



ETS Group Limited  
易通訊集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*

(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 8031



## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

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





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**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**

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**AUDITORS**

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**LEGAL ADVISERS**

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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,  
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Cayman Islands

### **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Tricor Investor Services Limited  
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183 Queen's Road East,  
Hong Kong

### **WEBSITE**

[www.etsgroup.com.hk](http://www.etsgroup.com.hk)

### **STOCK CODE**

8031

On behalf of the Board (the "Board") of Directors of ETS Group Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017 (the "Year") to all shareholders and investors.

During the Year, the Group recorded a revenue of approximately HK\$147 million, representing an increase by approximately 0.3% as compared with that of 2016. Profit attributable to owners of the Company decreased by 76.8% from approximately HK\$4.8 million for the year ended 31 December 2016 to approximately HK\$1.1 million for the Year. The drop was mainly due to the investment in our new financial company that started operation in early 2017.

Year 2017 remained a challenging year to the Group on contact centre business with more stringent compliance measures imposed on telephone selling activities related to banking and insurance services. Nevertheless, we have managed and implemented appropriate strategies to tackle the issues as well as best mitigate the extra cost for meeting the new requirements.

Followed the setup of Gear Securities Investment Limited, our new financial vehicle for entering into the financial arena in early 2017, the Group has acquired Gear Asset Management Limited (pending approval from Securities and Futures Commission) to further expand our service scope and business model. With the active stock and investment market fuelled by mutual stock access between Hong Kong and mainland China through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the expanded financial platform is anticipated to become a new business with high potential to the Group in the near future.

At the same time, the Group will continue to look for new synergetic investment and acquisition opportunities to strengthen the competency of our business.

I would like to take this opportunity to thank our management team and staff members for their continued loyalty, dedication and hard work to the Group. I would also like to thank our Directors for their support and guidance. We will continue our efforts to create value to our shareholders and stakeholders.

### BUSINESS ENVIRONMENT

Business environment for outbound telemarketing service remained challenging in 2017. More stringent data security and compliance requirements as well as call blocking apps continued to put pressure on the cost and operation of the business. The Group has managed the impact through the implementation of new procedures and counter measures, nevertheless, the profit margin of outbound telemarketing service is inevitably being compromised to a certain extent. Despite the challenges are expected to continue to exist in the coming year, the Group's ability to properly address these issues help to increase our competitive edge in the business.

With the unemployment rate in Hong Kong declined from 3.3% in early 2017 to less than 3% by end of 2017, the labour market remained tight all year round. Since labour force is one of the key elements of our contact centre services, the Group tackled the problem by introducing different staff retention and loyalty programs to effectively retain key and prime staff to maintain the stability of our operation as well as the quality of our services.

On the other hand, the tight labour market and high staff turnover rate has continued to fuel the demand of staff insourcing service. The demand of customer service or contact centre related staff from different industries is still in a healthy uptrend, and through regular review of our recruiting strategies and resources, the Group has captured the opportunities and further expanded the service in the year.

Owing to a change in corporate strategies and internal resources availability, a number of facilities management service clients had decided to move back to in-house facilities in the year of 2017 even though the Group has been able to fulfil all technical as well as physical securities conditions required by the corporations year after year. The leaving of the facilities management clients did impose an undesirable impact on the business, and the Group is actively managing the available resources to the best interest of the business such as a plan to reallocate the spaces needed. The Group has also ceased to operate the business centre in August 2017 followed a review of the business and the corporate direction of the Company.

As a diversification to our core contact centre service business, the Group started to provide securities trading services in early 2017 through our wholly owned subsidiary, Gear Securities Investment Limited. Although the financial business has yet to be profitable at its early stage and recorded a loss in the year, with the business gradually picking up through consultancy services and trading commission in the reported period, the Group decided to further expand the financial platform by acquiring Gear Asset Management Limited, an entity with a license for carrying out Type 9 regulated activities in Hong Kong. By combining securities trading, asset and fund management services, the acquisition can further strengthen our financial portfolio by providing more comprehensive financial services and potential investment opportunities to the customers. The acquisition is subject to the approval of The Stock Exchange of Hong Kong Limited ("SEHK") and Securities and Futures Commission ("SFC").



## 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 and Service Centre Facilities Management Service

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

### Others

"Others" segment which principally comprises system maintenance income, licencing income and sales of system and software income ("**Other Services related to Wise**") and financial services including securities broking income ("**Other Services related to securities**").



## SIGNIFICANT INVESTMENT

As at 31 December 2017, the Group held unlisted financial assets designated as at fair value through profit or loss of approximately HK\$7 million and unlisted available-for-sale financial asset of approximately HK\$10.9 million with Derivative financial instrument approximately HK\$0.7 million. Given that the aforementioned investments accounted for approximately 12.6% of the Company's total assets as at 31 December 2017, the Directors consider that the aforementioned investments as significant investments (the "Significant Investments"). Further information in relation to the Significant Investments as at 31 December 2017 are set out as follows:

### Unlisted financial assets designated as at fair value through profit or loss

Description of the investments	Number of shares held as at 31 December 2017	Carrying amount as at 31 December 2017 HK\$ (approximately)
AB FCP I (AB Global High Yield Portfolio, Class AT) ("AB Global High Yield Portfolio (AT)")	133,161.385	4,475,554
Allianz Global Investors Fund (Allianz US High Yield, Class AM) ("Allianz US High Yield (AM)")	41,350.726	2,549,912
Total	–	7,025,466



For the year ended 31 December 2017, the Group had recognised a loss of approximately HK\$28,000 on change in fair value of its AB Global High Yield Portfolio (AT) shares and Allianz US High Yield (AM) shares based on the then bid prices offered by banker in Hong Kong. The performance and prospect of its AB Global High Yield Portfolio (AT) shares and Allianz US High Yield (AM) shares are set out as follows:

### **AB Global High Yield Portfolio (AT)**

As at 31 December 2017, the Group held 133,161.385 AB Global High Yield Portfolio (AT) shares which amount to carrying amount of approximately HK\$4,476,000. During the year ended 31 December 2017, the Group had not acquired or disposed of any AB Global High Yield Portfolio (AT) shares. During the year ended 31 December 2017, the Group had received dividend in the amount of approximately HK\$279,000 from its investment in AB Global High Yield Portfolio (AT). For the year ended 31 December 2017, the Group had recognised a gain approximately HK\$45,000 on change in fair value of its investment in AB Global High Yield Portfolio (AT).

As disclosed in the monthly NAV and dividend summary in relation to AB FCP I (AB Global High Portfolio), for the year ended 31 December 2017, performance for AB Global High Yield Portfolio (AT) is approximately 6.2% calculated on an net-asset-value to net-asset-value basis with dividend reinvested, which shows by how much AB Global High Yield Portfolio (AT) shares have increased in value during the year ended 31 December 2017.

With regard to the future prospects of AB Global High Yield Portfolio (AT) based on the annual report of AB FCP I for the year ended 31 August 2017, the Directors noted the view of the management company of AB FCP I that global equities rose during year ended 31 August, 2017 (in US dollar terms) and US stocks outperformed, while emerging-market and international equities both delivered strong results. The Directors further noted the management company's view that in the fixed-income markets, global bonds rebounded, outperforming the negative returns of developed-market treasuries, but trailing the rally of global high-yield securities. Given the above, the Company expects that its investment in AB Global High Yield Portfolio (AT) will continue to generate a positive return for the Company.

### **Allianz US High Yield (AM)**

As at 31 December 2017, the Group held 41,350.726 Allianz US High Yield (AM) shares which amount to carrying amount of approximately HK\$2,550,000. During the year ended 31 December 2017, the Group had not acquired or disposed of any Allianz US High Yield (AM) shares. During the year ended 31 December 2017, the Group had received dividend in the amount of approximately HK\$218,000 from its investment in Allianz US High Yield (AM). For the year ended 31 December 2017, the Group had recognised a loss approximately HK\$73,000 change in fair value of its investment in Allianz US High Yield (AM).

As disclosed in the product key facts in relation to Allianz Global Investors Fund (Allianz US High Yield), for the year ended 31 December 2017, performance for Allianz US High Yield (AM) is approximately 4.85% calculated on an net-asset-value to net-asset-value basis with dividend reinvested, which shows by how much Allianz US High Yield (AM) shares have increased in value during the calendar year.

With regard to the future prospects of Allianz US High Yield (AM) based on the annual report of Allianz Global Investors Fund for the year ended 30 September 2017, the Directors noted the view of Allianz Global Investors Fund that the prospects for the global economy remains favorable at the moment, which should continue to be supportive of equities. The Directors further noted Allianz Global Investors Fund's view that in the bond segment, the impact of increasing of interest rate is limited. High-yield corporate and emerging-market bonds remain promising as do dividend stocks. Given the above, the Company expects that its investment in Allianz US High Yield (AM) will continue to generate a return for the Company.

### Available-for-sales financial asset

Moreover, the Group also seeks to explore investment opportunity in information technology industry in order to capture the vast and fast growing video and live streaming market. During the year ended 31 December 2017, the Group invested in an available-for-sale financial asset of which the company ("**Invested Company**") principally engages in the provision of one-stop video solution with patented technology for encoding, live streaming and OTT platform. The Invested Company recorded a remarkable growth in the past few years and the management of the Group believes that there is much potential in system development collaboration and valuable business co-operation in the future.

During the year ended 31 December 2017, the Group acquired an aggregate amount of 40 shares with a put option ("**Investment**") approximately HK\$11,200,000 in which the carrying value of the share amounted to approximately HK\$10,400,000 and the put option amounted to approximately HK\$800,000. As at 31 December 2017, the carrying amount of the Investment is approximately HK\$11,600,000 in which the carrying value of the share amounted to approximately HK\$10,900,000 and the put option amounted to approximately HK\$700,000. The Group holds approximately 3.7% of the total issued share capital of the Invested Company as at 31 December 2017.

### DIRECTORS' INTEREST 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 2017. 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.

Following the cease of the operation of the Group's Elite Business Centre at the end of July 2017, the RMICC is of the opinion that the competition mentioned above was removed. Save as disclosed above, as at 31 December 2017, so far as the Directors are aware of, none of the Directors or the substantial/controllers of the Company has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group for the year ended 31 December 2017.



## 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\$1.1 million for the year ended 31 December 2017 from approximately HK\$4.8 million for the year ended 31 December 2016.

### Revenue

The Group recorded an increase in total revenue to approximately HK\$146.6 million for the year ended 31 December 2017 from approximately HK\$146.2 million for the year ended 31 December 2016, representing an increase of approximately HK\$0.4 million as compared to that of last year.

The total outsourcing inbound contact service, outsourcing outbound contact service, staff insourcing service, contact service centre and service centre facilities management service and others accounted for approximately 7.2%, 45.3%, 34.4%, 10.1% and 3% of the Group's total revenue for the year ended 31 December 2017 respectively.

The following table sets forth the analysis of revenue by business units of our Group for the years ended 31 December 2017 and 2016 respectively:

	Year ended 31 December 2017 HK\$'000		Year ended 31 December 2016 HK\$'000	
Outsourcing inbound contact service	10,512	7.2%	13,201	9.0%
Outsourcing outbound contact service	66,416	45.3%	62,690	42.9%
Staff insourcing service	50,425	34.4%	42,795	29.3%
Contact service centre and Service Centre facilities management service	14,836	10.1%	21,926	15.0%
Others*	4,402	3.0%	5,552	3.8%
Revenue	146,591	100%	146,164	100%

\* The "Others" segment which principally comprises system maintenance income amounted to approximately HK\$1.7 million (2016: approximately HK\$1.7 million), licencing, sales of system and software income amounted to approximately HK\$2 million (2016: approximately HK\$3.8 million) and financial services income amounted to approximately HK\$0.7 million (2016: Nil).

### **Outsourcing Inbound Contact Service**

The revenue of outsourcing inbound contact service decreased from approximately HK\$13.2 million for the year ended 31 December 2016 to HK\$10.5 million for the year ended 31 December 2017. It is mainly due to decrease of the demand of the outsourcing inbound contact service during the year.

### **Outsourcing Outbound Contact Service**

The revenue of outsourcing outbound contact service increased from approximately HK\$62.7 million for the year ended 31 December 2016 to approximately HK\$66.4 million for the year ended 31 December 2017.

Although the challenge comes from call blocking apps and fraudulent calls which have continued to throw obstacles in the way of outbound telemarketing services, the Group still recorded a growth of 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 telemarketing is still an acceptable channel in Hong Kong.

### **Staff Insourcing Service**

For the year ended 31 December 2017, the staff insourcing service segment recorded revenue of approximately HK\$50.4 million, representing an increase of approximately 18% as compared to that of last year.

The stable increasing trend of the revenue of staff insourcing service demonstrates a strong demand of staff insourcing service due to the reasons mentioned in "Business Review" section in this report.

### **Contact Service Centre and Service Centre Facilities Management Service**

For the year ended 31 December 2017, the contact service centre and service centre facilities management service segment recorded revenue of approximately HK\$14.8 million, representing a decrease of approximately 32% as compared to that of last year.

### **Others**

For the year ended 31 December 2017, the Group recorded a revenue in licencing and sales of system and software of approximately HK\$2 million (2016: approximately HK\$3.8 million), system maintenance income of approximately HK\$1.7 million respectively (2016: approximately HK\$1.7 million) and financial services income amounted approximately to HK\$0.7 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 2017 and 2016 respectively:

	Year ended 31 December 2017		Year ended 31 December 2016	
	HK\$'000	GP Margin %	HK\$'000	GP Margin %
Outsourcing inbound contact service	1,077	10.2%	2,053	15.6%
Outsourcing outbound contact service	7,304	11%	5,732	9.1%
Staff insourcing service	6,582	13.1%	5,355	12.5%
Contact service centre and Service Centre facilities management service	1,051	7.1%	6,175	28.2%
Others	(4,239)	(96.3%)	1,835	33.1%
<b>Total</b>	<b>11,775</b>	<b>8%</b>	<b>21,150</b>	<b>14.5%</b>

The gross profit percentage of our Group decreased from approximately 14.5% for the year ended 31 December 2016 to approximately 8% for the year ended 31 December 2017. 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 the customer withdrew to employ our services.

### Outsourcing Inbound Contact Service

The gross profit margin in outsourcing inbound contact service decreased from approximately 15.6% for the year ended 31 December 2016 to approximately 10.2% for the year ended 31 December 2017. The decrease in the segment result is mainly attributable to the increase of the cost of outsourced service vendor for the year.

### Outsourcing Outbound Contact Service

The gross profit margin in outsourcing outbound contact service increased from approximately 9.1% for the year ended 31 December 2016 to approximately 11% for the year ended 31 December 2017. The increase was mainly attributable to the increased demand of our services and the effectiveness of the strategy to manage the challenge created by the blocking apps and fraudulent telephone calls.

### Staff Insourcing Service

The gross profit margin in staff insourcing service increased from approximately 12.5% for the year ended 31 December 2016 to approximately 13.1% for the year ended 31 December 2017. 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 and Service Centre Facilities Management Service

The gross profit margin in contact service centre and service centre facilities management service decreased from approximately 28.2% for the year ended 31 December 2016 to approximately 7.1% for the year ended 31 December 2017. 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.

The segment results of “Others” regarding Other Services related to Wise amounted to approximately HK\$1.3 million for the year ended 31 December 2017 (2016: approximately HK\$1.8 million). The Group recorded a loss in the segment results of Other Services related to securities amounted to approximately HK\$5.5 million (2016: nil).

For the segment of Other Services related to Wise, the significant decrease in gross profit was mainly due to the absence of a major system sales as in 2016. For the segment of Other Services related to securities, the loss in segment result was mainly attributable to the capital expenditure incurred for setting up the business and on-going operating cost.

## EXPENSES

During the year under review, the employee benefits expenses increased from approximately HK\$82.9 million for the year ended 31 December 2016 to approximately HK\$88.8 million for the year ended 31 December 2017. 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\$47.6 million (2016: approximately HK\$47.0 million). The other operating expenses to sales ratio increased from approximately 32.2% for the year ended 31 December 2016 to approximately 32.4% for the year ended 31 December 2017. The increase of the other operating expenses is mainly due to the increase of subcontracting charges for meeting the needs of outsourcing outbound contract service.

The Group’s depreciation and amortization expenses decreased from approximately HK\$9.8 million for the year ended 31 December 2016 to approximately HK\$8.9 million for the year ended 31 December 2017.

## PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group’s profit attributable to owners of the Company decreased from approximately HK\$4.8 million for the year ended 31 December 2016 to approximately HK\$1.1 million for the year ended 31 December 2017. 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

The Group remains optimistic about the business potential and demand for outsourcing contact centre services in Hong Kong in the coming years, and even though the overall operating environment continue to be challenging, our ability to fulfil these compliance and data securities requirements has in turn made us a highly competitive player in the industry. Together with our solid experience and strong references, the Group believed more business opportunities can be created with our existing as well as new customers by providing a wide variety of fully complied, secured and cost effective contact centre services.

With more and more customer communication takes place through different social media and texting, the Group has expanded our contact centre services and system to support webchat, WeChat and Facebook in addition to telephone call, email, fax and SMS, so that more communication channels can be provided for business sales as well as customer services for our customers. In the coming years, the Group will continue to add on more social media channels to our service portfolio in order to capture more business opportunities in the new communication era.

With business of the Group's new financial arm, Gear Securities Investment Limited, started to gradually pick up in the reported year, the Group has a plan to expand its financial service coverage to the even bigger asset management arena through the acquisition of Gear Asset Management Limited (subject to the approval of SEHK and SFC), an entity licensed to carry out Type 9 (Asset Management) regulated activities under the SFO. The new addition will further strengthen and complement the service profile of our financial platform and to attract more highly potential customers and business to our realm. Subject to the approval of SEHK and SFC, the Group has planned to develop a number of funds through our new asset management platform including but not limited to, property fund, money lender fund and venture capital fund, which can not only help to bring in new revenue and business but also build up the reputation and strength of the Group in the local financial market.

With the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect already in place, we believed the securities trading market will continue to be active in the near future which can surely benefit our business in the long run. Moreover, alongside the growth of our clientele on securities trading and financial services, more and more opportunities for margin lending with higher profit margin can be secured to boost up the sales and profit of our business. To speed up the process, it is the intention of the Group to further provide more funding to our financial platform to capture the growth of the market.

In addition to the organic growth of the business, the Group will continue to look for any potential collaboration or acquisition opportunities that is able to provide synergy and/or create more value to the further development of the Group.

## DIVIDEND

During the year under review, the Group did not declare any dividend for the year.

The Board does not recommend a final dividend for the year ended 31 December 2017 (2016: HK0.40 cents).



## **PLEDGE OF ASSETS**

As at 31 December 2017, the Group had pledged its bank deposits of approximately HK\$5.3 million (2016: approximately HK\$4.8 million) and had pledged investment fund amounted to approximately HK\$7.0 million to secure its banking facilities and trade receivable financing.

## **FOREIGN EXCHANGE EXPOSURE**

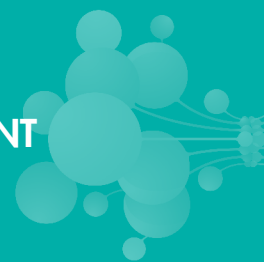
Substantially all the revenue-generating operations of the Group were transacted in Hong Kong dollars during the year under review which is the functional currency of the Company and the presentation currency of the Group. The Group therefore does not have significant foreign exchange risk.

## **CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

The Group had no significant contingent liabilities as at 31 December 2017 (2016: Nil). As at 31 December 2017, there was no capital commitments outstanding but not provided for in the financial statements (2016: Nil).

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

Save for those disclosed in this report, there were no significant investments held as at 31 December 2017, nor were there material acquisitions and disposals of subsidiaries during the year. There is no plan for material investments or capital assets as at 31 December 2017.



## DIRECTORS

### EXECUTIVE DIRECTORS

**Mr. Tang Yiu Sing (鄧耀昇)**, aged 32, 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 46, 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 84, 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.

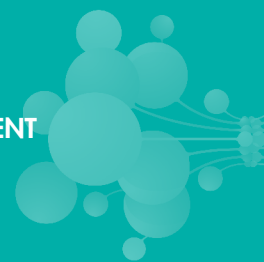
**INDEPENDENT NON-EXECUTIVE DIRECTORS**

**Mr. Wong Sik Kei (王錫基)**, aged 70, 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. Wong was appointed as an independent non-executive director of Future Data Group Limited (Stock Code: 8229), the issued shares of which are listed on GEM, on 21 June 2016.

**Mr. Cheung Kong Ting (張江亭)**, aged 55, 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 44, 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 54, 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 53, 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 57, 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 51, 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 55, 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 47, 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 44, 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 39, 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 2017, the Company has complied with all the code provisions as set out in the Code except for the code provisions A.5.1 and A.6.2 (a) of the Code, details of which are set out below.

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.

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 three board meetings due to other important engagements in the relevant times and was not entitled to attend two board meetings for considering transactions in which he has material interest.

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, all Directors confirmed that they had complied with the required standard of dealings concerning securities transactions by the Directors throughout the year ended 31 December 2017.

## 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 17 to 19 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 statutes, laws, rules and regulations. The company secretary of the Company (the “Company Secretary”) also provides Directors with updates on latest development and changes in the GEM Listing Rules and other relevant legal and regulatory requirements from time to time.

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

## **BOARD MEETING AND PROCEDURES**

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



## DIRECTORS' ATTENDANCE AT BOARD/BOARD COMMITTEE/GENERAL MEETINGS

Apart from making decisions via passing written resolutions, the Board held seven Board meetings during the year ended 31 December 2017. 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 <sup>(1)</sup>	
	Board Meeting	General Meeting
<b>Executive Directors:</b>		
Mr. Tang Yiu Sing	4/7 <sup>(2)</sup>	1/1
Mr. Yeung Ka Wing	6/7	1/1
<b>Non-executive Director:</b>		
Mr. Tang Shing Bor	2/7 <sup>(2)</sup>	1/1
<b>Independent Non-executive Directors:</b>		
Mr. Wong Sik Kei	7/7	1/1
Mr. Cheung Kong Ting	4/7	1/1
Mr. Wong Kam Tai	6/7	1/1

*Notes:*

1. Refers to the number of meetings attended/held while the Board member holds his office.
2. Not entitled to attend two meetings for considering transactions in which he has material interest.

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 nonexecutive 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 2017, 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 2017.

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 two meetings during the year ended 31 December 2017, and the attendance records of the individual committee members are set out below:

	<b>Number of Meetings Attended/Held <sup>(1)</sup></b>
Mr. Wong Sik Kei ( <i>Chairman</i> )	2/2
Mr. Tang Yiu Sing	2/2
Mr. Yeung Ka Wing	2/2
Mr. Cheung Kong Ting	1/2
Mr. Wong Kam Tai	2/2

*Note:*

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

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

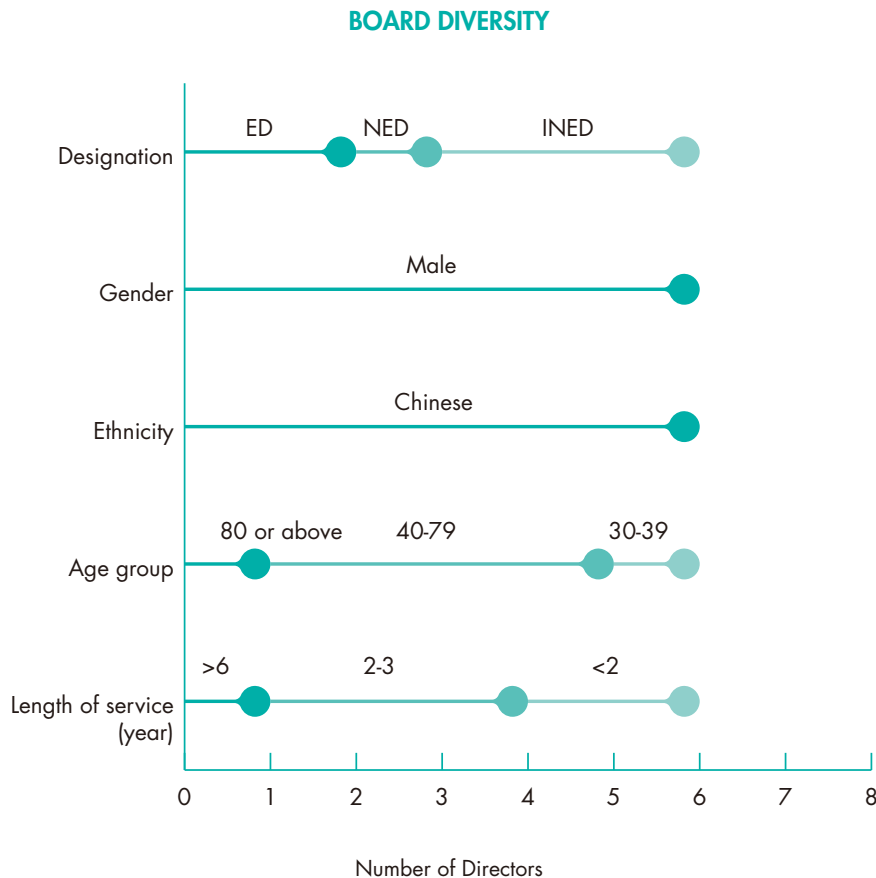
- identified potential candidate with appropriate professional qualifications/related financial management expertise to fill in the vacancy of independent non-executive director and made recommendation for the Board for consideration and approval;
- reviewed the Board's structure, size and composition 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 2017, 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 2017 is set out in the Independent Auditors' Report on pages 58 to 62. The Board also ensures the timely publication of the financial statements. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The management provides sufficient explanation and information to the Board to enable it to make an informed assessment of financial and other information before approval.

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

## REMUNERATION COMMITTEE

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

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

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

Apart from making decisions via passing written resolutions, the Remuneration Committee held one meeting during the year ended 31 December 2017, and the attendance records of the individual committee members are set out below:-

	<b>Number of Meetings Attended/Held <sup>(1)</sup></b>
Mr. Cheung Kong Ting ( <i>Chairman</i> )	1/1
Mr. Tang Yiu Sing	1/1
Mr. Wong Sik Kei	1/1
Mr. Wong Kam Tai	1/1

*Note:*

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

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 12 January 2017 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 2017, and the attendance records of individual committee members are set out below:

	<b>Number of Meetings Attended/Held <sup>(1)</sup></b>
Mr. Wong Kam Tai ( <i>Chairman</i> )	4/4
Mr. Wong Sik Kei	4/4
Mr. Cheung Kong Ting	2/4

*Note:*

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



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

- met with the external auditors and reviewed the annual, interim and quarterly reports of the Company;
- reviewed the effectiveness of the Company's internal control and risk management systems;
- reviewed and approved audit fee; and
- recommended the re-appointment of auditors.

### 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 2017, and the attendance records of the individual committee members are set out below:

	<b>Number of Meetings Attended/Held<sup>(1)</sup></b>
Mr. Wong Kam Tai ( <i>Chairman</i> )	2/2
Mr. Tang Yiu Sing	2/2
Mr. Yeung Ka Wing	2/2
Mr. Wong Sik Kei	2/2
Mr. Cheung Kong Ting	1/2

*Note:*

1. Refers to the number of meetings attended/held while the member of the Risk Management and Internal Control Committee holds his office.

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 2017 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 2017, the remuneration paid or payable to HIC, the auditors of the Company, in respect of the audit services rendered was approximately HK\$850,000 (2016: 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 2018 Annual General Meeting of the Company, which will be delivered together with the 2017 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](mailto: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](http://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.

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 practices 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 2017 to 31 December 2017. The ESG Report summarized the effort contributed by the management of the Group in relation to the environmental protection and social responsibility.

For simplicity purposes, year “2017” in this report represents the year ended 31 December 2017.

The management of the Group weighs equal importance to environmental protection and business development. We have continuously provided comprehensive internal training and guidelines to drive responsible and conscientious behavior among our staff. In 2017, the employees were required to execute the Group’s environmental policies throughout the years. The objective of the management of the Group is to maintain the consciousness in protecting our environment that we live in.

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 well-being of our society.

## (A) ENVIRONMENTAL SUSTAINABILITY

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 operations.

### **Emissions**

The Group continuously engages in service industry and we did not involve any production related air and water which are under government relations. No hazardous waste was produced by the Group in 2017.

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 of our office and contact centres, and the total consumption was reduced from 1,030,366 kwh for the year ended 31 December 2016 to 1,010,756 kwh for the year ended 31 December 2017.

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 2,567 cubic meter in 2017 (2016: 2,385 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 reviewed the Green Environment and Energy Saving Policy (“Green Policy”) during 2017. We continuously 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 629 kg, which roughly equals to planting over 13 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. We reduced the water pressure of pipes to the lowest practice level and used water taps and urinal equipment with water-efficient label to minimize water consumption.

During the period, the management of the Group organized several events for recycling such as the collection of moon cake metal box and Lunar New Year pocket envelop. The objective of such events is to raise the awareness of the importance of resources recycling.



## (B) SOCIAL RESPONSIBILITY

### Employment and labour standard

The employees are the foundation of the success of the Group. The management of the Group prioritises the well-being of our employees and strive to move ever forward. 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.

Policies are in place to comply with Employment Act, Employers Provident Fund Act and the Minimum Wages Order. The Human Resources Department is responsible to regularly define and 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 continuously maintains 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 bonuses.

The Group strictly executed the verification procedures set up by the Human Resources Department to avoid employing child labour. Identification documents must be provided for the verification purpose during the employment process. On the other hand, in order to prevent any form of forced labour, the accountability and the position of the employee are outlined in the employment contract.

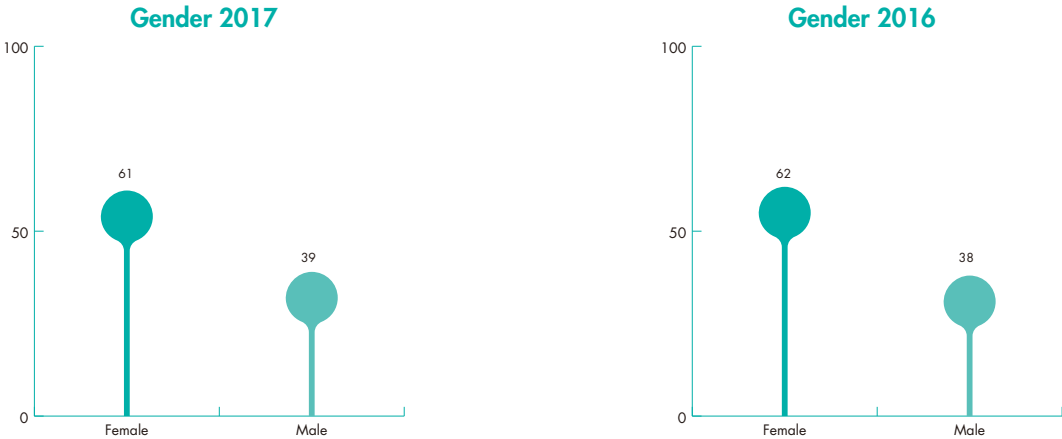
We strive to create a harmonious working environment by organizing regularly different kinds of events for all levels of staff which include birthday parties, outdoor trips, badminton competition, team building camp, etc.



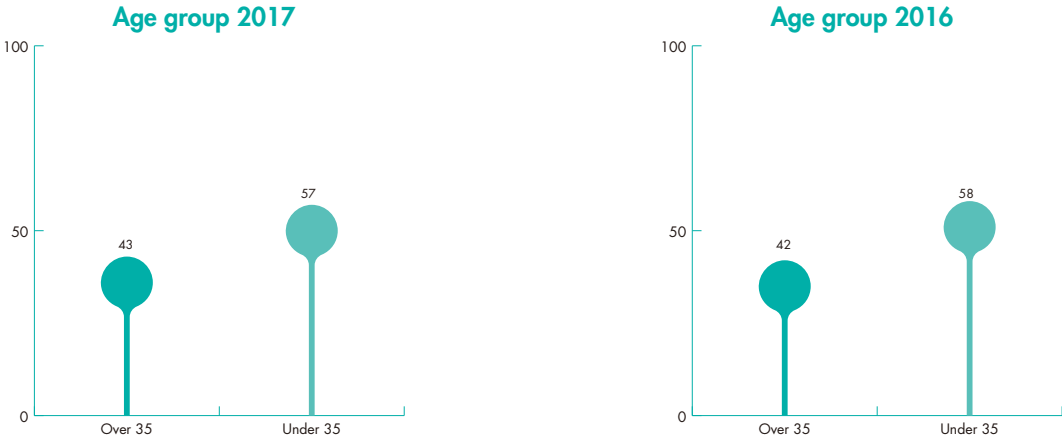


The total number of employees were increased from 465 for the year ended 31 December 2016 to 525 for the year ended 31 December 2017. All of the employees are located in Hong Kong and most of them are employed in full time basis in both years ended 31 December 2016 and 2017. The age group and the gender 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 is complying with Occupational Safety and Health Ordinance. Renovation of our premises are made to comply with the fire safety requirements of Hong Kong.

Policies were in place for the fire prevention including but not limited to:

- all exit doors are easily opened or locked from workplace;
- the fire escape routes are smooth;
- adequate firefighting facilities are prepared
- diagrams with clear fire escape route have been posted at dominant areas of the premises;
- fire drill exercise is organized once every year;
- all exits are illuminated with 'Exit' sign.

The management of the Group place high emphasis on providing a healthy working environment. Policies were in place to ensure the workplace is clean, well-lit and air-conditioned. An air purifier was installed in the office. Masks are provided for the employees for free. The Administration Department is responsible for the first aid facilities are provided at the workplace.

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 were 2 injury records in 2017 with a total approximately 31 lost days.

## Development and training

The management of the Group believes that the success of the Group lies on the remarkable marketing skills of our contact centre service staff. Moreover, as a listed company, we always bear in mind the importance of practice of corporate governance in complying the Listing Rule of Hong Kong. The management of the Group has reviewed the <Epro Training Policy> during 2017 to ensure the employees equally receive the opportunity of training.

The training programs designed for the front line contact centre employee aims to satisfy the requirements imposed by our customers. In addition, the Board members of the Group are required to attain training courses in related to the rules and regulations of the Corporate Governance in order to fulfill the Listing rule of Hong Kong. The senior management employees were provided with the opportunity of training both technical and functional areas. 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.

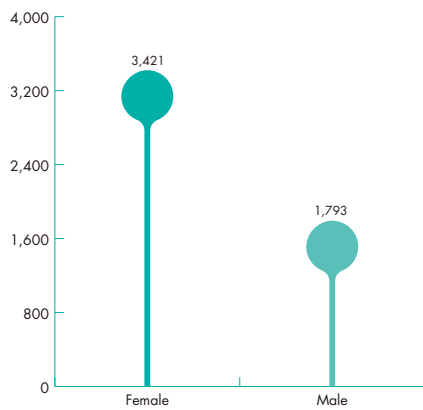


The internal training normally lasts from 1 to 2 days up to a week depending on the nature of service to be provided. The training curriculum usually covers information about our Group, the clients, the relevant contact service skills as well as the specific service and product knowledge through classroom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

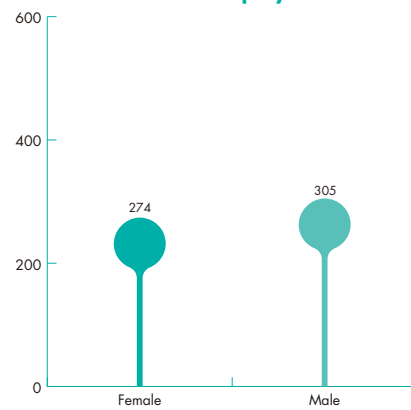
External training courses or seminars were arranged for relevant employees to enhance their job knowledge and skills in their responsible fields of duty.

The below chart presents the total training hours by gender for contact centre agents, management and administration employees in 2017:

**Training hour – Contact centre agent 2017**

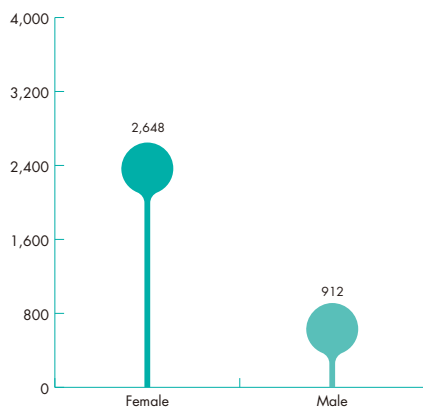


**Training hour – Management and administration employees 2017**

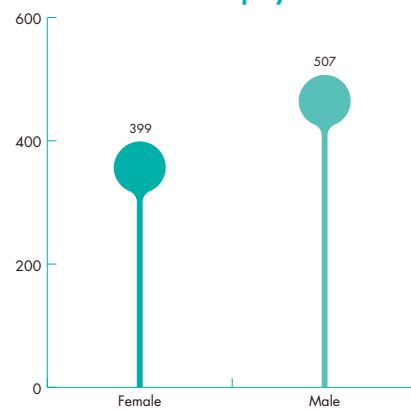


The below chart presents the total training hours by gender for contact centre agents, management and administration employees in 2016:

**Training hour – Contact centre agent 2016**



**Training hour – Management and administration employees 2016**





### Supplier chain management

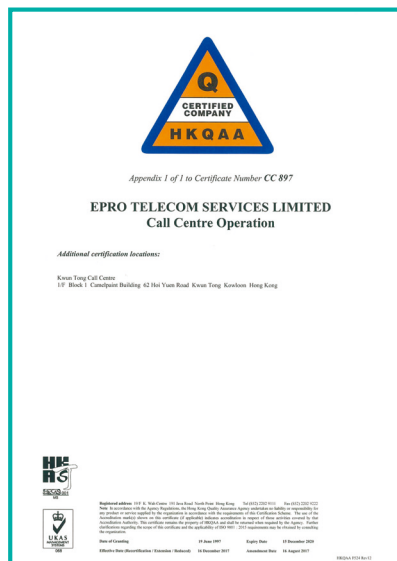
Our suppliers mainly comprise of a telecommunications operator, a computer hardware and software vendor, a power system vendor, and a computer accessories vendor that have office based in Hong Kong. An internal guideline was developed for selecting suppliers which normally requires us to consider different 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.

We take into an account in a wide range of criteria including but not limited to product quality, reputation of the brand, business track record and the commitment on the society if any for the selection of supplier process. Higher scores would be given to suppliers who have environmental and social responsibility policies for our evaluation. We understand our supplier by performing analysis and review the supplier’s information through the internet and performing site visit if necessary. The supplier who cannot fulfil the aforesaid requirements is not qualified to be the supplier of the Group.

### Product responsibility

During 2017, 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 same period.

Quality control is in place for the provision of our services. Quality Policy was established based on Quality Manual which is related to the guideline of ISO 9001. We have maintained the ISO 9001:2008 Quality System Certificate in design and provision of telemarketing and 24-hour customer service hotline since 1997. Our Group’s WISE-xb System allows the management and supervisory staff of the Operation Department to closely monitor the service performance through on-line real-time information.





Our Group is devoted in protecting our customer's privacy and taking precautionary measures to prevent unauthorized access and loss of customer's information. Strict policies were adopted for complying Privacy Act of HK. We managed the privacy protection by limiting access to confidential and private data on a strict need-to-know basis. Divulging unauthorized information of the customer to any other person is regarded as a serious misconduct. Our Group has continuously attained the ISO 27001 certification in Information Security Management System, as proof of the security of our systems and data based on this international information security management standards.

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.

In addition, confidential data is stored and can only be 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.

Anti-virus software were kept updated and security patches were applied to safeguard our servers and workstations. We also kept our operating systems updated to protect the network connectivity by firewalls. During 2017, our Group has not experienced any incidents relating to system hacking.

### **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 2017.

### **Community**

The Group fulfills their commitment on corporate social responsibility by participating in different types of staff volunteerism, philanthropy and community service projects. The Group received the Caring Company Award from the Hong Kong Council of Social Service (HKCSS) for the fourth consecutive year.

The Group sponsored and participated the "New Territories Walk for Millions" organized by The Community Chest. This event was aimed to raise funds and support the 24 member social welfare agencies which provide "Family and Child Welfare Services".

The Group collaborated with Hong Kong Red Cross in promoting the Blood Transfusion Service by hosting a “Blood Drive” at our headquarters. We invited Hong Kong Red Cross to station its mobile donation service team at our office building for the whole day. The event aimed to raise the awareness and encourage more people to donate blood regularly.

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.

The Group organised a voluntary event with The Metal Health Association of Hong Kong serving the people who have mental illness and intellectual disabilities through telephone call. The volunteer called their selected person at least one time per month to care their daily life and feeling. The volunteer was trained the relevant skills talking with the people who have mental illness. The volunteer organised different kind of events selected person to deliver their caring.

The Group was also awarded as 職場精神健康大使 for the employment scheme named 友約會就業支援先導計劃 which endeavor in promoting the employment of disabled person and encouraging the mental health of workplace.



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 2017.

## 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 2017 and the state of affairs of the Group at that date are set out in the Financial Statements on pages 63 to 138 of this Report.

## DIVIDENDS

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

The Board does not recommend the payment of any final dividend for the year ended 31 December 2017 (2016: HK0.4 cents) to the Shareholders.

## CLOSURE OF THE REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting, the Register of Members will be closed from 27 April 2018 (Friday) to 3 May 2018 (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 2018 (Thursday).

## FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 139 and 140 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 30 to the Financial Statements.

## SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 31 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 33 to the Financial Statements and in the consolidated statement of changes in equity respectively.

## DISTRIBUTABLE RESERVES

As at 31 December 2017, 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\$67,585,000 (2016: HK\$67,913,000).

## MAJOR CLIENTS AND SUPPLIERS

Sales to the Group's five largest clients accounted for approximately 64% of the total sales for the year and sales to the single largest client amounted to approximately 23% of the total sales for the year. The Group's purchases from our five largest suppliers together accounted for approximately 99% of our total purchase for the year. The Group purchases approximately 82% 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

Mr. Wong Kam Tai (*appointed on 12 January 2017*)

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.

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.

To comply with the above, Mr. Tang Shing Bor and Mr. Tang Yiu Sing shall retire from office at the 2018 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 17 to 19 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 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 2017.

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 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 2017 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 35 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.

As disclosed before, 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 Group ceased to operate the Elite Business Centre after 31 July 2017 following the termination of the relevant rental agreement by the Group with the landlord and henceforth the relevant risk of competition was removed.

## 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 2017, 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 2017, 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 2017, 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 ( <i>Note</i> )	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 2017, 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 20 to 32 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 32 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 2017 are set out in note 35 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).

The Renewed Camelpaint Building Lease expired on 1 November 2017.

(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).

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.

(c) New Camelpaint Building Lease

Given the expiry of the Renewed Camelpaint Building Lease on 1 November 2017, ETS and Always Beyond entered into a new lease dated 1 November 2017 (the “New Camelpaint Building Lease”), pursuant to which Always Beyond agreed to lease to ETS the Camelpaint Building Property (as defined above) for a term of one (1) year commencing from 2 November 2017 and expiring on 1 November 2018 (both days inclusive), which may be early terminated by either ETS or Always Beyond by serving a 3 months’ notice.

Pursuant to the New Camelpaint Building Lease, ETS as the lessee agreed to lease the Camelpaint Building Property for a term of one year commenced from 2 November 2017 and expiring on 1 November 2018 (both days inclusive) at a monthly rent of HK\$239,680 (exclusive of rates, government rent and management fees).

As Always Beyond is controlled by the family members of Mr. Tang Shing Bor, the ultimate controlling shareholder of the Company and the non-executive Director, and Always Beyond is therefore a connected person of the Company and the transactions contemplated under the New Camelpaint Building Lease constitute continuing connected transactions on the part of the Company under Chapter 20 of the GEM Listing Rules.

ETS has occupied and used the Camelpaint Building Property for ancillary office use and operation of call centre services since 2007. In consideration of (i) the Camelpaint Building Property is fully equipped and well furnished for the aforesaid uses; (ii) additional costs and time involved if the Group moves to other premises in nearby vicinity, the Directors (including the independent nonexecutive Directors) considered the entering into of the New Camelpaint Building Lease is in the interests of the Company and its Shareholders as a whole.

Given the similar nature of the transactions under, and the contracting parties to, the New 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 2017 and ending 31 December 2018 were aggregated with each other, which is HK\$3,005,000 and HK\$5,152,800 respectively.

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 nonexecutive 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 announcements made by the Company on 21 December 2015 and 1 November 2017 regarding to these transactions for further details.

## **(2) SERVICE AGREEMENTS**

### **(a) 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.



(b) 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 ended 31 December 2017 respectively.

The Stan Group Service Agreement has not been renewed after the expiration on 31 July 2017.

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.



## CONNECTED TRANSACTION

On 13 October 2017, Future Data Limited ("Future Data") as the purchaser and a member of the Group, Great Forum Investment Limited ("Great Forum") as the vendor, and Gear Asset Management Limited (the "Target Company") entered into an acquisition agreement (the "Acquisition Agreement"), pursuant to which Future Data conditionally agreed to acquire and Great Forum conditionally agreed to sell 4,107,400 shares (the "Sale Shares") representing 100% of the issued shares of the Target Company at the consideration of HK\$6,000,000 (the "Acquisition").

The reason for the Acquisition is that the Group is principally engaged in the business of providing comprehensive multimedia contact service and contact centre system. The Group has also tapped into finance and securities business since January 2017 and is currently carrying on Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) regulated activities under the Securities and Futures Ordinance ("SFO"). Since the entering into of the finance and securities business, the Group has been actively seeking to expand the type of financial products and services offered to its clients and potential clients.

The Target Company is a licensed corporation to carry out Type 9 (Asset Management) regulated activity under the SFO. The Board considered that the Acquisition would enable the Group to further diversify its business within the finance and securities business through direct investment in the Target Company. If the Acquisition is completed, the Group would attain a more comprehensive profile of licenses under the SFO which could create a synergy effect and complement the growth of the Group existing finance and securities business. The Group is expected to take advantage of the future growth in capital markets and continuous products development, by diversifying its business further within the finance and securities business and to broaden the Group's revenue base.

Having taken into account the aforementioned factors, the Board considered that the terms and conditions of the Acquisition Agreement have been arrived at after arm's length negotiations among Future Data, Great Forum and the Target Company, and that the Acquisition Agreement is on normal commercial terms and are fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Great Forum is wholly-owned by Mr. Tang Yiu Sing, an executive Director, and each of Mr. Tang Yiu Sing and Mr. Tang Shing Bor, a non-executive Director and a Controlling Shareholder of the Company, is a director of Great Forum. Each of Mr. Tang Yiu Sing, Mr. Tang Shing Bor and Great Forum is therefore a connected person of the Company and the transactions contemplated under the Acquisition Agreement constitutes a connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules.

Please also refer to the announcement made by the Company on 13 October 2017.

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 2017 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 2017 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, 15 March 2018



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 63 to 138, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the 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 2017, 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 (“**HKSA**s”) 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

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.

### How our audit addressed the Key Audit Matter

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.

### Valuation of investment in certain equity interests of an unlisted company and related put option

Included in available-for-sale financial asset (Note 18) and derivative financial instrument (Note 19) on the consolidated statement of financial position of the Group as at 31 December 2017 were the Group's investment in certain equity interests of an unlisted company (the "Investment") and related put option (the "Put Option") which were carried at fair values of approximately HK\$10,400,000 and approximately HK\$800,000, respectively. The Investment together with the Put Option were acquired by the Group during the year ended 31 December 2017, and management had estimated the fair values of the Investment and the Put Option at 31 December 2017 at approximately HK\$10,900,000 and approximately HK\$700,000, respectively, by reference to a valuation conducted by an independent professional valuer engaged by management (the "Management's Valuer"). We identified the valuation of the Investment and the Put Option as a key audit matter due to the use of judgements and estimates in assessing their fair values as well as their materiality in the context of the consolidated financial statements as a whole.

### How our audit addressed the Key Audit Matter

Our procedures in relation to management's valuation of the Investment and the Put Option included:

- Evaluating the competence, capabilities and objectivity of the Management's Valuer;
- Checking, on a sample basis, the accuracy and reasonableness of the input data provided by management to the Management's Valuer;
- Engaging an auditor's valuer to assist us to assess the appropriateness of the valuation methodologies and key assumptions used by the Management's Valuer to estimate the fair values of the Investment and the Put Option.

## 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 THE 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 HKSAAs 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 HKSAAs, 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, 15 March 2018

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017



	Notes	2017 HK\$'000	2016 HK\$'000
Revenue	5	146,591	146,164
Other income	6	527	649
Other gains/(losses) – net	7	1,312	(180)
Employee benefits expenses	8	(88,848)	(82,905)
Depreciation and amortization		(8,887)	(9,825)
Other operating expenses		(47,552)	(47,002)
<b>Operating profit</b>		<b>3,143</b>	6,901
Finance costs	9	(469)	(515)
<b>Profit before tax</b>	10	<b>2,674</b>	6,386
Income tax expense	11	(1,559)	(1,572)
<b>Profit for the year</b>		<b>1,115</b>	4,814
<b>Profit attributable to owners of the Company</b>		<b>1,115</b>	4,814
<b>Other comprehensive income for the year</b>			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Available-for-sale financial asset:			
– Gain arising on change in fair value		500	–
<b>Other comprehensive income for the year</b>		<b>500</b>	–
<b>Total comprehensive income for the year</b>		<b>1,615</b>	4,814
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<b>1,615</b>	4,814
Earnings per share attributable to owners of the Company			
– Basic and diluted (HK cents)	12	0.4	1.7

The accompanying notes form an integral part of these consolidated financial statements. Details of dividends for the year are disclosed in Note 13 to the consolidated financial statements.



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	15	6,330	10,041
Intangible assets	16	7,801	7,864
Investment in an associate	17	–	–
Available-for-sale financial asset	18	10,900	–
Derivative financial instrument	19	700	–
Deferred income tax assets	29	690	686
Other assets	20	205	–
		<b>26,626</b>	18,591
<b>Current assets</b>			
Trade and other receivables	21	61,816	44,639
Financial assets designated as at fair value through profit or loss	22	7,026	7,054
Amount due from an associate	17	10,609	10,576
Amounts due from related companies	23	208	154
Pledged bank deposits	24	5,265	4,797
Current income tax recoverable		–	849
Bank trust account balances	25	8,235	–
Cash and cash equivalents	26	28,552	47,218
		<b>121,711</b>	115,287
<b>Current liabilities</b>			
Trade and other payables	27	23,543	16,105
Amounts due to related companies	28	22	–
Current income tax liabilities		634	–
Borrowings	30	12,537	6,366
		<b>36,736</b>	22,471
<b>Net current assets</b>		<b>84,975</b>	92,816
<b>Total assets less current liabilities</b>		<b>111,601</b>	111,407

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017



	Notes	2017 HK\$'000	2016 HK\$'000
<b>Non-current liabilities</b>			
Deferred income tax liabilities	29	180	353
Borrowings	30	281	409
		461	762
<b>Net assets</b>			
		111,140	110,645
<b>Equity attributable to the owners of the Company</b>			
Share capital	31	2,800	2,800
Share premium	33	25,238	25,238
Reserves	33	83,102	82,607
<b>Total equity</b>			
		111,140	110,645

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 15 March 2018 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 2017

	Attributable to owners of the Company					
	Share capital HK\$'000 (Note 31)	Share premium HK\$'000 (Note 33)	Merger reserve HK\$'000 (Note 33)	Available-for-sale financial asset revaluation reserve HK\$'000 (Note)	Retained profits HK\$'000 (Note 33)	Total equity HK\$'000
<b>Balance as at 1 January 2016</b>	2,800	25,238	25,624	–	54,857	108,519
Profit for the year	–	–	–	–	4,814	4,814
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	4,814	4,814
Dividends paid (Note 13)	–	–	–	–	(2,688)	(2,688)
<b>Balance as at 31 December 2016 and 1 January 2017</b>	2,800	25,238	*25,624	*–	*56,983	110,645
Profit for the year	–	–	–	–	1,115	1,115
Other comprehensive income for the year	–	–	–	500	–	500
Total comprehensive income for the year	–	–	–	500	1,115	1,615
Dividends paid (Note 13)	–	–	–	–	(1,120)	(1,120)
<b>Balance as at 31 December 2017</b>	<b>2,800</b>	<b>25,238</b>	<b>*25,624</b>	<b>*500</b>	<b>*56,978</b>	<b>111,140</b>

Note: Available-for-sale financial asset revaluation reserve represents accumulated gain arising on the revaluation of available-for-sale financial asset that have been recognized in other comprehensive income.

\* These reserve accounts comprise the consolidated reserves of approximately HK\$83,102,000 (2016: approximately HK\$82,607,000) 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 2017



	Notes	2017 HK\$'000	2016 HK\$'000
<b>Cash flows from operating activities</b>			
Profit before tax		2,674	6,386
Adjustments for:			
Depreciation and amortization		8,887	9,825
Fair value loss/(gain) on financial assets designated as at fair value through profit or loss		28	(406)
Fair value loss on derivative financial instrument		100	–
(Gain)/loss on disposal of property, plant and equipment		(1,295)	237
Impairment loss recognized on trade receivables		–	51
Interest income		(527)	(649)
Interest expense	37	469	515
<b>Operating cash flows before changes in working capital</b>		<b>10,336</b>	15,959
Trade and other receivables		(17,177)	13,770
Other assets		(205)	–
Amount due from an associate		(33)	(1,258)
Amounts due from related companies		(54)	165
Bank trust account balances		(8,235)	–
Trade and other payables		7,438	742
Amounts due to related companies		22	–
<b>Cash (used in)/generated from operations</b>		<b>(7,908)</b>	29,378
Income tax paid		(253)	(2,224)
<b>Net cash (used in)/generated from operating activities</b>		<b>(8,161)</b>	27,154
<b>Cash flows from investing activities</b>			
Additions of intangible assets		(4,092)	(4,197)
Increase in pledged bank deposits		(468)	(10)
Interest received		527	649
Payments for derivative financial instrument		(800)	–
Purchases of available-for-sale financial asset		(10,400)	–
Proceeds from disposal of property, plant and equipment		1,400	–
Purchases of property, plant and equipment		(1,126)	(9,537)
<b>Net cash used in investing activities</b>		<b>(14,959)</b>	(13,095)

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
<b>Cash flows from financing activities</b>			
Dividends paid		(1,120)	(2,688)
Interest paid	37	(469)	(515)
Proceeds from borrowings	37	70,390	84,101
Repayments of borrowings	37	(64,347)	(79,675)
<b>Net cash generated from financing activities</b>		<b>4,454</b>	1,223
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(18,666)</b>	15,282
<b>Cash and cash equivalents at beginning of the year</b>		<b>47,218</b>	31,936
<b>Cash and cash equivalents at end of the year</b>	26	<b>28,552</b>	47,218

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017



## 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 service, contact centre system and financial services 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 2017, 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 15 March 2018.

## 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 Standard (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**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, except for the available-for-sale financial asset, financial assets and financial liabilities (including derivative financial instrument) at fair value through profit or loss which are measured 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

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017.

(a) New and amended standards adopted by the Group

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014–2016 Cycle	Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12

None of the above amendments to HKFRSs has had a material impact on the Group's financial performance and positions for the period presented in these financial statements. Disclosure has been made in Note 37 to the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes arising from 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, amendments to existing standards and interpretations not yet adopted

Certain new accounting standards, amendments to existing standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group:

Standards	Subject of amendment	Effective for annual periods beginning on or after
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 9 (Note (i))	Financial Instruments	1 January 2018
HKFRS 15 (Note (ii))	Revenue from Contracts with Customers	1 January 2018
Amendments to HKFRS 15 (Note (ii))	Clarifications to HKFRS 15	1 January 2018
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to HKAS 40	Transfers of Investment Property	1 January 2018
Amendments to HKFRS 1 and HKAS 28	Annual Improvements 2014–2016 Cycle	1 January 2018
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle	1 January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16 (Note (iii))	Leases	1 January 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined



## 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, amendments to existing standards and interpretations not yet adopted (continued)

The Group's assessment of the impact of these new standards, amendments to existing standards and interpretations is set out below.

(i) HKFRS 9, "Financial Instruments"

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The Group has assessed that its financial assets currently measured at amortized cost and fair value through profit or loss ("FVTPL") will continue with their classification and measurements upon the adoption of HKFRS 9.

The other financial assets held by the Group include equity instrument currently classified as available-for-sale financial asset ("AFS") for which a fair value through other comprehensive income ("FVOCI") election is available.

Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets. However, gains or losses realized on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained profits.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 "Financial Instruments: Recognition and Measurement" and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. While the Group does not involve any hedging, it does not expect a significant impact on the accounting for its hedging relationships.



## 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, amendments to existing standards and interpretations not yet adopted (continued)

The Group's assessment of the impact of these new standards, amendments to existing standards and interpretations is set out below. (continued)

- (i) HKFRS 9, "Financial Instruments" (continued)

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect significant impact on the results and financial position of the Group.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by the Group

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

- (ii) HKFRS 15, "Revenue from contracts with customers"

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 "Revenue" which covers contracts for goods and services and HKAS 11 "Construction Contracts" which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management has assessed the effects of applying the new standard on the Group's financial statements and does not expect a significant impact on the recognition of revenue.

Date of adoption by the Group

The adoption of this new standard is mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption, if any, will be recognized in retained earnings as of 1 January 2018 and that comparatives will not be restated.

## 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, amendments to existing standards and interpretations not yet adopted (continued)

The Group's assessment of the impact of these new standards, amendments to existing standards and interpretations is set out below. (continued)

- (iii) HKFRS 16, "Leases"

##### Nature of change

HKFRS 16 was issued in January 2016. It 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.

##### Impact

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately HK\$8,850,000 (Note 34). The Group estimates those related to payments for short-term and low value lease which will be recognized on straight-line basis as an expense in profit or loss are insignificant.

The Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognized on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

##### Date of adoption by the Group

The adoption of this 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. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Subsidiaries

#### 2.2.1 Consolidation

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

(a) Business combinations

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

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. 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 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Subsidiaries (continued)

#### 2.2.1 Consolidation (continued)

##### (a) Business combinations (continued)

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

##### (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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Subsidiaries (continued)

#### 2.2.2 Separate financial statements

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

Impairment testing of the investments in subsidiaries is required upon receiving 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.

### 2.3 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Associates (continued)

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.

Gains or losses on dilution of equity interest in associates are recognized in profit or loss.

### 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 gains/(losses) – net".



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Foreign currency translation (continued)

#### (b) Transactions and balances (continued)

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.

#### (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 gains/(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 "other assets", "trade and other receivables", "amount due from an associate", "amounts due from related companies", "pledged bank deposits", "bank trust account balances" and "cash and cash equivalents" in the consolidated statement of financial position.

(c) Available-for-sale financial asset

Available-for-sale financial asset is non-derivative that is either designated in this category or not classified in any of the other categories. It is 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 gains/(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 Derivative

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss and are included in “Other gains/(losses) – net”.

### 2.13 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.14 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).

### 2.15 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.

### 2.16 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.

### 2.17 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)

### 2.18 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.

### 2.19 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.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.19 Current and deferred income tax (continued)

#### (b) Deferred income tax

##### Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, 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.

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)

### 2.20 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)

### 2.21 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)

### 2.22 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.

### 2.23 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.
- (e) Commission and brokerage income on securities dealings are recognized as revenue on a trade date basis when the relevant contracts are executed.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.24 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.

### 2.25 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.

### 2.26 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 financial assets designated as at fair value through profit or loss, derivative financial instrument and available-for-sale financial asset.

If prices had been 5% (2016: 5%) higher/lower, the Group's profit before taxation for the year would increase/decrease by approximately HK\$386,000 (2016: approximately HK\$353,000) as a result of the changes in fair value of derivative financial instrument and financial assets designated as at fair value through profit or loss as at the reporting date.

If prices had been 5% (2016: 5%) higher/lower, the Group's revaluation reserves would increase/decrease by approximately HK\$545,000 (2016: Nil) as a result of the changes in available-for-sale financial asset as at the reporting date.

### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate borrowings, while the Group's cash flow interest rate risk relates primarily to variable-rate borrowings. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimize the fair value interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Hong Kong Dollar Prime Rate, 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\$124,000 (2016: approximately HK\$62,000). 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.

(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, available-for-sale financial asset, derivative financial instrument, other assets, financial assets designated as at fair value through profit or loss, amount due from an associate, amounts due from related companies, pledged bank deposits, bank trust account balances 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 2017, the Group has certain concentrations of credit risk as 35% and 81% (2016: 19% and 53%) 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 21.



### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (continued)

##### (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.

	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
<b>As at 31 December 2017</b>				
Trade and other payables excluding non-financial liabilities	21,098	–	–	21,098
Amounts due to related companies	22	–	–	22
Borrowings				
– Term loan subject to a repayable on demand clause	12,589	–	–	12,589
– Finance lease liability	140	140	152	432
	<b>33,849</b>	<b>140</b>	<b>152</b>	<b>34,141</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 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
<b>As at 31 December 2016</b>				
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

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
<b>As at 31 December 2017</b>				
Borrowings				
– Term loan subject to a repayable on demand clause	11,064	1,525	–	12,589
<b>As at 31 December 2016</b>				
Borrowings				
– Term loan subject to a repayable on demand clause	2,922	2,096	1,523	6,541

As at 31 December 2017, the Group has available unutilized banking facilities of approximately HK\$19,000,000 (2016: approximately HK\$30,734,000) for future operating activities.



### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 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.

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, amounts due to related companies 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:

	2017 HK\$'000	2016 HK\$'000
Total debt	36,383	22,880
Less: cash and cash equivalents (Note 26)	(28,552)	(47,218)
Net debt	7,831	-
Total equity	111,140	110,645
Total capital	118,971	110,645
Gearing ratio	6.6%	N/A

### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.3 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as at 31 December 2017 by level of the inputs to valuation technique(s) 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).

Financial assets	Fair value as at 31 December 2017 HK\$'000	Fair value as at 31 December 2016 HK\$'000	Fair value hierarchy	Valuation technique(s) and significant input(s)
Financial assets at fair value through profit or loss				
– Unlisted investments designated as at fair value through profit or loss	7,026	7,054	Level 2	Current bid prices offered by banker in Hong Kong
– Derivative financial instrument	700	–	Level 3	Black Scholes Model and using the volatility for valuation
Available-for-sale financial asset	10,900	–	Level 3	Market comparable companies. The fair values of companies are determined with reference to the Enterprise value to Earning Before Interest, Depreciation, Tax and Amortisation ratio of comparables listed companies.



### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.3 Fair value estimation (continued)

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.

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 Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

The Group's financial instruments carried at amortized cost are not materially different from their fair values as at 31 December 2016 and 2017.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.4 Offsetting financial assets and financial liabilities

The Group has a legally enforceable right to set off the accounts receivables and payables with brokerage clients and the Group intends to settle these balances on a net basis.

The following table presents the recognized financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements as at 31 December 2017. The column "net amount" shows the impact on the Group's statement of financial position if all set-off rights were exercised (2016: Nil).

	Gross amounts of recognized financial assets/ (liabilities) HK\$'000	Gross amounts of recognized financial assets/ (liabilities) set off in the consolidated statement of financial position HK\$'000	Net amounts of financial assets/ (liabilities) presented in the consolidated statement of financial position HK\$'000	Related amount not offset in the consolidated statement of financial position		Net amount HK\$'000
				Amounts subject to master netting arrangements HK\$'000	Financial instrument collateral HK\$'000	
<b>As at 31 December 2017</b>						
<i>Financial assets:</i>						
Amounts receivables arising from financial services business	541	(511)	30	(30)	-	-
<i>Financial liabilities:</i>						
Amounts payables arising from financial services business	(8,226)	511	(7,715)	-	7,715	-

	2017 HK\$'000	2016 HK\$'000
Trade receivables		
Net amount of receivables as stated above	30	-
Amount not in scope of offsetting disclosures	61,786	44,639
Amount of total trade and other receivables as stated in Note 21	61,816	44,639
Trade payables		
Net amount of payables as stated above	7,715	-
Amount not in scope of offsetting disclosures	15,828	16,105
Amount of total trade and other payables as stated in Note 27	23,543	16,105



### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.5 Financial instruments by category

	2017 HK\$'000	2016 HK\$'000
<b><u>Assets as per statement of financial position</u></b>		
Financial assets at fair value through profit or loss		
– Unlisted investments designated as at fair value through profit or loss	7,026	7,054
– Derivative financial instrument	700	–
Loans and receivables:		
– Other assets	205	–
– Trade and other receivables excluding prepayments	61,465	44,170
– Amount due from an associate	10,609	10,576
– Amounts due from related companies	208	154
– Pledged bank deposits	5,265	4,797
– Bank trust account balances	8,235	–
– Cash and cash equivalents	28,552	47,218
Available-for-sale financial asset	10,900	–
	<b>133,165</b>	113,969
<b><u>Liabilities as per statement of financial position</u></b>		
At amortized costs:		
– Trade and other payables excluding non-financial liabilities	21,098	13,524
– Amounts due to related companies	22	–
– Borrowings	12,818	6,775
	<b>33,938</b>	20,299

#### 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.

##### **Fair value of available-for-sale financial asset and related put option**

The Group carries its available-for-sale financial asset at fair value with changes in the fair value recognized in other comprehensive income. The Group obtains independent valuation at least annually for the investment that is not traded in an active market. At the end of each reporting period, the management updates their assessment of the fair value of available-for-sale financial asset, taking into account the most recent independent valuation.



## 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 and service centre facilities management service; and
- (e) The "Others" segment which principally comprises licencing, sales of system and software, system maintenance and provision of financial services including securities broking.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 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 2016 and 2017 are as follows:

**For the year ended 31 December 2017**

	Outsourcing inbound contact service HK\$'000	Outsourcing outbound contact service HK\$'000	Staff insourcing service HK\$'000	Contact service centre and service centre facilities management service HK\$'000	Others HK\$'000	Total HK\$'000
<b>Segment revenue</b>	10,512	66,416	50,425	14,836	4,402	146,591
Segment results	1,077	7,304	6,582	1,051	(4,239)	11,775
Depreciation and amortization	248	3,159	-	2,787	2,496	8,690
<b>Total segment assets</b>	7,505	35,071	19,199	7,872	15,716	85,363
Total segment assets includes: Additions to non-current assets (other than financial instruments)	120	1,528	-	1,348	2,222	5,218
<b>Total segment liabilities</b>	143	4,185	3,072	1,436	9,256	18,092

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017



### 5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

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 and service centre facilities management service HK\$'000	Others HK\$'000	Total HK\$'000
<b>Segment revenue</b>	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
<b>Total segment assets</b>	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
<b>Total segment liabilities</b>	215	4,251	2,483	1,051	47	8,047

There were no inter-segment sales during the years ended 31 December 2016 and 2017. 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

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

	2017 HK\$'000	2016 HK\$'000
Segment results for reportable segments	11,775	21,150
<b>Unallocated:</b>		
Other income	527	649
Other gains/(losses) – net	1,312	(180)
Depreciation and amortization	(197)	(346)
Finance costs	(469)	(515)
Corporate and other unallocated expenses	(10,274)	(14,372)
<b>Profit before tax</b>	<b>2,674</b>	<b>6,386</b>

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:

	2017 HK\$'000	2016 HK\$'000
Segment assets for reportable segments	85,363	63,131
<b>Unallocated:</b>		
Property, plant and equipment	547	2,844
Available-for-sale financial asset	10,900	–
Derivative financial instrument	700	–
Deferred income tax assets	690	686
Financial assets designated as at fair value through profit or loss	7,026	7,054
Current income tax recoverable	–	849
Corporate and other unallocated assets	43,111	59,314
<b>Total assets per consolidated statement of financial position</b>	<b>148,337</b>	<b>133,878</b>



## 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:

	2017 HK\$'000	2016 HK\$'000
Segment liabilities for reportable segments	18,092	8,047
<b>Unallocated:</b>		
Deferred income tax liabilities	180	353
Current income tax liabilities	634	–
Borrowings	12,818	6,775
Corporate and other unallocated liabilities	5,473	8,058
<b>Total liabilities per consolidated statement of financial position</b>	<b>37,197</b>	<b>23,233</b>

Breakdown of the revenue from all services is as follows:

### Analysis of revenue by category

	2017 HK\$'000	2016 HK\$'000
Service fee income from provision of telecommunication and related services	142,189	140,612
Financial services income	657	–
Licencing and sales of system and software	2,089	3,766
System maintenance income	1,656	1,700
Others	–	86
	<b>146,591</b>	<b>146,164</b>

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\$146,502,000 (2016: approximately HK\$144,617,000), and the total of revenue from external customers from other country is approximately HK\$89,000 (2016: approximately HK\$1,547,000).

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\$14,131,000 (2016: approximately HK\$17,905,000), and none of these non-current assets is located in other countries (2016: Nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 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:

	2017 HK\$'000	2016 HK\$'000
Customer A	34,959	28,589
Customer B	26,091	23,924
Customer C	21,536	20,970
	<b>82,586</b>	73,483

### 6. OTHER INCOME

	2017 HK\$'000	2016 HK\$'000
Interest income from bank deposits	527	649

### 7. OTHER GAINS/(LOSSES) – NET

	2017 HK\$'000	2016 HK\$'000
Financial assets designated as at fair value through profit or loss ( <i>Note 22</i> )		
– Fair value (loss)/gain	(28)	406
Derivative financial instrument ( <i>Note 19</i> )		
– Fair value loss	(100)	–
Net foreign exchange gains/(losses)	145	(349)
Gain/(Loss) on disposal of property, plant and equipment	1,295	(237)
	<b>1,312</b>	(180)



## 8. EMPLOYEE BENEFITS EXPENSES

	2017 HK\$'000	2016 HK\$'000
Salaries and allowances	88,600	82,516
Pension costs – defined contribution plans	3,981	3,703
Total employee benefits expenses, including directors' remuneration	92,581	86,219
Less: Amounts capitalized in deferred development costs	(3,733)	(3,314)
	<b>88,848</b>	82,905

### (a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2017 include one director (2016: one director) whose emoluments are reflected in the analysis show in Note 38. The emoluments payable to the remaining four individuals (2016: four individuals) for the year ended 31 December 2017 is as follows.

	2017 HK\$'000	2016 HK\$'000
Salaries, allowances and benefits in kind	3,966	3,704
Pension costs – defined contribution plans	139	160
	<b>4,105</b>	3,864

	Number of Individuals	
	2017	2016
Emolument bands (in HK\$)		
Below HK\$1,000,000	3	3
HK\$1,500,001 – HK\$2,000,000	1	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 (2016: Nil). None of the directors of the Company waived any emoluments during the year ended 31 December 2017 (2016: Nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 9. FINANCE COSTS

	2017 HK\$'000	2016 HK\$'000
Interest on bank borrowings and bank overdrafts	451	494
Interest on finance lease liability	18	21
	<b>469</b>	515

### 10. PROFIT BEFORE TAX

	2017 HK\$'000	2016 HK\$'000
<b>Profit before tax is stated after charging:</b>		
<i>Depreciation and amortization</i>		
Depreciation of owned property, plant and equipment	4,592	5,533
Depreciation of assets under finance lease	140	70
Amortization of intangible assets	4,155	4,222
	<b>8,887</b>	9,825
Total depreciation and amortization		
Auditors' remuneration	850	850
Operating lease payments in respect of rented premises	8,811	8,993
Provision for impairment of trade receivables (Note 21)	-	51



## 11. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the year.

	2017 HK\$'000	2016 HK\$'000
Current tax:		
Current tax on profits for the year	1,736	1,109
Adjustment in respect of prior year	-	118
<b>Total current tax</b>	<b>1,736</b>	<b>1,227</b>
<b>Deferred income tax (Note 29)</b>	<b>(177)</b>	<b>345</b>
<b>Income tax expense</b>	<b>1,559</b>	<b>1,572</b>

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:

	2017 HK\$'000	2016 HK\$'000
Profit before tax	2,674	6,386
Tax calculated at Hong Kong profits tax rate of 16.5%	441	1,054
Tax effects of:		
– Income not subject to tax	(4)	(224)
– Expenses not deductible for tax purposes	93	37
– Temporary differences not recognized	10	4
– Tax losses for which no deferred income tax asset was recognized	1,019	583
– Adjustment in respect of prior year	-	118
<b>Tax charge</b>	<b>1,559</b>	<b>1,572</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 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 (2016: 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 2016 and 2017.

### 13. DIVIDENDS

No interim dividend was declared  
(2016: Nil) per ordinary share  
No final dividend was declared  
(2016: HK0.40 cents) per ordinary share

2017 HK\$'000	2016 HK\$'000
-	-
-	1,120
-	1,120

The dividends paid in 2016 and 2017 were HK\$2,688,000 (HK0.96 cents per ordinary share) and HK\$1,120,000 (HK0.40 cents per ordinary share) respectively.

## 14. SUBSIDIARIES

The following is a list of the subsidiaries as at 31 December 2016 and 2017:

Name	Place of incorporation and kind of legal entity	Particulars activities	Principal of issued share capital	Interest held	
				2017	2016
Eastside Fortune Limited ("EFL")	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 ("GSI")	Hong Kong, limited liability company	Dealing in securities and advising in securities	15,000,000 ordinary shares of HK\$1 each	100% (indirect)	100% (indirect)
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)	100% (indirect)
Interactive Business Services Limited	Hong Kong, limited liability company	Provision of telecommunication and related services	3,000,000 ordinary shares of HK\$1 each	100% (indirect)	100% (indirect)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 14. SUBSIDIARIES (CONTINUED)

The following is a list of the subsidiaries as at 31 December 2016 and 2017: (continued)

Name	Place of incorporation and kind of legal entity	Particulars activities	Principal of issued share capital	Interest held	
				2017	2016
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)
One Call Fix Services Limited	Hong Kong, limited liability company	Provision of home maintenance services	10,000 ordinary share of HK\$1 each	100% (indirect)	–
Zecom Limited	Hong Kong, limited liability company	Research and development of telecommunication systems software	10,000 ordinary shares of HK\$1 each	100% (indirect)	–
ETS Investments Limited	British Virgin Islands, limited liability company	Investment holding	2 ordinary shares of US\$1 each	100% (indirect)	–

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 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
<b>As at 1 January 2016</b>						
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)
<b>Net book amount</b>	<b>2,443</b>	<b>345</b>	<b>1,875</b>	<b>298</b>	<b>-</b>	<b>4,961</b>
<b>Year ended 31 December 2016</b>						
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)
<b>Closing net book amount</b>	<b>6,567</b>	<b>1,100</b>	<b>1,424</b>	<b>322</b>	<b>628</b>	<b>10,041</b>
<b>As at 31 December 2016</b>						
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)
<b>Net book amount</b>	<b>6,567</b>	<b>1,100</b>	<b>1,424</b>	<b>322</b>	<b>628</b>	<b>10,041</b>
<b>Year ended 31 December 2017</b>						
Opening net book amount	<b>6,567</b>	<b>1,100</b>	<b>1,424</b>	<b>322</b>	<b>628</b>	<b>10,041</b>
Additions	<b>735</b>	<b>62</b>	<b>190</b>	<b>139</b>	<b>-</b>	<b>1,126</b>
Disposals	<b>(66)</b>	<b>(5)</b>	<b>(1)</b>	<b>(33)</b>	<b>-</b>	<b>(105)</b>
Depreciation charge	<b>(3,197)</b>	<b>(451)</b>	<b>(816)</b>	<b>(128)</b>	<b>(140)</b>	<b>(4,732)</b>
<b>Closing net book amount</b>	<b>4,039</b>	<b>706</b>	<b>797</b>	<b>300</b>	<b>488</b>	<b>6,330</b>
<b>As at 31 December 2017</b>						
Cost	<b>11,871</b>	<b>2,707</b>	<b>5,500</b>	<b>868</b>	<b>698</b>	<b>21,644</b>
Accumulated depreciation	<b>(7,832)</b>	<b>(2,001)</b>	<b>(4,703)</b>	<b>(568)</b>	<b>(210)</b>	<b>(15,314)</b>
<b>Net book amount</b>	<b>4,039</b>	<b>706</b>	<b>797</b>	<b>300</b>	<b>488</b>	<b>6,330</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 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.

	2017 HK\$'000	2016 HK\$'000
Cost – capitalised finance lease	698	698
Accumulated depreciation	(210)	(70)
Net Book value	488	628

#### (b) Non-cash transaction

During the year ended 31 December 2017, none of the addition to property, plant and equipment was financed by finance lease arrangement (2016: approximately HK\$698,000).



## 16. INTANGIBLE ASSETS

	<b>Internally generated software development costs HK\$'000</b>
<b>As at 1 January 2016</b>	
Cost	39,879
Accumulated amortization	(31,990)
<b>Net book amount</b>	<b>7,889</b>
<b>Year ended 31 December 2016</b>	
Opening net book amount	7,889
Additions	4,197
Amortization charge	(4,222)
<b>Closing net book amount</b>	<b>7,864</b>
<b>As at 31 December 2016</b>	
Cost	44,076
Accumulated amortization	(36,212)
<b>Net book amount</b>	<b>7,864</b>
<b>Year ended 31 December 2017</b>	
Opening net book amount	<b>7,864</b>
Additions	<b>4,092</b>
Amortization charge	<b>(4,155)</b>
<b>Closing net book amount</b>	<b>7,801</b>
<b>As at 31 December 2017</b>	
Cost	<b>48,168</b>
Accumulated amortization	<b>(40,367)</b>
<b>Net book amount</b>	<b>7,801</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 17. INVESTMENT IN AN ASSOCIATE

	2017 HK\$'000	2016 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 2016 and 2017:

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:

	2017 HK\$'000	2016 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\$184,000 (2016: approximately HK\$78,000) and approximately HK\$2,970,000 (2016: approximately HK\$2,786,000), respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017



### 18. AVAILABLE-FOR-SALE FINANCIAL ASSET

	2017 HK\$'000	2016 HK\$'000
Unlisted equity investment in Hong Kong	10,900	–

The balance represented fair value of the Group's 4% equity interest in a private company incorporated in Hong Kong.

The carrying amount of unlisted equity investment is denominated in HK\$.

### 19. DERIVATIVE FINANCIAL INSTRUMENTS

	2017 HK\$'000	2016 HK\$'000
Put option in relation to available-for-sale financial asset	700	–

Put option represents rights to sell unlisted equity investment with predetermined prices, subject to the fulfillment of certain conditions as stipulated in the sales and purchase agreement of the available-for-sale financial asset.

### 20. OTHER ASSETS

	2017 HK\$'000	2016 HK\$'000
Fidelity fund deposit to The Stock Exchange of Hong Kong Limited ("SEHK")	50	–
Compensation fund deposit to SEHK	50	–
Stamp duty deposit with SEHK	5	–
Admission fee paid to Hong Kong Securities Clearing Company Limited ("HKSCC")	50	–
Guarantee fund deposit to HKSCC	50	–
	<b>205</b>	–



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 21. TRADE AND OTHER RECEIVABLES

	2017 HK\$'000	2016 HK\$'000
Trade receivables		
Amounts receivables arising from multi-media contact services and contact centre system	52,472	37,545
Amounts receivables arising from financial services business		
– Clients-cash	30	–
– Clearing house	433	–
Other receivables, deposits and prepayments	8,881	7,145
	<b>61,816</b>	44,690
Less: Provision for impairment of trade receivables	–	(51)
	<b>61,816</b>	44,639

The average credit period on the Group's sales is 30 days (2016: 29 days). The aging analysis of the trade receivables net of allowance for doubtful debts based on invoice date is as follows:

	2017 HK\$'000	2016 HK\$'000
0 – 30 days	22,087	20,944
31 – 60 days	11,888	6,179
61 – 90 days	9,573	4,603
Over 90 days	8,924	5,768
	<b>52,472</b>	37,494

The settlements of amounts receivables arising from financial services business are two days after trade date. No aging analysis is disclosed as, in the opinion of the directors, the aged analysis does not give additional value in view of nature of these receivables.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017



### 21. TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2017, the Group's trade receivables of approximately HK\$29,180,000 (2016: approximately HK\$17,155,000) 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:

	2017 HK\$'000	2016 HK\$'000
0 – 30 days	10,665	6,378
31 – 60 days	9,591	5,007
61 – 90 days	2,540	445
Over 90 days	6,384	5,325
	<b>29,180</b>	17,155

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

	2017 HK\$'000	2016 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:

	2017 HK\$'000	2016 HK\$'000
HK\$	59,637	40,937
RMB	2,179	3,702
	<b>61,816</b>	44,639

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 21. TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2016 and 2017, 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.

East Ocean Gourmet Group Limited, Stan Group (Holdings) 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.

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

	2017 HK\$'000	2016 HK\$'000
Unlisted investment:		
– Designated as at fair value through profit or loss	7,026	7,054
Market value of the unlisted investment	7,026	7,054

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

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.



## 23. AMOUNTS DUE FROM RELATED COMPANIES

Name of related company	Maximum amount outstanding during the year		2016 HK\$'000
	HK\$'000	2017 HK\$'000	
Stan Group (Holdings) Limited	208	208	152
The Wave (Hing Yip Street) Corporation Limited	2	–	2
As at 31 December		208	154

The Wave (Hing Yip Street) Corporation Limited 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.

## 24. 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 2017 (2016: from 0.02% to 0.7% per annum). The maturity of these deposits ranged from 31 to 92 days (2016: from 33 to 92 days). The carrying amounts of pledged bank deposits are denominated in HK\$.

## 25. BANK TRUST ACCOUNT BALANCES

The Group maintains segregated trust accounts with authorized institutions to hold clients' monies arising from its normal course of business and bear interest at commercial rate. The Group has classified the clients' monies as bank trust account balances under the current assets section in the consolidated statement of financial position and recognized the corresponding payable to the respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. However, the Group currently does not have an enforceable right to offset those payables with the deposits placed. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 26. 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.

	2017 HK\$'000	2016 HK\$'000
Cash at banks and on hand	24,936	47,218
Short-term bank deposits	3,616	–
Cash and cash equivalents	28,552	47,218

As at 31 December 2017, the cash and cash equivalents of the Group denominated in Renminbi (“RMB”) amounted to approximately HK\$77,000 (2016: approximately HK\$71,000). 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.

### 27. TRADE AND OTHER PAYABLES

	2017 HK\$'000	2016 HK\$'000
Trade payables	3,206	2,366
Amounts payable arising from financial services business		
– Clients-cash	1,464	–
– Clients-margin	6,251	–
– Clearing house	972	–
Other payables and accruals	11,650	13,739
	23,543	16,105



## 27. TRADE AND OTHER PAYABLES (CONTINUED)

As at 31 December 2017, the aging analysis of the trade payables based on invoice date is as follows:

	2017 HK\$'000	2016 HK\$'000
0 – 30 days	1,765	1,354
31 – 60 days	789	710
61 – 90 days	359	301
Over 90 days	293	1
	<b>3,206</b>	<b>2,366</b>

The settlements of amounts payable arising from financial services business are two days after trade date. No aging analysis is disclosed as, in the opinion of the directors, the aged analysis does not give additional value in view of the nature of these payables.

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.

H.K. Sources Finance Limited is controlled by Mr. Tang Shing Bor ("**Mr. SB Tang**") and Mr. YS Tang.

## 28. AMOUNTS DUE TO RELATED COMPANIES

Name of related company	2017 HK\$'000	2016 HK\$'000
East Ocean Gourmet Group Limited	10	–
H.K. Sources Finance Limited	12	–
As at 31 December	<b>22</b>	–

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 29. DEFERRED INCOME TAX

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

	2017 HK\$'000	2016 HK\$'000
As at 1 January	(333)	(678)
Consolidated statement of profit or loss (credited)/charged (Note 11)	(177)	345
<b>As at 31 December</b>	<b>(510)</b>	<b>(333)</b>

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:

<b>Deferred tax liabilities:</b>	<b>Accelerated tax depreciation HK\$'000</b>
As at 1 January 2016	333
Charged to the consolidated statement of profit or loss	20
As at 31 December 2016	353
Credited to the consolidated statement of profit or loss	(173)
<b>As at 31 December 2017</b>	<b>180</b>
<b>Deferred tax assets:</b>	<b>Decelerated tax depreciation HK\$'000</b>
As at 1 January 2016	(1,011)
Charged to the consolidated statement of profit or loss	325
As at 31 December 2016	(686)
Credited to the consolidated statement of profit or loss	(4)
<b>As at 31 December 2017</b>	<b>(690)</b>



**29. DEFERRED INCOME TAX (CONTINUED)**

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 2017, the Group has unused tax losses of approximately HK\$10,908,000 (2016: approximately HK\$4,733,000) 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.

**30. BORROWINGS**

	<b>2017</b> <b>HK\$'000</b>	2016 HK\$'000
<b>Current</b>		
Secured bank borrowings	<b>12,410</b>	6,244
Finance lease liability	<b>127</b>	122
	<b>12,537</b>	6,366
<b>Non-current</b>		
Finance lease liability	<b>281</b>	409
<b>Total borrowings</b>	<b>12,818</b>	6,775



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 30. BORROWINGS (CONTINUED)

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

	2017 HK\$'000	2016 HK\$'000
Within 1 year	10,910	2,744
More than 1 year but not more than 2 years	1,500	2,000
More than 2 years but not more than 5 years	-	1,500
	<b>12,410</b>	<b>6,244</b>

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.

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 6.25% per annum as at 31 December 2017 (2016: 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 2017, 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\$7,026,000 (2016: approximately HK\$7,054,000);
- (iii) Pledged bank deposits with carrying amount of approximately HK\$5,265,000 (2016: approximately HK\$4,797,000);
- (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 2017, the Group has available unutilized banking facilities of approximately HK\$19,000,000 (2016: approximately HK\$30,734,000).



### 30. BORROWINGS (CONTINUED)

(b) Finance lease liability:

	As at 31 December 2017		As at 31 December 2016	
	Present value of the minimum lease payment HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payment HK\$'000	Total minimum lease payments HK\$'000
Within one year	127	140	122	140
More than one year but not more than two years	132	140	127	140
More than two years but not more than five years	149	152	282	293
	408	432	531	573
Less: total future interest expenses		(24)		(42)
Present value of lease obligations		408		531

The Group's motor vehicle with aggregate net book value of approximately HK\$488,000 as at 31 December 2017 is secured as the rights to the leased assets revert to the lessors in the event of default (2016: approximately HK\$628,000).

The Group had committed finance lease facility which bore interest at 1.98% per annum as at 31 December 2017 (2016: 1.98% per annum).

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

### 31. SHARE CAPITAL

Ordinary shares, Issued and fully paid up:  
As at 31 December 2016 and 2017

Number of ordinary shares	Ordinary shares of HK\$0.01 each HK\$'000
<b>280,000,000</b>	<b>2,800</b>

### 32. 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 exceeded.

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.



### 32. SHARE OPTION SCHEME (CONTINUED)

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

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

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

No share options were granted since the adoption of the Scheme and there were no share option outstanding as at 31 December 2016 and 2017.

### 33. 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.

### 34. 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:

	2017 HK\$'000	2016 HK\$'000
No later than 1 year	7,205	8,185
Later than 1 year and no later than 5 years	1,645	6,545
	<b>8,850</b>	14,730

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 35. RELATED PARTY TRANSACTIONS

In 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	2017 HK\$'000	2016 HK\$'000
168 Storage Limited	Outsourcing outbound contact service income	(i) & (vi)	(23)	-
Always Beyond Limited	Premise rental expenses	(i), (vii) & (xiv)	2,804	2,790
Best Price Market Limited	Sales of system and provide relevant services	(i) & (viii)	-	(193)
East Ocean Development (Hong Kong) Limited	Seasonal event expenses	(ii) & (vi)	-	2
East Ocean Food (Hong Kong) Limited	Seasonal event expenses	(ii) & (vi)	22	46
East Ocean Gourmet Group Limited	Outsourcing inbound contact service income	(ii), (ix) & (xiv)	-	(418)
	Seasonal event expenses	(ii) & (vi)	-	7
Epro Career Limited	Insourcing fee expenses	(v) & (vi)	15,968	17,042
Gear Assets Management Limited	Service centre facilities management service income	(iv) & (x)	(1,960)	-
H.K. Sources Finance Limited	System maintenance income	(iv) & (vi)	(70)	(63)
	System installation and provide relevant services	(iv) & (vi)	(13)	(60)
Kong Way Credit Company Limited	Subscription fee income	(ii) & (vi)	-	(1)
Lafa Yette Wedding Limited	Seasonal event expenses	(ii) & (vi)	15	-
Leading Spread Limited	Seasonal event expenses	(ii) & (vi)	-	27
SG Hotel Group Management Limited	Insourcing service income	(iii), (xi) & (xiv)	-	(239)
SG Marketing Limited	Outsourcing outbound contact service income	(ii) & (vi)	(30)	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017



### 35. RELATED PARTY TRANSACTIONS (CONTINUED)

Name of related party	Nature of transactions	Notes	2017	2016
			HK\$'000	HK\$'000
Stan Group (Holdings) Limited	Premise rental expenses	(ii), (xii) & (xiv)	2,288	2,032
	Insourcing service income	(ii), (xiii) & (xiv)	(785)	(1,525)
	Facilities management services income	(ii), (xiii) & (xiv)	(401)	(658)
	Outsourcing inbound contact service income	(ii) & (vi)	(2)	–
	Seasonal event expenses	(ii) & (vi)	61	113
	Subscription fee income	(ii) & (vi)	–	(25)
The Wave (Hing Yip Street) Corporation Limited	System maintenance income	(ii) & (vi)	(46)	(25)
	Premise rental expenses	(ii) & (vi)	96	–

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 35. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

- (i) 168 Storage Limited, Always Beyond Limited and Best Price Market Limited are controlled by the family members of Mr. SB Tang.
- (ii) East Ocean Development (Hong Kong) Limited, East Ocean Food (Hong Kong) Limited, East Ocean Gourmet Group Limited, Kong Wai Credit Company Limited, Lafa Yette Wedding 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) Gear Assets Management Limited and H.K. Sources Finance Limited are controlled by Mr. SB Tang and Mr. YS Tang.
- (v) Epro Career Limited is an associate of ETH.
- (vi) Seasonal event expenses, system maintenance income, outsourcing inbound contact service income, outsourcing outbound contact service income, insourcing fee expenses, system installation and provide relevant services, subscription fee income and premise rental expenses 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 commenced from 2 November 2015 to 1 November 2016, from 2 November 2016 to 1 November 2017 and from 2 November 2017 to 1 November 2018.
- (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 Gear Assets Management Limited and GSI, GSI agreed to provide service centre infrastructure and facilities management services to Gear Assets Management Limited for a term of 2 years commencing on 1 January 2017.
- (xi) 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.
- (xii) 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.
- (xiii) 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.
- (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

	2017 HK\$'000	2016 HK\$'000
Salaries and short-term employee benefits	1,125	1,112
Post-employment benefits	21	21
	<b>1,146</b>	<b>1,133</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017



### 36. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December	
	2017 HK\$'000	2016 HK\$'000
<b>Non-current assets</b>		
Investments in subsidiaries	40,151	40,151
<b>Current assets</b>		
Other receivables	6,029	207
Amounts due from subsidiaries	75,171	80,739
Current income tax assets	–	65
Cash and cash equivalents	1,163	1,269
	82,363	82,280
<b>Current liabilities</b>		
Other payables	963	918
Amounts due to subsidiaries	10,472	10,407
Borrowings	478	246
Current income tax liabilities	67	–
	11,980	11,571
<b>Net current assets</b>	70,383	70,709
<b>Net assets</b>	110,534	110,860
<b>Equity attributable to the owners of the Company</b>		
Share capital	2,800	2,800
Share premium	25,238	25,238
Reserves (Note (a))	82,496	82,822
<b>Total equity</b>	110,534	110,860



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 36. 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 2016	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
Profit for the year	–	794	794
Dividends paid (Note 13)	–	(1,120)	(1,120)
<b>As at 31 December 2017</b>	<b>40,151</b>	<b>42,345</b>	<b>82,496</b>

#### Special reserve

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

### 37. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### Changes in liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flow will be classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans HK\$'000	Finance lease liability HK\$'000	Total HK\$'000
As at 1 January 2017	6,244	531	6,775
<b>Changes from financing cash flows:</b>			
Proceeds from borrowings	70,390	–	70,390
Repayments of borrowings	(64,224)	(123)	(64,347)
Interest paid	(451)	(18)	(469)
<b>Other changes</b>			
Interest expenses	451	18	469
<b>As at 31 December 2017</b>	<b>12,410</b>	<b>408</b>	<b>12,818</b>



### 38. 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 2017 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
<b>Executive directors</b>						
Mr. YS Tang <sup>4</sup>	-	60	-	-	3	63
Mr. Yeung Ka Wing	-	720	-	-	18	738
<b>Non-executive director</b>						
Mr. SB Tang	-	60	-	-	-	60
<b>Independent non-executive directors</b>						
Mr. Wong Sik Kei	96	-	-	-	-	96
Mr. Cheung Kong Ting <sup>1</sup>	96	-	-	-	-	96
Mr. Wong Kam Tai <sup>2</sup>	93	-	-	-	-	93
	285	840	-	-	21	1,146

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 38. 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 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
<b>Executive directors</b>						
Mr. YS Tang <sup>4</sup>	-	60	-	-	3	63
Mr. Yeung Ka Wing	-	720	-	-	18	738
<b>Non-executive director</b>						
Mr. SB Tang	-	60	-	-	-	60
<b>Independent non-executive directors</b>						
Mr. Wong Sik Kei	96	-	-	-	-	96
Mr. Ngan Chi Keung <sup>5</sup>	80	-	-	-	-	80
Mr. Cheung Kong Ting <sup>1</sup>	48	-	-	-	-	48
Mr. Yung Kai Tai <sup>3</sup>	48	-	-	-	-	48
	272	840	-	-	21	1,133

Notes:

<sup>1</sup> Appointed on 30 June 2016.

<sup>2</sup> Appointed on 12 January 2017.

<sup>3</sup> Resigned on 30 June 2016.

<sup>4</sup> Mr. YS Tang is the chief executive of the Group.

<sup>5</sup> Mr. Ngan Chi Keung was the independent non-executive director 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.



	<b>2017</b> <b>HK\$'000</b>	<b>For the year ended 31 December</b>			<b>2013</b> <b>HK\$'000</b>
		<b>2016</b> <b>HK\$'000</b>	<b>2015</b> <b>HK\$'000</b>	<b>2014</b> <b>HK\$'000</b>	
<b>Results</b>					
Revenue	<b>146,591</b>	146,164	143,612	176,044	169,741
Operating profit	<b>3,143</b>	6,901	11,921	16,426	32,019
Finance costs	<b>(469)</b>	(515)	(582)	(659)	(758)
Share of loss of associate accounted for using the equity method	-	-	-	-	(3)
Profit before tax	<b>2,674</b>	6,386	11,339	15,767	31,258
Income tax expense	<b>(1,559)</b>	(1,572)	(2,149)	(1,384)	(5,584)
<b>Profit for the year</b>	<b>1,115</b>	4,814	9,190	14,383	25,674

	<b>At 31 December</b>				
	<b>2017</b> HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Asset and liabilities</b>					
Property, plant and equipment	<b>6,330</b>	10,041	4,961	7,628	10,473
Intangible assets	<b>7,801</b>	7,864	7,889	9,706	20,817
Investment in an associate	–	–	–	–	–
Available-for-sale financial asset	<b>10,900</b>	–	–	–	–
Derivative financial instrument	<b>700</b>	–	–	–	–
Deferred income tax assets	<b>690</b>	686	1,011	874	788
Other assets	<b>205</b>	–	–	–	–
Net current assets	<b>84,975</b>	92,816	94,991	87,098	66,701
<b>Total assets less current liabilities</b>	<b>111,601</b>	111,407	108,852	105,306	98,779
Borrowings – non current	<b>(281)</b>	(409)	–	–	–
Deferred income tax liabilities	<b>(180)</b>	(353)	(333)	(517)	(2,165)
<b>Net assets</b>	<b>111,140</b>	110,645	108,519	104,789	96,614
<b>Capital and reserves</b>					
Share capital	<b>2,800</b>	2,800	2,800	2,800	2,800
Share premium	<b>25,238</b>	25,238	25,238	25,238	25,238
Reserves	<b>83,102</b>	82,607	80,481	76,751	68,576
<b>Total equity</b>	<b>111,140</b>	110,645	108,519	104,789	96,614
Earnings per share attributable to owners of the Company – Basic and diluted (HK cents)	<b>0.4</b>	1.7	3.3	5.1	9.2

Notes:

1. The results of the Group for the year ended 31 December 2017 and 2016 are those set out on page 63 of this annual report.
2. The consolidated statement of financial position as at 31 December 2017 and 2016 are those set out on pages 64 to 65 in this annual report.



ETS Group Limited  
易通訊集團有限公司