures of the Group.

The members of the Audit Committee currently comprise Mr. Wong Kam Tai (Chairman), Mr. Wong Sik Kei and Mr. Cheung Kong Ting, all of whom are Independent Non-Executive Directors.

The Audit Committee held four meetings during the year ended 31 December 2016, and the attendance records of individual committee members are set out below:

	Number of Meetings Attended/Held [(1)]
Mr. Wong Kam Tai (Chairman)	N/A[(2)]
Mr. Wong Sik Kei	4/4
Mr. Cheung Kong Ting[(3)]	2/2
Mr. Ngan Chi Keung[(4)]	3/3

Notes:

1. Refers to the number of meetings attended/held while the member of Audit Committee holds his office.
2. Mr. Wong Kam Tai's membership commenced on 12 January 2017.
3. Mr. Yung Kai Tai's membership ceased on 30 June 2016.
4. Mr. Ngan Chi Keung's membership ceased on 15 October 2016.

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

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

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

– reviewed and approved audit fee; and

– recommended the re-appointment of auditors.

RISK MANAGEMENT AND INTERNAL CONTROL COMMITTEE

The Risk Management and Internal Control Committee ("RMICC") was newly established in November 2015 in compliance with the GEM Listing Rules as amended applying to the accounting periods beginning and after 1 January 2016.

The primary duties of the RMICC are:

a) to evaluate the nature and extent of the Group's exposure to the risks in its business and the external environment and to review and ensure that the Group establishes and maintains appropriate and effective risk management and internal control systems;

(b) to oversee the management in the design, implementation and monitoring of the risk management and internal control systems of the Group and ensure that a review of the effectiveness of such systems has been conducted at least annually; and

c) to monitor the effectiveness of the internal audit procedures in the compliance of the non-competition arrangement for controlling shareholders of the Company.

The members of the RMICC currently comprise Mr. Wong Kam Tai (Chairman), Mr. Tang Yiu Sing, Mr. Yeung Ka Wing, Mr. Wong Sik Kei and Mr. Cheung Kong Ting, the majority of whom are independent non-executive Directors.

The RMICC held two meetings during the year ended 31 December 2016, and the attendance records of the individual committee members are set out below:–

	Number of Meetings Attended/Held [1]
Mr. Wong Kam Tai (Chairman)	N/A[2]
Mr. Tang Yiu Sing	2/2
Mr. Yeung Ka Wing	2/2
Mr. Wong Sik Kei	2/2
Mr. Cheung Kong Ting[3]	1/1
Mr. Yung Kai Tai[4]	1/1
Mr. Ngan Chi Keung[5]	1/1

Notes:

1. Refers to the number of meetings attended/held while the member of the Risk Management and Internal Control Committee holds his office.
2. Mr. Wong Kam Tai's membership commenced on 12 January 2017.
3. Mr. Cheung Kong Ting's membership commenced on 30 June 2016.
4. Mr. Yung Kai Tai's membership ceased on 30 June 2016.
5. Mr. Ngan Chi Keung's membership ceased on 15 October 2016.

The summary of work of the Risk Management and Internal Control Committee during the year is as follows:

– to review whether there are any conflict of interests or competition of business between the Company and the company owned by an executive director of the Company.

AUDITORS AND THEIR REMUNERATION

The accounts for the year ended 31 December 2016 were audited by HLB Hodgson Impey Cheng Limited ("HIC") whose term of office will expire upon the forthcoming annual general meeting of the Company. The Audit Committee has recommended to the Board that HIC be re-appointed as the auditors of the Company at the forthcoming annual general meeting of the Company.

During the year ended 31 December 2016, the remuneration paid or payable to HIC, the auditors of the Company, in respect of the audit services rendered was approximately HK$850,000 (2015: HK$850,000).

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.

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, Nomination Committee, the RMICC, 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 acted as company secretary of the Company. Mr. Suen Fuk Hoi undertook over 15 hours' professional training to update his skill and knowledge in compliance with the GEM Listing Rules.

CHANGES IN CONSTITUTIONAL DOCUMENTS

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

SHAREHOLDERS' RIGHTS

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

And, if a shareholder wishes to propose a person other than a Director retiring at the meeting for election as a Director at an annual general meeting, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting should deposit a written notice of nomination at the head office of the Company or at the office of the Company's Branch Share Registrar at least a 7-day period commencing from the day after the dispatch of the notice of the annual general meeting and ending on no later than seven (7) days prior to the date of such general meeting. The relevant procedures are set out in the circular regarding, among others, the 2017 Annual General Meeting of the Company, which will be delivered together with the 2016 Annual Report of the Company to the shareholders.

THE PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

The Chairman of the Board attends the annual general meeting. The chairmen of the Audit, Remuneration and Nomination Committees and the RMICC 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.

The Group recognizes the importance of maintaining a balance on environmental protection and business development. In order to achieve the objective of protecting the environment, we offered comprehensive internal training and guidelines to drive responsible and conscientious behavior among our staff. By adopting various environmental policies throughout the years, our management aims to stimulate awareness on different aspects of environmental performance relevant to our business.

As a continual commitment to good corporate citizenship, The Group has incorporated social responsibility and sustainability through active participation in different kinds of voluntary social works. We aimed to motivate our staff and at the same time influence the others to be a responsible citizen and contribute to the wellbeing of our society.

This Environmental, Social and Governance ("ESG") Report has been prepared with reference to the ESG Reporting Guide of the Hong Kong Exchanges and Clearing Limited ("HKEx"), in-line with recommended practice for all Hong Kong listed companies. This is our first annual ESG Report. It describes the initiatives of the Group and its progress with regard to ESG issues for the period of 01 January 2016 to 31 December 2016.

For simplicity purposes, year "2016" in this report represents the year ended 31 December 2016.

(A) ENVIRONMENTAL SUSTANBILITY

The Group cares about the impacts of our business on the environment, and commits to achieve environmental sustainability. We have implemented a range of green measures at our office and contact centres to minimize our environmental footprints and raise the awareness of our employees in supporting green initiatives in the daily operation.

EMISSIONS

As a commercial enterprise specializing in contact centre services, our business does not involve production-related pollutions such as air or water pollution which are under government regulations. No hazardous waste was produced by the Group in 2016.

The indirect greenhouse gas emission expressed in terms of carbon dioxide emission were mainly generated from our electricity consumption. Other non-hazardous waste produced were mainly from the disposal of paper waste and water usage.

USE OF RESOURCES

Electricity was mainly consumed to support the operation at our office and contact centres, and the total consumption was reduced by approximately 23.6% from 1,349,320 kwh for the year ended 31 December 2015 to 1,030,366 kwh for the year ended 31 December 2016.

Our water consumption was minimal as we did not involve any manufacturing process. According to the record provided by the Hong Kong Water Supplies Department, the amount of water we consumed was 2,385 cubic meter in 2016 (2015: 1,042 cubic meter) which were mainly used in hand washing and toilet flushing. For the avoidance of doubt, the figures presented do not represent the total water usage of the Group due to a lack of separate billing in some previous premises.

MANAGING THE ENVIRONMENTAL NATURAL RESOURCES AND EMISSIONS

The Group has revised our Green Environment and Energy Saving Policy ("Green Policy") during 2016. We adopted the four "R" approach in terms of recycle, reuse, reduce and replace in our waste management strategy. We regularly update and remind our staff on any new energy saving and environmental protection measures. Energy saving or environmental protection reminders are posted at relevant locations in the premises to encourage responsible behaviour at all times, they include:

- reuse one-sided paper;
- reduce photocopy quantity;
- reuse paper and plastic envelope and packaging;
- view documents on electronic devices instead of printing out hard copies; and
- set double-side printing as the default mode for photocopier and fax machine.

Besides the above recommended practices, different collection points have been set up in the workplace to facilitate paper recycling with certified environmental management service companies. The estimated greenhouse gas reduction from our paper recycling exercise was approximately 1,387 kg, which roughly equals to planting over 36 tree seedlings.

In our contact centre service operation, energy is mainly consumed for air-conditioning and lighting. In order to improve the energy utilization efficiency, the Group has been gradually replacing the lighting at our office and contact centres with LED (light-emitting diodes) fluorescent tubes and light bulbs. Other than reminding employees to turn off the lights and air conditioning after meetings, timers and system setting are implemented to automatically switch off part of the office equipment, lighting and PC to minimize any wastage.

(B) SOCIAL RESPONSIBILITY

EMPLOYMENT AND LABOUR STANDARD

We understand that our success relies on our staff who help to differentiate our service from the others. As a responsible organization, the Group always aims to take care of all of our employees and strives to provide a safe and sound working environment for all of us. The Group adheres to people-oriented philosophy and maintains a harmonious working culture as well as environment where our staff are able to work free from any form of discrimination or harassment.

All of our human resources policies are developed in compliance with the Employment Ordinance in Hong Kong. The Human Resources Department is responsible to define and regularly update all related policies, including but not limited to, compensation, dismissal and promotion are strictly comply with the Employment Ordinance and other regulations in Hong Kong.

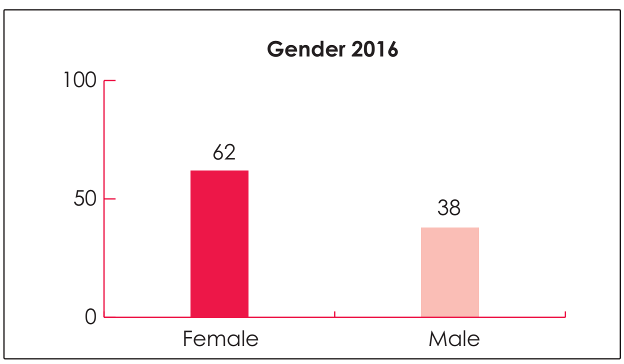
We uphold our commitment on the principle of fairness on the recruitment and promotion process throughout all of our operations. The Group's Equal Opportunity Policy states clearly that there is no discrimination on gender, pregnancy, disability, marital status, family status or race throughout the recruiting and employment period.

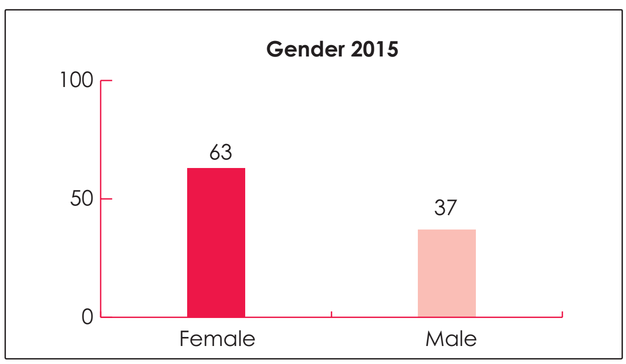
The Group has developed a remuneration and benefit system in line with our business and in accordance with the statutory requirements and market conditions. Remuneration Committee of the Group is responsible to review and revise the management's proposal of the Group's remuneration adjustment and discretionary performance bonus.

We strive to create a happy work culture by organizing regularly different kinds of activities for all levels of staff which include birthday parties, outdoor trips, badminton competition, team building camp, etc.

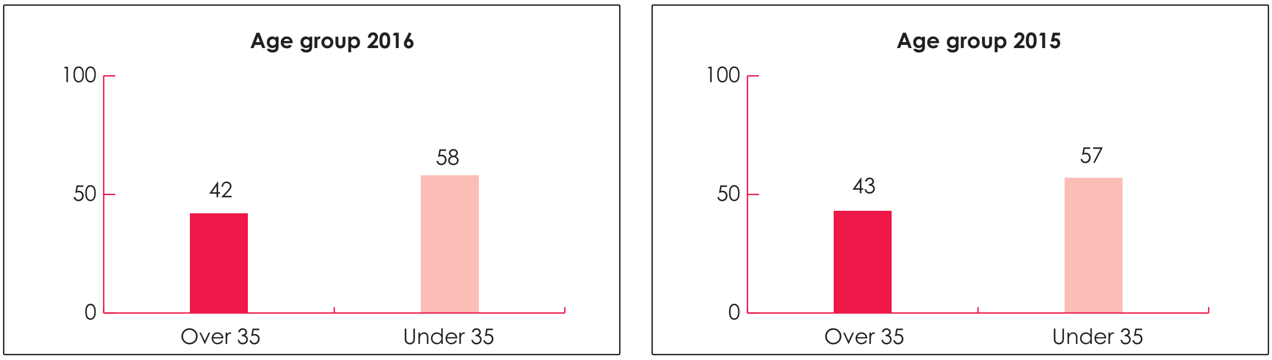
The total number of employee was reduced from 483 for the year ended 31 December 2015 to 465 for the year ended 31 December 2016. All of the employees are located in Hong Kong and most of them are employed in full time basis in both years ended 31 December 2015 and 2016. The age group and the gender of the Group are demonstrated in percentage in below diagrams:

Percentage of employees by gender





Percentage of employees by age group



HEALTH AND SAFETY

The Group's Health and Safety Policy is in place to ensure the overall safety of our working environment. Renovation of our premises are made complying with fire safety requirements of Hong Kong. Diagrams with clear fire escape route have been posted at dominant areas of the premises for everyone to see, while fire drill exercise is organized once every year. On the other hand, our Group has adequate compensation policies on injure and accident strictly comply with the relevant regulations and which are regularly reviewed by the management. There was one injury record in 2016 with a total 16 lost days.

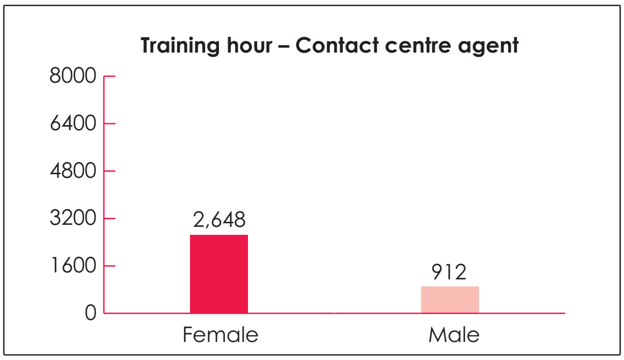
DEVELOPMENT AND TRAINING

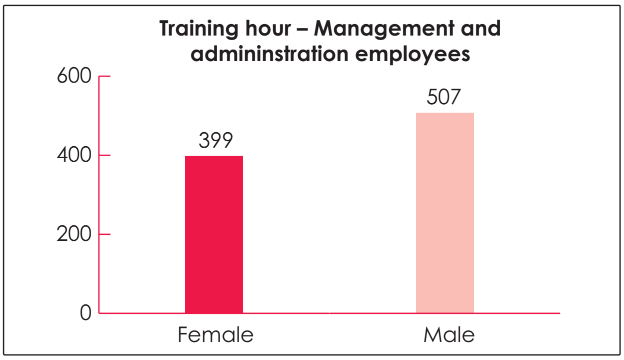
We believe training and development of our employee essential for our continual success. All newly recruited employees are required to attend training courses relevant to their job nature and needs, to ensure they are equipped with the necessary skills and knowledge to perform their duties.

The training normally lasts from 1 to 2 days up to a week depending on the nature of service to be provided. The training curriculum usually covers information about our Group, the clients, the relevant contact service skills as well as the specific service and product knowledge through classroom training and role play. Contact service agents are assessed at the end of the training to ensure that they have the abilities to perform their duties.

Our Group has arranged external training courses or seminars to relevant employees to enhance their job knowledge and skills in their responsible fields of duty. In addition, our Group organizes customized training courses for middle and top management employees on different business and management areas.

The below chart presents the total training hours by gender for contact centre agents, management and administration employees in 2016:





SUPPLIER CHAIN MANAGEMENT

Our suppliers mainly comprise of a telecommunications operator, a computer hardware and software vendor, a power system vendor, and a computer accessories vendor that have office based in Hong Kong. An internal guideline was developed for selecting suppliers which normally requires us to consider different suppliers before making a choice on each transaction. The internal guideline of procurement is regularly reviewed by the Internal Auditor and the management of the Group. Higher scores would be given to suppliers who have environmental and social responsibility policies for our evaluation.

PRODUCT RESPONSIBILITY

During 2016, we did not receive any complaints on our services from the Consumer Council or any other government departments in Hong Kong relating to health, safety, advertising or privacy matters. We also did not have any product recalls for safety or health issues during the period.

Our Group pays attention to the protection of intellectual property right. We registered two trademarks and several domain names in Hong Kong. Our Group prohibited our employees to download any freeware or shareware without permission. All programs and software including freeware or shareware can only be installed with prior approval from our Information Technology Department. During 2016, the Group was not aware of any infringement of intellectual property rights owned by third parties or by any third parties of any intellectual property rights owned by us.

The management recognized data privacy protection is vital to our clients and our business. We implemented strict security control with respect to physical environment and data handling in terms of system implementation as well as operation measures. We managed the risk by limiting access to confidential and private data on a strict need-to-know basis.

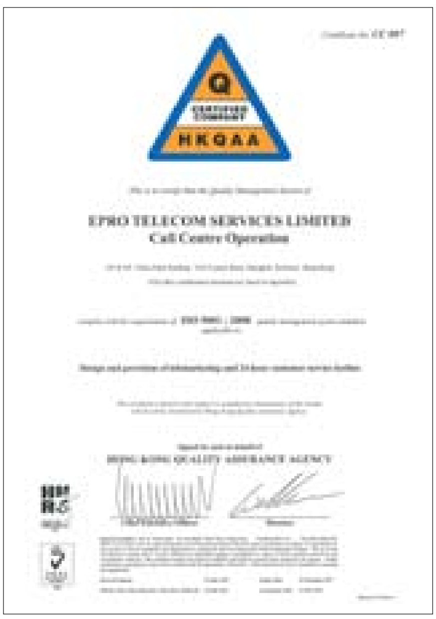
In addition, confidential data is stored, accessed and handled by authorized staff of the Information Technology Department through designated user accounts and passwords. Our contact service centres are divided into different work zones, and each zone is guarded by its own password door lock or access card system, so that only authorized staff working in that particular zone can have access to the area. CCTV cameras are installed in each of the offices and all working zones as well as other common areas in our contact service centre for surveillance purposes.

To further protect our systems and data, we installed update anti-virus software on servers and workstations, apply security patches and updates of operating systems regularly, protect the network connectivity by firewalls. During 2016, our Group has not experienced any incidents relating to system hacking.

Other than physical and system security measures, all employees that have access to any confidential information are required to sign a non-disclosure agreement with the Group, which among other things, prohibits the disclosure of confidential information about our Group, the clients, their business and operation in general or a certain project in particular to any person as so stated in the agreement.

Our Group has continuously attained the ISO 27001 certification in Information Security Management System, and we secure our systems and data based on this international information security management standards.

Besides, we have also maintained the ISO 9001:2008 Quality Management System Certificate in design and provision of telemarketing and 24-hour customer service hotline since 1997, and compliance of which allows us to uphold the quality of our service management in a continuous basis.



ANTI-CORRUPTION

Our Group has stringent internal guidelines on anti-corruption. Our "Honest and Integrity Policy", sets out the requirements of the compliance of anti-corruption and anti-bribery according to the Prevention of Bribery Ordinance, avoiding conflict of interest, prohibiting acceptance of gift and advantage, etc.

All newly recruited employees are requested to declare any conflict of interest with our Group. A declaration mechanism was set up to avoid conflict of interests and is monitored by the Risk and Management and Internal Control Committee of the Group.

In addition, a whistleblowing policy and reporting system is in place for employees and stakeholders to directly report any misconduct or dishonest activity, such as suspected corruption, fraud and other forms of criminality, to the Chairman of the Audit Committee of the Group. There was not a single reported whistleblowing case in 2016.

COMMUNITY

With a steadfast commitment on corporate social responsibility, our Group has always been an active member in promoting and participating in different types of social service projects and serves as a positive driving force in the community. The Group received the Caring Company Award from the Hong Kong Council of Social Service (HKCSS) for the third consecutive year.

In the field of education, the Group continues to support 'Epro Telecom Scholarship Scheme' at the Hong Kong Institute of Vocational Education (IVE) to support the continuous development of the Hong Kong education and to award outstanding students in their tertiary learning.

As a continual commitment to good corporate citizenship, the Group sponsored another "Thankful Day" event with a school dedicated to helping seriously handicapped students in 2016. The event provided an opportunity for our employees to express their caring to other people in the society.

We also joined the "Skip Lunch Day" organized by the Hong Kong Community Chest again in 2016. Staff were encouraged to donate their lunch spending of that day to this meaningful event for provision to those who are currently living in very poor conditions.

In 2016, the Group joined a running race called "MHA Run" organized by the Mental Health Association of Hong Kong (MHAHK). The objective is to encourage the participants to pay attention to their health and have regular physical activities. Volunteers from our Group contributed their spare time to assist the operation of the "MHA Run" based on a wish to demonstrate a harmonious community of different types of people.

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 2016.

PRINCIPAL ACTIVITIES

The principal business activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries of the Company are set out in note 1 to the Financial Statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 and the state of affairs of the Group at that date are set out in the Financial Statements on pages 58 to 123 of this Report.

DIVIDENDS

During the year under review, no interim dividend was declared and paid to the shareholders of the Company.

The Board has resolved to recommend the payment of a final dividend of HK0.40 cents per ordinary share in cash for the year ended 31 December 2016 (2015: HK0.96 cents) on or about 18 May 2017 (Thursday), subject to approval of the shareholders of the Company at the forthcoming annual general meeting, to the shareholders registered on 12 May 2017 (Friday).

CLOSURES 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 27 April 2017 (Thursday) to 4 May 2017 (Thursday), both days inclusive, during which period no transfers of Shares shall be registered. In order to be eligible for attending the forthcoming annual general meeting of the Company, all transfers of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 26 April 2017 (Wednesday).

For determining the entitlement to the final dividend, the register of members of the Company will be closed from 10 May 2017 (Wednesday) to 12 May 2017 (Friday) (both days inclusive) during which period no transfers of Shares would be registered. In order to qualify for the final dividend, all transfer of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 9 May 2017 (Tuesday).

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 124 and 125 of this Report.

BUSINESS REVIEW

Details of the Company's business review are set out in the section headed "Management Discussion and Analysis" of this Report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the Financial Statements.

BORROWINGS

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

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 26 to the Financial Statements.

PRE-EMPTIVE RIGHTS

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

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

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

RESERVES

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

DISTRIBUTABLE RESERVES

As at 31 December 2016, 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$67,913,000 (2015: HK$69,605,000).

MAJOR CLIENTS AND SUPPLIERS

Sales to the Group's five largest clients accounted for approximately 58% of the total sales for the year and sales to the single largest client amounted to approximately 20% of the total sales for the year. The Group's purchases from our five largest suppliers together accounted for approximately 97% of our total purchase for the year. The Group purchases approximately 61% from our single largest supplier for the year.

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

SHARE OPTION SCHEME

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

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

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

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

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

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

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

(3) the nominal value of the Shares.

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

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

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

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

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

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

EQUITY-LINKS AGREEMENTS

Other than the Share Option Scheme as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered by the Company during the year or subsisted at the end of the year.

DIRECTORS

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

EXECUTIVE DIRECTORS
Mr. Tang Yiu Sing *(Chief Executive Officer)*
Mr. Yeung Ka Wing *(Compliance Officer)*

NON-EXECUTIVE DIRECTOR
Mr. Tang Shing Bor *(Chairman)*

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Wong Sik Kei
Mr. Cheung Kong Ting *(appointed on 30 June 2016)*
Mr. Wong Kam Tai *(appointed on 12 January 2017)*
Mr. Yung Kai Tai *(resigned on 30 June 2016)*
Mr. Ngan Chi Keung *(passed away on 15 October 2016)*

Mr. Yung Kai Tai ("Mr. Yung") resigned as Director with effect from 30 June 2016 as he would like to pursue other business opportunities. Mr. Yung confirmed that he has no disagreement with the Board and there is no matter relating to his resignation that he considered should be brought to the attention of the shareholders of the Company.

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

To comply with Article 83(3) of the Articles of Association, Mr. Cheung Kong Ting and Mr. Wong Kam Tai shall hold office until, and retire at the annual general meeting, and being eligible, offer themselves for re-election at the annual general meeting.

In accordance with 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 a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation. And, according to the Corporate Governance Code under Appendix 15 to the GEM listing Rules, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with Article 84(2), any Director appointed by the Board pursuant to Article 83(3) shall not be taken into account in determining, which particular Directors or the number of Directors who are to retire by rotation.

To comply with the above, Mr. Wong Sik Kei and Mr. Yeung Ka Wing shall retire from office at the 2017 annual general meeting of the Company and, being eligible, offer himself for re-election.

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 13 to 15 of this Report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and the non-executive Director has entered into a service contract with the Company for a terms of three years commencing on 29 July 2015.

Mr. Wong Sik Kei, an independent non-executive Director, has entered into a service contract or a appointment letter with the Company for an initial term of three years commencing on 21 December 2014.

Each of Mr. Cheung Kong Ting and Mr. Wong Kam Tai, independent non-executive Directors newly appointed on 30 June 2016 and 12 January 2017 respectively, has entend into a letter of appointment with the Company for an initial term by three years commencing from their respective appointment date.

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 2016 was any of the Company or any associated corporation a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercised any such rights.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 30 to the Financial Statements, none of the Directors had material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries, fellow subsidiaries or its parent company was a party during the year under review.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Memorandum and Articles of Association and subject to the provisions of the statutes, the Directors and other officers of the Company shall be indemnified out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done or omitted in or about the execution of their duty in their respective offices provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty. The Company has maintained the relevant liability insurance for the Directors and official of the Company during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The following Director and his close associate are considered to have interests in the following business, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Mr. Tang Yiu Sing ("Mr. Tang") is an executive Director and Mr. Tang Shing Bor is a non-executive Director. Mr. Tang is a director and the ultimate beneficial owner of Stan Group (Holdings) Limited ("Stan Group") which is engaged in, among others, the operation of a comprehensive business platform in Hong Kong, including but not limited to co-working space business, and Mr. Tang Shing Bor is the father of Mr. Tang. In this regard, Mr. Tang is considered to have interests in businesses which compete, or is likely to compete, either directly or indirectly, with the businesses of the Group.

In order to further safeguard the interests of the Group, the Risk Management and Internal Control Committee ("RMICC") with the assistant of the working team of RMICC conducted a comprehensive review on the issue of computing business during the year 2016. The members of RMICC and the Board considered that, given the delineation in target customer, image, pricing segment and running model of the co-working space business of Stan Group and the Group's Elite Business Centre, and in particular, Group's Elite Business Centre is located in a grade-A office building targeting multinational corporations and government authorities while the co-working space business of Stan Group is located in a revitalised industrial building targeting entrepreneurs and business start-ups, the potential competition is minimum and the interest of the Group is adequately protected. The co-working space business of Stan Group and the Group's Elite Business Centre is operated and managed by two distinct management teams except for Mr. Tang who as aforementioned is an executive Director and a director of Stan Group.

The RMICC and the management of the Group will continue to review on a regular basis the businesses and operations of the Group to ensure that its business are run on the basis that they are independent of, and at arm's length from, Stan Group.

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

As at 31 December 2016, 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. Tang Shing Bor	Interest in a controlled corporation	Corporate interest	210,000,000 *(Note)*	75%

Note:–

These interests were held by Million Top Enterprises Limited which, was wholly and beneficially owned by Mr. Tang Shing Bor. Mr. Tang Shing Bor is therefore deemed to be interested in such shares by virtue of Part XV of the SFO.

Save as disclosed above, as at 31 December 2016, none of the Directors and/or Chief Executive had any other interests or short positions in any Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the required standard of dealings by the Directors to be notified to the Company and the Stock Exchange.

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

So far as is known to the Directors, as at 31 December 2016, 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
Million Top Enterprises Limited *(Note)*	Beneficial owner	210,000,000	75%

Note:-

Million Top Enterprises Limited was wholly and beneficially owned by Mr. Tang Shing Bor, a non-executive Director.

Save as disclosed above, as at 31 December 2016, 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 16 to 29 of this Report.

EMOLUMENT POLICY

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

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 December 2016 are set out in note 30 to the Financial Statements. Those related party transactions constitute continuing connected transactions both exempted and non-exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

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

(1) LEASE AGREEMENTS

(a) Renewed Camelpaint Building Lease

On 2 November 2015, Epro Telecom Services Limited ("ETS"), a member of the Group, entered into a lease (the "Renewed Camelpaint Building Lease") with Always Beyond Limited ("Always Beyond") regarding the renewal of the lease of property situated at Factory on the 1/F including Flat Roof thereof of Block 1 of Camelpaint Building Block I & II, No. 62 Hoi Yuen Road, Kowloon, Hong Kong ("Camelpaint Building Property").

It was noted that on 2 November 2013, the Group and Always Beyond entered into the lease for leasing to the Group the Camelpaint Building Property for a fixed term of 2 years, which commenced from 2 November 2013 and expired on 1 November 2015. As Always Beyond is controlled by the family members of Mr. Tang Shing Bor, the ultimate controlling shareholder of the Company since 21 July 2015 and thereafter the non-executive Director, Mr. Tang Shing Bor and Always Beyond became connected persons of the Company since then and the transactions contemplated under the Renewed Camelpaint Building Lease constituted continuing connected transactions on the part of the Company under Chapter 20 of the GEM Listing Rules.

Pursuant to the Renewed Camelpaint Building Lease, ETS as the lessee continued to lease the Camelpaint Building Property for an initial fixed term of one year commenced from 2 November 2015 and expired on 1 November 2016 (both days inclusive) at a monthly rent of HK$232,500 (exclusive of rates, government rent and management fees).

On 2 November 2016, ETS exercised its option under the Renewed Camelpaint Building Lease to renew the term of the Renewed Camelpaint Building Lease for a further term of one year commenced from 2 November 2016 and expiring on 1 November 2017 (both days inclusive) at the same monthly rent of HK$232,500 (exclusive of rates, government rent and management fees).

(b) China Paint Building Lease

On 21 December 2015, ETS as the lessee entered into a lease ("China Paint Building Lease") with Stan Group, regarding the lease of 3/F, part of 4/F and 6/F, China Paint Building, 1163 Canton Road, Kowloon, Hong Kong ("China Paint Building Property").

As Stan Group is wholly-owned and beneficially owned by Mr. Tang Yiu Sing, the executive Director since 29 July 2015, the transactions contemplated under the China Paint Building Lease constituted continuing connected transactions on the part of the Company under Chapter 20 of the GEM Listing Rules.

Pursuant to the China Paint Building Lease, ETS leased the China Paint Building Property for the period commenced from 1 January 2016 and expired on 31 July 2016 (both days inclusive) at a monthly rent of HK$177,632 (exclusive of rates, government rent and management fees); and 3/F, 4/F and part of 6/F, China Paint Building, 1163 Canton Road, Kowloon, Hong Kong for the period commenced from 1 August 2016 and expiring on 31 December 2018 (both day inclusive) at a monthly rent of HK$229,632 (exclusive of rates, government rent and management fees).

Given the similar nature of the transactions under, and the contracting parties to, the Renewed Camelpaint Building Lease and the China Paint Building Lease (collectively, the "Lease Agreements"), the respective annual cap for the Lease Agreements for each of the years ended 31 December 2016 and ending 31 December 2017 were aggregated with each other, which is HK$4,951,952 and HK$4,850,952 respectively.

ETS has occupied and used the Camelpaint Building Property for the operation of a business centre since 2007. In consideration of (i) the Camelpaint Building Property is fully equipped and well furnished for operating business centre business; (ii) additional costs and time involved if the Group moves the business centre to other premises in nearby vicinity, the Directors (including the independent non-executive Directors) considered the entering into of the Renewed Camelpaint Building Lease is in the interests of the Company and its Shareholders as a whole.

The purpose of entering into the China Paint Building Lease is to open a new business centre in Mong Kok, Hong Kong and to relocate the main office of the Group. As the China Paint Building Property would provide premises for the business need of the Group and the terms thereof were determined after arm's length negotiations, the Directors (including the independent non-executive Directors) considered that the entering into the China Paint Building Lease is in the interests of the Company and its Shareholders as a whole.

The terms of the Lease Agreements (including the monthly rent) were determined after arm's length negotiations between the Group and the respective lessors with reference to the prevailing market rent for the comparable property in the vicinity. The Directors (including the independent non-executive Directors) consider that (i) each of the Lease Agreements was entered into in the ordinary and usual course of business of the Group on normal commercial terms; and (ii) the terms of each of the Lease Agreements and the aggregate annual cap are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Please also refer to the announcement made by the Company on 21 December 2015 regarding to these transactions for further details.

(2) SERVICE AGREEMENTS

(a) East Ocean Service Agreement

On 29 July 2015, ETS, a member of the Group, entered into an agreement (the "East Ocean Service Agreement") with East Ocean Gourmet Group Limited ("East Ocean") pursuant to which ETS agreed to provide inbound customer enquiry hotline and seat reservation hotline support to East Ocean for an initial fixed term of one year commenced from 6 August 2015 and expired on 5 August 2016 (both days inclusive) at a monthly service operation charge at HK$32,000 as well as a monthly service management and system support charge at HK$6,000. The East Ocean Service Agreement may be extended for a term of one year and subsequently further extended for a term of one year at the option of East Ocean.

As East Ocean is controlled by Mr. Tang Shing Bor, a non-executive Director and a controlling shareholder of the Company, the transactions contemplated under the East Ocean Service Agreement constituted continuing connected transactions of the Company pursuant to the GEM Listing Rules.

The East Ocean Service Agreement has not been renewed after the expiration on 5 August 2016.

(b) SG Hotel Service Agreement

On 29 September 2015, ETS entered into an agreement ("SG Hotel Service Agreement") with SG Hotel Group Management Limited ("SG Hotel") pursuant to which ETS agreed to provide staff insourcing services to SG Hotel for a fixed term of three years commenced from 29 September 2015 and expiring on 28 September 2018 (both days inclusive) at a monthly service charge at HK$26,500.

As SG Hotel is wholly and beneficially owned by Stan Group which is in turn wholly and beneficially owned by Mr. Tang Yiu Sing, an executive Director and the chief executive officer of the Company, the transactions contemplated under the SG Hotel Service Agreement constituted continuing connected transactions of the Company pursuant to the GEM Listing Rules.

(c) Stan Group Service Agreement

On 29 July 2016, Epro Online Services Limited ("EOS") entered into an agreement ("Stan Group Service Agreement") with Stan Group pursuant to which EOS agreed to provide call centre infrastructure and insourced agent support to Stan Group for a fixed term of one year commenced from 1 August 2016 and expiring on 31 July 2017 (both days inclusive) (the "Term").

The fee comprises:

1. the workstation recurring charge based on (a) the actual number of workstations subscribed or (b) at least (i) twenty agent positions per month for the first six-month period of the Term and (ii) five agent positions for the second six-month period of the Term; and

2. all other charges in accordance with the fee schedule as contained in the Stan Group Service Agreement.

As Stan Group is wholly and beneficially owned by Mr. Tang Yiu Sing, an executive Director and the chief executive officer of the Company, the transactions contemplated under the Stan Group Service Agreement constituted continuing connected transactions of the Company pursuant to the GEM Listing Rules.

Given the similar nature of the transactions under, and the relationship between the contracting parties to, the East Ocean Service Agreement, the SG Hotel Service Agreement and the Stan Group Service Agreement (collectively, the "Service Agreements"), the respective annual caps for the Service Agreements were required to be aggregated (the "Aggregate Annual Cap"). The proposed Aggregate Annual Cap are HK$4,600,000 and HK$3,600,000 for the year ended 31 December 2016 and the year ending 31 December 2017 respectively.

The Directors (including the independent non-executive Directors) considered that each of the Service Agreements were entered into in the ordinary course and usual course of business of the Group on normal commercial terms, and their respective terms are fair and reasonable, and the entering into of the each of the Service Agreement are in the interests of the Company and its shareholder as a whole.

Please also refer to the announcements made by the Company on 29 July 2016 and 2 August 2016 regarding to these transactions 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) which are required to be disclosed in this report.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors reviewed the above continuing connected transactions contemplated under the Lease Agreements and the Service Agreements (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 2016 as announced by the Group.

CONFIRMATION OF AUDITORS OF THE COMPANY

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

The accounts for the year ended 31 December 2016 were audited by HIC whose term of office will expire upon the annual general meeting. A resolution for the re-appointment of HIC as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

On Behalf of the Board

Tang Yiu Sing
Chief Executive Officer and Executive Director

Hong Kong, 16 March 2017

國衛會計師事務所有限公司
HLB 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)

OPINION

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 123, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

Capitalization of software development costs	How our audit addressed the Key Audit Matter
The Group capitalizes a material level of software development costs on an annual basis. We focused on this area because the decision as to the amounts of development costs to be capitalized required management's judgement.	We considered the key areas of judgement, including evaluating management's assessment that the necessary criteria for capitalization under HKFRSs were met at the point of commencement of capitalization. We also tested costs that were capitalized to supporting evidence to check that these were accurately recorded.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit for the consolidated financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Kwok Kin Leung.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Kwok Kin Leung
Practising Certificate Number: P05769

Hong Kong, 16 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Revenue	5	**146,164**	143,612
Other income	6	**649**	762
Other losses-net	7	**(180)**	(2,065)
Employee benefits expenses	8	**(82,905)**	(80,986)
Depreciation and amortization		**(9,825)**	(8,270)
Other operating expenses		**(47,002)**	(41,132)
Operating profit		**6,901**	11,921
Finance costs	9	**(515)**	(582)
Profit before tax	10	**6,386**	11,339
Income tax expense	11	**(1,572)**	(2,149)
Profit for the year		**4,814**	9,190
Total comprehensive income for the year		**4,814**	9,190
Profit attributable to owners of the Company		**4,814**	9,190
Total comprehensive income attributable to owners of the Company		**4,814**	9,190
Earnings per share attributable to owners of the Company-Basic and diluted (HK cents)	12	**1.7**	3.3

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 13 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	15	10,041	4,961
Intangible assets	16	7,864	7,889
Investment in an associate	17	–	–
Deferred income tax assets	25	686	1,011
		18,591	13,861
Current assets			
Trade and other receivables	18	44,639	58,460
Financial assets designated as at fair value through profit or loss	19	7,054	6,648
Amount due from an associate	17	10,576	9,318
Amounts due from related companies	20	154	319
Pledged bank deposits	21	4,797	4,787
Current income tax recoverable		849	–
Cash and cash equivalents	22	47,218	31,936
		115,287	111,468
Current liabilities			
Trade and other payables	23	16,105	14,618
Borrowings	24	6,366	1,711
Current income tax liabilities		–	148
		22,471	16,477
Net current assets		92,816	94,991
Total assets less current liabilities		111,407	108,852
Non-current liabilities			
Borrowings	24	409	–
Deferred income tax liabilities	25	353	333
		762	333
Net assets		110,645	108,519
Equity attributable to the owners of the Company			
Share capital	26	2,800	2,800
Share premium	26	25,238	25,238
Reserves	28	82,607	80,481
Total equity		110,645	108,519

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 16 March 2017 and signed on its behalf by:

Tang Yiu Sing
Director

Yeung Ka Wing
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 2016

	Attributable to owners of the Company				
	Share capital HK$'000 *(Note 26)*	**Share premium** HK$'000 *(Note 26)*	**Merger reserve** HK$'000 *(Note 28)*	**Retained profits** HK$'000 *(Note 28)*	**Total equity** HK$'000
Balance as at 1 January 2015	2,800	25,238	25,624	51,127	104,789
Profit for the year	–	–	–	9,190	9,190
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the year	–	–	–	9,190	9,190
Dividends paid *(Note 13)*	–	–	–	(5,460)	(5,460)
Balance as at 31 December 2015 and 1 January 2016	2,800	25,238	*25,624	*54,857	108,519
Profit for the year	–	–	–	4,814	4,814
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the year	–	–	–	4,814	4,814
Dividends paid *(Note 13)*	–	–	–	(2,688)	(2,688)
Balance as at 31 December 2016	**2,800**	**25,238**	***25,624**	***56,983**	**110,645**

* These reserve accounts comprise the consolidated reserves of approximately HK$82,607,000 (2015: approximately HK$80,481,000) 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 2016

	Note	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Profit before tax		6,386	11,339
Adjustments for:			
Depreciation and amortization		9,825	8,270
Fair value (gain)/loss on financial assets designated as at fair value through profit or loss		(406)	978
Interest income		(649)	(762)
Interest expense		515	582
Impairment loss recognized on trade receivables		51	–
Loss on disposal of property, plant and equipment		237	16
Operating cash flows before changes in working capital		15,959	20,423
Trade and other receivables		13,770	3,157
Amount due from an associate		(1,258)	(4,359)
Amounts due from related companies		165	1,980
Trade and other payables		742	2,504
Cash generated from operations		29,378	23,705
Income tax paid		(2,224)	(1,579)
Net cash generated from operating activities		27,154	22,126
Cash flows from investing activities			
Additions of intangible assets		(4,197)	(3,385)
Proceeds from disposal of subsidiaries		–	4,000
Purchases of property, plant and equipment		(9,537)	(417)
Increase in pledged bank deposits		(10)	(10)
Interest received		649	762
Net cash (used in)/generated from investing activities		(13,095)	950
Cash flows from financing activities			
Dividends paid		(2,688)	(5,460)
Interest paid		(515)	(582)
Proceeds from borrowings		84,101	77,047
Repayments of borrowings		(79,675)	(79,266)
Net cash generated from/(used in) financing activities		1,223	(8,261)
Net increase in cash and cash equivalents		15,282	14,815
Cash and cash equivalents at beginning of the year		31,936	17,121
Cash and cash equivalents at end of the year	22	47,218	31,936

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

1. GENERAL INFORMATION

ETS Group Limited is an investment holding company. ETS Group Limited 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 2016, the directors regard Million Top Enterprises Limited, a company incorporated in Hong Kong with limited liability, 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 4th Floor, China Paint Building, 1163 Canton Road, Mongkok, 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 16 March 2017.

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 Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. In 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 HKFRSs 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 amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

- Clarification of acceptable methods of depreciation and amortization – Amendments to HKAS 16 and HKAS 38;
- Annual improvements to HKFRSs 2012 – 2014 cycle; and
- Disclosure initiative – Amendments to HKAS 1.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(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 2016 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"

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 "Financial Instruments: Recognition and Measurement" and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard upon adoption.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

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

HKFRS 15, "Revenue from Contracts with Customers"

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognizing revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implement issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16, "Leases"

HKFRS 16 will result in almost all leases being recognized on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancelable operating lease commitments of approximately HK$14,730,000, see Note 29. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

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

HKFRS 16, "Leases" (continued)

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) Business combinations

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Business combinations (continued)

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

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 "Financial Instruments: Recognition and Measurement" in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated 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 unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

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

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

(c) Disposal of subsidiaries

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

2.2.2 Separate financial statements

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Associates

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

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

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

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

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's consolidated 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 profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (continued)

(c) Group companies

The results and financial position of all the group 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets

(a) Internally generated software development costs

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

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

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life intangible assets or 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets

2.9.1 Classification

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

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (continued)

2.9.2 Recognition and measurement

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

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

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

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

Interest on available-for-sale securities calculated using the effective interest method is recognized in the consolidated statement of profit or 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.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of financial assets

(a) Assets carried at amortized cost

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of financial assets (continued)

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from equity and recognized in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated statement of profit or loss and other comprehensive income.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss) is reclassified from equity and recognized in profit or loss. Impairment losses recognized in the consolidated statement of profit or loss and other comprehensive income on equity instruments are not reversed through the consolidated statement of profit or loss and other comprehensive income.

2.12 Trade and other receivables

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

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

2.13 Cash and cash equivalents

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Share capital

Ordinary shares are classified as equity.

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

2.15 Trade payables

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

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

2.16 Borrowings

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

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

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Borrowing costs

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

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

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

Borrowing costs include interest expense, finance charges in respect of finance lease.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the profit or loss 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 reporting date 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 reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Inside basis differences (continued)

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

Outside basis differences

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

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

(c) Offsetting

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits

(a) Defined contribution plans

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

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

(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 "Provisions, Contingent Liabilities and Contingent Assets" 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.

(d) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Share-based payments

(a) Equity-settled share-based payment transactions

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

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

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

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

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

(b) Share-based payment transactions among group entities

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Provisions

Provisions for environmental restoration, restructuring costs, and legal claims 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. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

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

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

2.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for the sales of goods and services provided, stated net of discounts, returns and value added taxes. The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Interest income

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

2.24 Leases

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

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.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign currency risk

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

The management of the Group considers the foreign currency risk of the Group is not significant, and thus does not have any active policies to hedge against the foreign currency 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 19).

The following table demonstrates the sensitivity to every 5% change in the fair value of the investments, 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 investments HK$'000	Increase/ (Decrease) in profit before tax HK$'000	Increase/ (Decrease) in equity HK$'000
As at 31 December 2016			
Unlisted investments at fair value			
– Financial assets designated as at fair value through profit or loss			
5% increase in fair value	353	353	353
5% decrease in fair value	(353)	(353)	(353)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Price risk (continued)

	Carrying amount of investments HK$'000	Increase/ (Decrease) in profit before tax HK$'000	Increase/ (Decrease) in equity HK$'000
As at 31 December 2015			
Unlisted investments at fair value			
– Financial assets designated as at fair value through profit or loss			
5% increase in fair value	332	332	332
5% decrease in fair value	(332)	(332)	(332)

(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, Best Lending Rate and Hong Kong Interbank Offered 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$62,000 (2015: approximately HK$17,000). 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 variable-rate 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 2016, the Group has certain concentrations of credit risk as 19% and 53% (2015: 24% and 58%) of the Group's trade receivables were due from the Group's largest customer and the Group's five largest customers, respectively. Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in Note 18.

(c) Liquidity risk

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

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted payments (including interest payments computed using contractual rates or, if floating based on current rates at the end of the reporting period). 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$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total HK$'000
As at 31 December 2016				
Trade and other payables excluding non-financial liabilities	13,524	–	–	13,524
Borrowings				
– Term loan subject to a repayable on demand clause	6,541	–	–	6,541
– Finance lease liability	140	140	293	573
	20,205	140	293	20,638

	On demand or within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total HK$'000
As at 31 December 2015				
Trade and other payables excluding non-financial liabilities	12,464	–	–	12,464
Borrowings				
– Term loan subject to a repayable on demand clause	1,730	–	–	1,730
	14,194	–	–	14,194

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$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total HK$'000
As at 31 December 2016				
Borrowings				
– Term loan subject to a repayable on demand clause	**2,922**	**2,096**	**1,523**	**6,541**
As at 31 December 2015				
Borrowings				
– Term loan subject to a repayable on demand clause	1,730	–	–	1,730

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 and borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

The gearing ratios of the Group are as follows:

	2016 HK$'000	2015 HK$'000
Total debt	22,880	16,329
Less: cash and cash equivalents *(Note 22)*	(47,218)	(31,936)
Net debt	–	–
Total equity	110,645	108,519
Total capital	110,645	108,519
Gearing ratio	N/A	N/A

3.3 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as at 31 December 2016 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy 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 as at 31 December 2016.

	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 investments designated as at fair value through profit or loss	–	7,054	–	7,054

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2015.

	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 investments designated as at fair value through profit or loss	–	6,648	–	6,648

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.

The Group's financial instruments carried at amortized cost are not materially different from their fair values as at 31 December 2015 and 2016.

3.4 Financial instruments by category

	2016 HK$'000	2015 HK$'000
Assets as per statement of financial position		
Financial assets designated as at fair value through profit or loss	7,054	6,648
Loans and receivables:		
– Trade and other receivables excluding prepayments	44,170	52,033
– Amount due from an associate	10,576	9,318
– Amounts due from related companies	154	319
– Pledged bank deposits	4,797	4,787
– Cash and cash equivalents	47,218	31,936
	113,969	105,041

	2016 HK$'000	2015 HK$'000
Liabilities as per statement of financial position		
At amortized costs:		
– Trade and other payables excluding non-financial liabilities	13,524	12,464
– Borrowings	6,775	1,711
	20,299	14,175

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 addressed below.

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.

5. SEGMENT INFORMATION AND REVENUE

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

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

(a) Outsourcing inbound contact service;

(b) Outsourcing outbound contact service;

(c) Staff insourcing service;

(d) Contact service centre facilities management service; and

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

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

The segment information provided to the board of directors for the reportable segments for the years ended 31 December 2015 and 2016 are as follows:

For the year ended 31 December 2016

	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	13,201	62,690	42,795	21,926	5,552	146,164
Segment results	2,053	5,732	5,355	6,175	1,835	21,150
Depreciation and amortization	546	3,742	–	3,508	1,683	9,479
Total segment assets	7,831	23,941	11,700	12,980	6,679	63,131
Total segment assets includes:						
Additions to non-current assets (other than financial instruments)	761	5,221	–	4,895	1,407	12,284
Total segment liabilities	215	4,251	2,483	1,051	47	8,047

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

For the year ended 31 December 2015

	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	13,440	64,969	32,279	24,054	8,870	143,612
Segment results	2,340	5,957	3,786	7,354	5,097	24,534
Depreciation and amortization	491	3,297	–	3,226	1,028	8,042
Total segment assets	8,531	26,424	8,398	12,390	7,589	63,332
Total segment assets includes:						
Additions to non-current assets (other than financial instruments)	264	1,775	–	1,737	–	3,776
Total segment liabilities	189	3,602	2,743	903	–	7,437

There were no inter-segment sales during the year ended 31 December 2016. The revenue from external parties reported to the directors of the Company 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:

	2016 HK$'000	2015 HK$'000
Segment results for reportable segments	21,150	24,534
Unallocated:		
Other income	649	762
Other losses – net	(180)	(2,065)
Depreciation and amortization	(346)	(228)
Finance costs	(515)	(582)
Corporate and other unallocated expenses	(14,372)	(11,082)
Profit before tax	6,386	11,339

The amounts provided to the directors of the Company 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:

	2016 HK$'000	2015 HK$'000
Segment assets for reportable segments	63,131	63,332
Unallocated:		
Property, plant and equipment	2,844	549
Financial assets designated as at fair value through profit or loss	7,054	6,648
Current income tax recoverable	849	–
Deferred income tax assets	686	1,011
Corporate and other unallocated assets	59,314	53,789
Total assets per consolidated statement of financial position	133,878	125,329

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

The amounts provided to the directors of the Company 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.

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

	2016 HK$'000	2015 HK$'000
Segment liabilities for reportable segments	**8,047**	7,437
Unallocated:		
Deferred income tax liabilities	**353**	333
Current income tax liabilities	**–**	148
Borrowings	**6,775**	1,711
Corporate and other unallocated liabilities	**8,058**	7,181
Total liabilities per consolidated statement of financial position	**23,233**	16,810

Breakdown of the revenue from all services is as follows:

Analysis of revenue by category

	2016 HK$'000	2015 HK$'000
Service fee income from provision of telecommunication and related services	**140,612**	134,742
Licensing and sales of system and software	**3,766**	7,537
System maintenance income	**1,700**	1,333
Others	**86**	–
	146,164	143,612

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 approximately HK$144,617,000 (2015: approximately HK$141,366,000), and the total of revenue from external customers from other country is approximately HK$1,547,000 (2015: approximately HK$2,246,000).

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 approximately HK$17,905,000(2015: approximately HK$12,850,000), and none of these non-current assets is located in other countries (2015: 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:

	2016 HK$'000	2015 HK$'000
Customer A	**28,589**	32,944
Customer B	**23,924**	20,097
Customer C	**20,970**	14,685
	73,483	67,726

6. OTHER INCOME

	2016 HK$'000	2015 HK$'000
Interest income from bank deposits	**649**	762

7. OTHER LOSSES – NET

	2016 HK$'000	2015 HK$'000
Financial assets designated as at fair value through profit or loss *(Note 19)* – Fair value gain/(loss)	**406**	(978)
Net foreign exchange losses	**(349)**	(1,071)
Loss on disposal of property, plant and equipment	**(237)**	(16)
	(180)	(2,065)

8. EMPLOYEE BENEFITS EXPENSES

	2016 HK$'000	2015 HK$'000
Salaries and allowances	82,516	80,851
Pension costs – defined contribution plans	3,703	3,520
Total employee benefits expenses, including directors' remuneration	86,219	84,371
Less: Amounts capitalized in deferred development costs	(3,314)	(3,385)
	82,905	80,986

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2016 include one director (2015: three directors) whose emoluments are reflected in the analysis show in Note 32. The emoluments payable to the remaining four individuals (2015: two individuals) for the year ended 31 December 2016 is as follows.

	2016 HK$'000	2015 HK$'000
Salaries, allowances and benefits in kind	3,704	1,281
Pension costs – defined contribution plans	160	65
	3,864	1,346

	Number of individuals	
	2016	2015
Emolument bands (in HK$)		
Below HK$1,000,000	3	2
HK$1,500,001 – HK$2,000,000	1	–

No emoluments were paid by the Group to any of the directors of the Company 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 (2015: Nil). None of the directors of the Company waived any emoluments during the year ended 31 December 2016 (2015: Nil).

9. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest on bank borrowings and bank overdrafts	494	582
Interest on finance lease liability	21	–
	515	582

10. PROFIT BEFORE TAX

	2016 HK$'000	2015 HK$'000
Profit before tax is stated after charging:		
Depreciation and amortization		
Depreciation of owned property, plant and equipment	5,533	3,068
Depreciation of assets under finance lease	70	–
Amortization of intangible assets	4,222	5,202
Total depreciation and amortization	9,825	8,270
Auditors' remuneration	850	850
Operating lease payments in respect of rented premises	8,993	9,005
Research and development costs	4,222	5,202
Provision for impairment of trade receivables *(Note 18)*	51	–

11. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the year.

	2016 HK$'000	2015 HK$'000
Current tax:		
Current tax on profits for the year	1,109	2,470
Adjustment in respect of prior year	118	–
Total current tax	1,227	2,470
Deferred income tax *(Note 25)*	345	(321)
Income tax expense	1,572	2,149

11. INCOME TAX EXPENSE (CONTINUED)

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

	2016 HK$'000	2015 HK$'000
Profit before tax	**6,386**	11,339
Tax calculated at Hong Kong profits tax rate 16.5%	**1,054**	1,871
Tax effects of:		
– Income not subject to tax	**(224)**	(244)
– Expenses not deductible for tax purposes	**37**	245
– Temporary differences not recognized	**4**	300
– Tax losses for which no deferred income tax asset was recognized	**583**	196
– Utilization of tax losses previously unrecognized	**–**	(219)
– Adjustment in respect of prior year	**118**	–
Tax charge	**1,572**	2,149

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 (2015: 280,000,000 ordinary shares).

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during the years ended 31 December 2015 and 2016.

13. DIVIDENDS

	2016 HK$'000	2015 HK$'000
No interim dividend was declared (2015: HK0.45 cents) per ordinary share	–	1,260
Proposed final dividend of HK0.40 cents (2015: HK0.96 cents) per ordinary share	1,120	2,688
	1,120	3,948

The dividends paid in 2015 and 2016 were HK$5,460,000 (HK1.95 cents per ordinary share) and HK$2,688,000 (HK0.96 cents per ordinary share) respectively.

At a meeting held on 16 March 2017, the board of directors declared the payment of a final dividend of HK0.40 cents per ordinary share for the year ended 31 December 2016. The proposed final dividend for the year ended 31 December 2016 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 2016.

14. SUBSIDIARIES

The following is a list of the subsidiaries as at 31 December 2015 and 2016:

Name	Place of incorporation and kind of legal entity	Particulars activities	Principal of issued share capital	Interest held 2016	Interest held 2015
Eastside Fortune Limited	British Virgin Islands, limited liability company	Investment holding	2 ordinary shares of US$1 each	100% (direct)	100% (direct)
Future Data Limited	British Virgin Islands, limited liability company	Investment holding	2 ordinary shares of US$1 each	100% (indirect)	100% (indirect)
Gear Securities Investment Limited	Hong Kong, limited liability company	Dealing in securities and advising in securities	5,000,000 ordinary shares of HK$1 each	100% (indirect)	Nil
Epro Telecom Holdings Limited ("ETH")	Hong Kong, limited liability company	Investment holding	20,533,987 ordinary shares of HK$1 each	100% (indirect)	100% (indirect)
Epro Telecom Services Limited ("ETS")	Hong Kong, limited liability company	Provision of telecommunication and related services and sales of system and software	23,000,001 ordinary shares of HK$1 each	100% (indirect)	100% (indirect)
Epro Logic Limited	Hong Kong, limited liability company	Research and development of telecommunication systems software, provision of related consulting services and sales of system and software	3,000,000 ordinary shares of HK$1 each	100% (indirect)	100% (indirect)
Commas Limited	Hong Kong, limited liability company	Research and development of telecommunication systems software and provision of related consulting services	10,000 ordinary shares of HK$1 each	100% (indirect)	Nil
Interactive Business Services Limited	Hong Kong, limited liability company	Provision of telecommunication and related services	3,000,000 ordinary shares of HK$1 each	100% (indirect)	100% (indirect)
Epro Marketing Limited	Hong Kong, limited liability company	Provision of telecommunication and related services	3,000,000 ordinary shares of HK$1 each	100% (indirect)	100% (indirect)
Epro Online Services Limited ("EOS")	Hong Kong, limited liability company	Provision of rental services and provision of telecommunication and related services	1 ordinary share of HK$1 each	100% (indirect)	100% (indirect)

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements, furniture and fixtures HK$'000	Computer equipment HK$'000	Computer software HK$'000	Electronic and office equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
As at 1 January 2015						
Cost	22,675	22,935	14,535	15,395	462	76,002
Accumulated depreciation	(18,995)	(22,499)	(11,455)	(14,971)	(454)	(68,374)
Net book amount	3,680	436	3,080	424	8	7,628
Year ended 31 December 2015						
Opening net book amount	3,680	436	3,080	424	8	7,628
Additions	128	212	14	63	–	417
Disposals	(16)	–	–	–	–	(16)
Depreciation charge	(1,349)	(303)	(1,219)	(189)	(8)	(3,068)
Closing net book amount	2,443	345	1,875	298	–	4,961
As at 31 December 2015						
Cost	22,754	23,147	14,549	15,458	462	76,370
Accumulated depreciation	(20,311)	(22,802)	(12,674)	(15,160)	(462)	(71,409)
Net book amount	2,443	345	1,875	298	–	4,961
Year ended 31 December 2016						
Opening net book amount	**2,443**	**345**	**1,875**	**298**	**–**	**4,961**
Additions	**8,572**	**1,008**	**520**	**182**	**698**	**10,980**
Disposals	**(292)**	**(3)**	**–**	**(2)**	**–**	**(297)**
Depreciation charge	**(4,156)**	**(250)**	**(971)**	**(156)**	**(70)**	**(5,603)**
Closing net book amount	**6,567**	**1,100**	**1,424**	**322**	**628**	**10,041**
As at 31 December 2016						
Cost	**14,659**	**3,310**	**6,542**	**1,351**	**698**	**26,560**
Accumulated depreciation	**(8,092)**	**(2,210)**	**(5,118)**	**(1,029)**	**(70)**	**(16,519)**
Net book amount	**6,567**	**1,100**	**1,424**	**322**	**628**	**10,041**

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Fixed asset held under finance leases

The motor vehicle includes the following amounts where the Group is a lessee under a finance lease.

	2016 HK$'000
Cost – capitalised finance lease	698
Accumulated depreciation	(70)
Net book value	628

(b) Non-cash transaction

During the year ended 31 December 2016, addition to property, plant and equipment of approximately HK$698,000 was financed by finance lease arrangement.

16. INTANGIBLE ASSETS

	Internally generated software development costs HK$'000
As at 1 January 2015	
Cost	36,494
Accumulated amortization	(26,788)
Net book amount	9,706
Year ended 31 December 2015	
Opening net book amount	9,706
Additions	3,385
Amortization charge	(5,202)
Closing net book amount	7,889
As at 31 December 2015	
Cost	39,879
Accumulated amortization	(31,990)
Net book amount	7,889
Year ended 31 December 2016	
Opening net book amount	**7,889**
Additions	**4,197**
Amortization charge	**(4,222)**
Closing net book amount	**7,864**
As at 31 December 2016	
Cost	**44,076**
Accumulated amortization	**(36,212)**
Net book amount	**7,864**

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

17. INVESTMENT IN AN ASSOCIATE

	2016 HK$'000	2015 HK$'000
Unlisted, at cost	3	3
Share of net liabilities	(3)	(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 as at 31 December 2015 and 2016:

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

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

	2016 HK$'000	2015 HK$'000
Share of the associate's loss	–	–
Share of the associate's other comprehensive income	–	–
Share of the associate's total comprehensive income	–	–
Aggregate carrying amount of the Group's investment in the associate	–	–

The Group has discontinued the recognition of its share of losses of associate because the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amounts of the Group's unrecognized share of losses of this associate for the current year and cumulatively were approximately HK$78,000 (2015: approximately HK$1,056,000) and approximately HK$2,786,000 (2015: approximately HK$2,708,000), respectively.

18. TRADE AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	**37,545**	41,393
Less: Provision for impairment of trade receivables	**(51)**	–
Trade receivables – net	**37,494**	41,393
Other receivables, deposits and prepayments	**7,145**	17,067
	44,639	58,460

The average credit period on the Group's sales is 29 days (2015: 30 days). The aging analysis of the trade receivables based on invoice date is as follows:

	2016 HK$'000	2015 HK$'000
0 – 30 days	**20,944**	27,993
31 – 60 days	**6,179**	6,676
61 – 90 days	**4,603**	2,386
Over 90 days	**5,768**	4,338
	37,494	41,393

As at 31 December 2016, the Group's trade receivables of approximately HK$17,155,000 (2015: approximately HK$17,412,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2016 HK$'000	2015 HK$'000
0 – 30 days	**6,378**	10,078
31 – 60 days	**5,007**	2,912
61 – 90 days	**445**	1,529
Over 90 days	**5,325**	2,893
	17,155	17,412

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements in the Group's provision for impairment for trade receivables are as follows:

	2016 HK$'000	2015 HK$'000
Beginning of the year	–	–
Provision made for the year *(Note 10)*	51	–
Trade receivables written off as uncollectible	(51)	–
End of the year	–	–

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

	2016 HK$'000	2015 HK$'000
HK$	40,937	52,780
RMB	3,702	5,680
	44,639	58,460

As at 31 December 2015 and 2016, the carrying amounts of the Group's trade and other receivables approximated their fair values due to short duration.

As at 31 December 2016, the carrying amounts of the Group's trade receivables included approximately HK$2,183,000, HK$38,000 and HK$1,000, are due from Stan Group (Holdings) Limited, East Ocean Gourmet Group Limited and Kong Way Credit Company Limited, respectively. These receivables arise mainly from sale transactions and are due one month from the date of invoices. The receivables are unsecured in nature and bear no interest. (2015: Nil)

Stan Group (Holdings) Limited, East Ocean Gourmet Group Limited and Kong Way Credit Company Limited are controlled by Mr. Tang Yiu Sing ("Mr. YS Tang") who is the executive director of the Company.

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

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

	2016 HK$'000	2015 HK$'000
Unlisted investments:		
– Designated as at fair value through profit or loss	7,054	6,648
Market value of the unlisted investment	7,054	6,648

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

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

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

20. AMOUNTS DUE FROM RELATED COMPANIES

Name of related company	Maximum amount outstanding during the year HK$'000	2016 HK$'000	2015 HK$'000
Best Price Market Limited	193	–	193
East Ocean Gourmet Group Limited	76	–	76
SG Hotel Group Management Limited	50	–	50
Stan Group (Holdings) Limited	153	152	–
The Wave (Hing Yip Street) Corporation Limited	27	2	–
As at 31 December		154	319

Best Price Market Limited is controlled by the family members of Mr. Tang Shing Bor ("Mr. SB Tang") who is a non-executive director of the Company.

East Ocean Gourmet Group Limited, Stan Group (Holdings) Limited and The Wave (Hing Yip Street) Corporation Limited, are controlled by Mr. YS Tang.

SG Hotel Group Management Limited is wholly owned by Stan Group (Holdings) Limited, which is controlled by Mr. YS Tang.

The amounts due from related companies are unsecured, interest-free and repayable on demand.

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

21. PLEDGED BANK DEPOSITS

Pledged bank deposits represent deposits pledged to banks to secure the banking facilities and factoring facilities of the Group. The effective interest rates on pledged bank deposits ranged from 0.02% to 0.7% per annum at 31 December 2016 (2015: from 0.04% to 0.6% per annum). The maturity of these deposits ranged from 33 to 92 days (2015: from 33 to 92 days). The carrying amounts of pledged bank deposits are denominated in HK$.

22. CASH AND CASH EQUIVALENTS

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for three months and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

	2016 **HK$'000**	2015 HK$'000
Cash at banks and on hand	**47,218**	25,054
Short-term bank deposits	**–**	6,882
Cash and cash equivalents	**47,218**	31,936

As at 31 December 2016, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to approximately HK$71,000 (2015: approximately 6,972,000). 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.

23. TRADE AND OTHER PAYABLES

	2016 **HK$'000**	2015 HK$'000
Trade payables	**2,366**	1,962
Other payables and accruals	**13,739**	12,656
	16,105	14,618

23. TRADE AND OTHER PAYABLES (CONTINUED)

As at 31 December 2016, the aging analysis of the trade payables based on invoice date is as follows:

	2016 HK$'000	2015 HK$'000
0 – 30 days	**1,354**	1,093
31 – 60 days	**710**	802
61 – 90 days	**301**	32
Over 90 days	**1**	35
	2,366	1,962

As at 31 December 2016, the carrying amounts of the Group's other payables and accruals included approximately HK$12,000 and HK$5,000 are deposits received from H.K. Sources Finance Limited and Stan Group (Holdings) Limited, respectively. These received balances arise mainly from sale transactions which are unsecured in nature and bear no interest. (2015: Nil)

H.K. Sources Finance Limited is controlled by Mr. SB Tang and Mr. YS Tang.

24. BORROWINGS

	2016 HK$'000	2015 HK$'000
Current		
Secured bank borrowings	**6,244**	1,711
Finance lease liability	**122**	–
	6,366	1,711
Non-current		
Finance lease liability	**409**	–
Total borrowings	**6,775**	1,711

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

	2016 HK$'000	2015 HK$'000
Within 1 year	**2,744**	1,711
More than 1 year but not more than 2 years	**2,000**	–
More than 2 years but not more than 5 years	**1,500**	–
	6,244	1,711

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.

24. BORROWINGS (CONTINUED)

(a) All the bank borrowings are analyzed as follow (Note): (continued)

The carrying values of the bank borrowings approximately equal to their fair values, as the market interest rates are relatively stable.

The effective interest rates of the bank borrowings is from 2.75% to 7% per annum at 31 December 2016 (2015: from 2.75% to 7% per annum) and mature until 2019.

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

As at 31 December 2016, the banking facilities and factoring facilities of the Group were secured by the followings:

(i) Corporate guarantees executed by ETS Group Limited;

(ii) Pledged financial assets designated as at fair value through profit or loss with carrying amount of approximately HK$7,054,000 (2015: approximately HK$6,648,000);

(iii) Pledged bank deposits with carrying amount of approximately HK$4,797,000 (2015: approximately HK$4,787,000);

(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.

As at 31 December 2016, the Group has available unutilized banking facilities of approximately HK$30,734,000 (2015: approximately HK$30,932,000).

(b) Finance lease liability:

	As at 31 December 2016	
	Present value of the minimum lease payment HK$'000	Total minimum lease payments HK$'000
Within one year	122	140
More than one year but not more than two years	127	140
More than two years but not more than five years	282	293
	531	573
Less: total future interest expenses		(42)
Present value of lease obligations		531

24. BORROWINGS (CONTINUED)

(b) Finance lease liability: (continued)

The Group's motor vehicle with aggregate net book value of approximately HK$628,000 as at 31 December 2016 is secured as the rights to the leased assets revert to the lessors in the event of default.

The Group had committed finance lease facility which bore interest at 1.98% per annum as at 31 December 2016.

The carrying amount of the finance lease liability is denominated in HK$.

25. DEFERRED INCOME TAX

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

	2016 HK$'000	2015 HK$'000
As at 1 January	**(678)**	(357)
Consolidated statement of profit or loss charged/(credited) *(Note 11)*	**345**	(321)
As at 31 December	**(333)**	(678)

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:	**Accelerated tax depreciation HK$'000**
As at 1 January 2015	517
Credited to the consolidated statement of profit or loss	(184)
As at 31 December 2015	333
Charged to the consolidated statement of profit or loss	20
As at 31 December 2016	**353**

25. DEFERRED INCOME TAX (CONTINUED)

Deferred tax assets:	Decelerated tax depreciation HK$'000
As at 1 January 2015	(874)
Credited to the consolidated statement of profit or loss	(137)
As at 31 December 2015	(1,011)
Charged to the consolidated statement of profit or loss	325
As at 31 December 2016	**(686)**

Deferred income tax assets are recognized for tax loss carry-forwards 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 2016, the Group has unused tax losses of approximately HK$4,756,000 (2015: approximately HK$1,224,000) which are available for offset against future profits may be carried forward indefinitely. Certain amounts of unused tax losses are subject to approval from the Hong Kong Inland Revenue Department.

26. SHARE CAPITAL AND PREMIUM

	Number of ordinary shares	Ordinary shares of HK$0.01 each HK$'000	Share premium HK$'000
Ordinary shares, Issued and fully paid up:			
As at 31 December 2015 and 2016	**280,000,000**	**2,800**	**25,238**

27. SHARE OPTION SCHEME

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.

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.

27. SHARE OPTION SCHEME (CONTINUED)

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 2015 and 2016.

28. RESERVES

Share premium

Share premium arose from the issue of shares at a price greater than the par value of the share 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.

29. COMMITMENTS

(a) 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:

	2016 HK$'000	2015 HK$'000
No later than 1 year	**8,185**	8,131
Later than 1 year and no later than 5 years	**6,545**	6,189
	14,730	14,320

The Group leases office premises are under operating lease agreements. Lease for properties are for terms ranging from 1 to 3 years.

30. RELATED PARTY TRANSACTIONS

IIn addition to those disclosed elsewhere in the consolidated financial statements, the Group entered into the following significant related party transactions during the year:

Name of related party	Nature of transactions	Notes	2016 HK$'000	2015 HK$'000
Always Beyond Limited	Premise rental expenses	(i), (vii) & (xiv)	2,790	1,213
Best Price Market Limited	Sales of system and provide relevant services	(i) & (viii)	(193)	(193)
East Ocean Food (Hong Kong) Limited	Seasonal event expenses	(ii) & (vi)	46	23
East Ocean Development (Hong Kong) Limited	Seasonal event expenses	(ii) & (vi)	2	–
East Ocean Gourmet Group Limited	Outsourcing inbound contact service income	(ii), (ix) & (xiv)	(418)	(202)
	Seasonal event expenses	(ii) & (vi)	7	–
Epro Career Limited	Insourcing fee expenses	(v) & (vi)	17,042	13,410
Epro Techsoft Limited	System maintenance income	(vi) & (xiii)	–	(631)
H.K. Sources Finance Limited	System maintenance income	(iv) & (vi)	(63)	–
	System installation and provide relevant services	(iv) & (vi)	(60)	–
Kong Way Credit Company Limited	Subscription fee income	(ii) & (vi)	(1)	–
Leading Spread Limited	Seasonal event expenses	(ii) & (vi)	27	–
SG Marketing Limited	Insourcing service income	(ii) & (vi)	–	(8)
SG Hotel Group Management Limited	Insourcing service income	(iii), (x) & (xiv)	(239)	(75)
Stan Group (Holdings) Limited	Premise rental expenses	(ii), (xi) & (xiv)	2,032	–
	Insourcing service income	(ii), (xii) & (xiv)	(1,525)	–
	Facilities management services income	(ii), (xii) & (xiv)	(658)	–
	Seasonal event expenses	(ii) & (vi)	113	–
	Subscription fee income	(ii) & (vi)	(25)	–
The Wave (Hing Yip Street) Corporation Limited	Sales of system and provide relevant services	(ii) & (vi)	(25)	–

30. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

(i) Always Beyond Limited and Best Price Market Limited are controlled by the family members of Mr. SB Tang.

(ii) East Ocean Food (Hong Kong) Limited, East Ocean Development (Hong Kong) Limited, East Ocean Gourmet Group Limited, Kong Way Credit Company Limited, Leading Spread Limited, SG Marketing Limited, Stan Group (Holdings) Limited and The Wave (Hing Yip Street) Corporation Limited are controlled by Mr. YS Tang.

(iii) SG Hotel Group Management Limited is wholly owned by Stan Group (Holdings) Limited, which is controlled by Mr. YS Tang.

(iv) H.K. Sources Finance Limited is controlled by Mr. SB Tang and Mr. YS Tang.

(v) Epro Career Limited is an associate of ETH.

(vi) Seasonal event expenses, insourcing service income, insourcing fee expenses, system maintenance income, subscription fee income, sales of system and provide relevant services and system installation and provide relevant services are based on terms mutually agreed between the parties involved.

(vii) Pursuant to rental agreements entered into between Always Beyond Limited and ETS, ETS agreed to lease the premises for a fixed term period commenced from 23 December 2014 to 1 November 2015 and commenced from 2 November 2015 to 1 November 2016 with one-year option period following the expiration of the fixed term period.

(viii) Pursuant to agreement entered into between Best Price Market Limited and ETS on 21 December 2015, ETS agreed to sell the Business Centre System and provide relevant services to Best Price Market Limited.

(ix) Pursuant to agreement entered into between East Ocean Gourmet Group Limited and ETS on 29 July 2015, ETS agreed to provide outsourcing inbound contact service to East Ocean Gourmet Group Limited for a fixed term of one year commenced from 6 August 2015 to 5 August 2016 and two successive one-year option period following the expiration of the fixed term period.

(x) Pursuant to agreement entered into between Stan Hotel Group Management Limited (under the business name of Tang's Living) and ETS on 29 September 2015, ETS agreed to provide staff insourcing service to SG Hotel Group Management Limited commenced from 1 October 2015 to 30 September 2018.

(xi) Pursuant to rental agreement entered in between Stan Group (Holdings) Limited and ETS on 21 December 2015. ETS agreed to lease the premises for a term from 1 January 2016 to 31 December 2018.

(xii) Pursuant to agreement entered into between Stan Group (Holdings) Limited and EOS on 29 July 2016, EOS agreed to provide staff insourcing service and facilities management services to Stan Group (Holdings) Limited for the period of twelve months commenced from 1 August 2016.

(xiii) Epro Techsoft Limited, is a subsidiary of Epro Group International Limited. The related party relationship is ceased upon the completion of sales and purchase agreement entered into between, among others, Excel Deal Holdings Limited, as vendor, and Million Top Enterprises Limited, as purchaser, which took place after the trading hour on 21 July 2015.

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

Key management personnel compensation

	2016 HK$'000	2015 HK$'000
Salaries and short-term employee benefits	1,112	5,512
Post-employment benefits	21	97
	1,133	5,609

31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Non-current assets		
Investments in subsidiaries	**40,151**	40,151
Current assets		
Other receivables	**207**	36,108
Amounts due from subsidiaries	**80,739**	44,986
Current income tax assets	**65**	–
Cash and cash equivalents	**1,269**	11,086
	82,280	92,180
Current liabilities		
Other payables	**918**	1,100
Amounts due to subsidiaries	**10,407**	18,394
Borrowing	**246**	–
Current income tax liabilities	**–**	281
	11,571	19,775
Net current assets	**70,709**	72,405
Net assets	**110,860**	112,556
Equity attributable to the owners of the Company		
Share capital	**2,800**	2,800
Share premium	**25,238**	25,238
Reserves *(Note (a))*	**82,822**	84,518
Total equity	**110,860**	112,556

31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note (a) Reserve movement of the Company

	Special reserve HK$'000	Retained profits HK$'000	Total HK$'000
As at 1 January 2015	40,151	11,984	52,135
Profit for the year	–	37,843	37,843
Dividends paid (Note 13)	–	(5,460)	(5,460)
As at 31 December 2015	40,151	44,367	84,518
Profit for the year	–	992	992
Dividends paid (Note 13)	–	(2,688)	(2,688)
As at 31 December 2016	**40,151**	**42,671**	**82,822**

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.

32. BENEFITS AND INTEREST OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive for the year ended 31 December 2016 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. YS Tang[2, 8]	–	60	–	–	3	63
Mr. Yeung Ka Wing[2]	–	720	–	–	18	738
Non-executive director						
Mr. SB Tang[2]	–	60	–	–	–	60
Independent non-executive directors						
Mr. Wong Sik Kei	96	–	–	–	–	96
Mr. Ngan Chi Keung[9]	80	–	–	–	–	80
Mr. Cheung Kong Ting[1]	48	–	–	–	–	48
Mr. Yung Kai Tai[6]	48	–	–	–	–	48
	272	840	–	–	21	1,133

32. BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

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

The remuneration of every director and the chief executive for the year ended 31 December 2015 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[4]	–	1,137	212	–	4	1,353
Mr. Wong Wai Hon Telly[4]	–	1,198	223	–	12	1,433
Ms. Chang Men Yee Carol[4, 7]	–	1,137	212	–	59	1,408
Mr. Suen Fuk Hoi[4]	–	455	71	–	11	537
Mr. Phung Nhuong Giang[3]	–	186	–	–	–	186
Mr. YS Tang[2, 8]	–	25	–	–	1	26
Mr. Yeung Ka Wing[2]	–	306	–	–	8	314
Mr. Tsui Kit Yuan[2, 5]	–	37	–	–	2	39
Non-executive director						
Mr. SB Tang[2]	–	25	–	–	–	25
Independent non-executive directors						
Mr. Wong Sik Kei	96	–	–	–	–	96
Mr. Ngan Chi Keung[9]	96	–	–	–	–	96
Mr. Yung Kai Tai[6]	96	–	–	–	–	96
	288	4,506	718	–	97	5,609

Notes:

1 Appointed on 30 June 2016.
2 Appointed on 29 July 2015.
3 Resigned on 1 April 2015.
4 Resigned on 19 August 2015.
5 Resigned on 30 November 2015.
6 Resigned on 30 June 2016.
7 Ms. Chang Men Yee Carol was the chief executive of the Group and resigned on 19 August 2015.
8 Mr. YS Tang is the chief executive of the Group and appointed on 29 July 2015.
9 Mr. Ngan Chi Keung was the independent non-executive directors and passed away on 15 October 2016.

(b) Directors' material interest in transactions, arrangement or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

	For the year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**146,164**	143,612	176,044	169,741	164,619
Operating profit	**6,901**	11,921	16,426	32,019	16,465
Finance costs	**(515)**	(582)	(659)	(758)	(445)
Share of loss of associate accounted for using the equity method	**–**	–	–	(3)	–
Profit before tax	**6,386**	11,339	15,767	31,258	16,020
Income tax expense	**(1,572)**	(2,149)	(1,384)	(5,584)	(1,833)
Profit for the year	**4,814**	9,190	14,383	25,674	14,187

FINANCIAL SUMMARY

	At 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Asset and liabilities					
Property, plant and equipment	**10,041**	4,961	7,628	10,473	6,620
Intangible assets	**7,864**	7,889	9,706	20,817	7,459
Investment in an associate	**–**	–	–	–	–
Deferred income tax assets	**686**	1,011	874	788	683
Net current assets	**92,816**	94,991	87,098	66,701	62,146
Total assets less current liabilities	**111,407**	108,852	105,306	98,779	76,908
Borrowings – non current	**(409)**	–	–	–	–
Deferred income tax liabilities	**(353)**	(333)	(517)	(2,165)	(416)
Net assets	**110,645**	108,519	104,789	96,614	76,492
Capital and reserves					
Share capital	**2,800**	2,800	2,800	2,800	2,800
Share premium	**25,238**	25,238	25,238	25,238	25,238
Reserves	**82,607**	80,481	76,751	68,576	48,454
Total equity	**110,645**	108,519	104,789	96,614	76,492
Earnings per share attributable to owners of the Company – Basic and diluted (HK cents)	**1.7**	3.3	5.1	9.2	5.1

Notes:

1. The results of the Group for the year ended 31 December 2016 and 2015 are those set out on page 58 of this annual report.
2. The consolidated statement of financial position as at 31 December 2016 and 2015 are those set out on page 59 of this annual report.

ETS Group Limited
易通訊集團有限公司