ETS

ETS GROUP LIMITED
易通訊集團有限公司

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

Stock Code 股票代號: 8031

2018 ANNUAL REPORT 年報

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

CONTENTS

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Mr. Tang Shing Bor *(Chairman)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

RISK MANAGEMENT AND INTERNAL CONTROL COMMITTEE

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

COMPLIANCE OFFICER

Mr. Yeung Ka Wing

COMPANY SECRETARY

Mr. Suen Fuk Hoi

AUTHORISED REPRESENTATIVES

Mr. Tang Yiu Sing
Mr. Yeung Ka Wing

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITORS

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

LEGAL ADVISERS

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

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

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong

WEBSITE

www.etsgroup.com.hk

STOCK CODE

8031

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 2018 (the "Year") to all shareholders and investors.

Turnover has reached HK$141.7 million, a slight decrease of approximately 3.3% while profit has increased 253.9% to approximately $3.9 million. The increase in profit mainly came from a few high profit margin contact centre projects and improved financial performance in the financial business.

The contact centre service business still faced a lot of challenges in the year of 2018, especially from data privacy and telemarketing compliance regulations. Fortunately, with the Group's long adopted diversification strategy through the provision of outsourcing, insourcing and facilities management services as a mean for business expansion as well as risk management, the Group has been able to sustain the business throughout the year.

The Group has carried out major revamp of our proprietary WISE-xb Contact Centre System in 2018 to support both traditional and social media communications as well as A.I. (artificial intelligence) chatbot function as a means to further sharpen the competitive edge of our system and in results, boost up the system sales business.

Much excited is the latest development of the Group's relatively new financial services business. Besides of a sustainability in securities trading revenue, the newly acquired asset management business had started to gain momentum by entering into an asset management contract recently, and to be followed by a number of funds currently in the pipeline. The Group believed the first one to come out will be our money lender fund which is expected to be launched in Q2 of 2019.

Looking forward, the Group will continue to sustain the contact centre system and services business while at the same time flex our financial muscles by building up our own financial products and partnering with other entities.

I would like to once again express my sincere gratitude to the members of the Board for their continued advice and support. I would also like to thank the management team and our staff for their loyalty and hard work throughout the year. We continue to commit to the expansion of our business, and with our strong foundation and development strategies, we are able to take the Company to another new level of success.

Tang Shing Bor
Chairman

Hong Kong, 19 March 2019

BUSINESS ENVIRONMENT

The business environment of comprehensive multi-media contact services remained challenging in 2018. Data securities requirements, call blocking mobile apps as well as compliance issues continued to have adverse impact on our operating cost, service performance as well as client's outsourcing sentiment, particularly in outbound telemarketing service. And despite of prevailing economic uncertainty, labour market remained tight throughout the period and hence keeping the overall recruiting and labour cost at a relatively high level. To counteract the adversity, the Group has adopted a more aggressive pricing strategy in order to maintain the overall profitability level.

Similar to the past trend and record, when there is less outsourcing initiative there is usually a greater staff insourcing demand. During the period, the Group has further strengthened our recruiting muscles by enhancing the capabilities of the recruitment team as well as the related supporting system, making the entire head hunting and staff deployment process more efficient and effective. Revenue from the related services continued to climb and resulted in an increase of approximately 18% for the year ended 31 December 2018 as compared to that of last year.

The Group's proprietary WISE-xb Contact Centre System ("WISE-xb System") received a major revamp in 2018 with brand new user interface and functionalities developed to bring out much enhanced user experience for the users. On top of traditional interaction channels such as voice, webchat, email and fax, new social media communications for Facebook, Messenger and WeChat are also integrated to support truly multi-media communications with all profiles of customers. Nevertheless, the Group has also added the increasingly popular artificial intelligence (A.I.) chatbot capability to the WISE-xb System, giving it a competitive edge over the counterparts. Highly positive feedbacks have been collected from new and existing customers so far.

The business of the Group's relatively new financial entities namely, Gear Securities Investment Limited ("GSI") and Gear Asset Management Limited ("GAM") has started to take shape during the reported period. GSI mainly carries out Type 1 and 4 regulated activities (dealing in and advising on securities) under the Securities and Future Ordinance ("SFO"), and its revenue from securities trading, margin lending and financial consultancy services has continued to maintain in spite of a less luster market shadowed by the China and US trade war and interest rate hike speculation during the year.

BUSINESS REVIEW

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

Outsourcing Inbound Contact Services

The Group provides multi-media inbound contact services 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 Services

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 Services

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 such as food and beverage business and indoor public services. We provide our clients with staff to support their activities such as customer services, telemarketing, data entry, helpdesk assistance and other backend projects.

Contact Service Centre and Service Centre Facilities Management Services

The contact service centre and service centre facilities management services are comprised of four types of services 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.

Financial services

The financial services related to securities include securities broking, margin lending and consultancy services related to securities.

The financial services related to asset management include provision of asset management, fund management and consultancy services related to asset management.

Others

"Others" segment which principally comprises system maintenance income, licencing income and sales of system and software income.

Disposal of an Unlisted financial assets designated as at fair value through profit or loss

During the year, the Group disposed 133,161.385 shares of AB Global High Yield Portfolio (AT) and 41,350.726 shares of Allianz US High Yield (AM) shares, which were the pledged assets of the banking facility, following the release of one of our banking facilities. The Group recognized a loss of disposal of such unlisted financial assets designated as at fair value through profit or loss amounted approximately HK$0.4 million.

Disposal of an Available-for-sale financial asset

During December 2018, the Group disposed all of the investment in an unlisted company TFI International Holdings Limited ("TFI") which engages in information technology industry at the consideration of HK$11,200,000. As the applicable percentage ratios of the Disposal Agreement under the GEM Listing Rules are less than 5%, the Acquisition Agreement does not constitute a notifiable transaction on the part of the Company pursuant to Chapter 19 of the GEM Listing Rules. After the disposal of the share of TFI, the Group is able to concentrate to develop the new developed financial business in the coming year.

Acquisition of a licensed corporation

The Group has widened our financial platform through the acquisition of GAM in May 2018 at a consideration of approximately HK$6 million. GAM mainly carries out Type 9 regulated activities (asset management) under the SFO. GAM has recently entered into an asset management agreement with a company which is formed between a Hong Kong listed company based in China and a local company. The asset involved a total of three local properties that amounted to approximately HK$4.3 billion in value. Other than the provision of asset management services, GAM is also responsible to offer sales and investment strategies to optimize return in capital gains for the asset investment project.

PROSPECTS

The Group foresees challenges facing contact centre service industry will still persist in the near future, making business difficult to grow significantly and keep putting pressure on the profit margin of the services. Having said that, the Group can also see potential business opportunities and growth in certain segments such as staff insourcing services and WISE-xb System related services and sales. As a means of sustainability, it is the intention of the Group to focus our resources and attention of doing business in these potential areas in the coming future.

The equity market seemed to have rebounded in the first quarter of 2019 amid growing optimism that the trade standoff between the United States and China would be resolved. The management of the Group anticipated that the capital market will remain active particularly with the announcement of Guangdong-Hong Kong-Macau Greater Bay Area development plan. The Group believed that the securities business will be benefited from the improving investing sentiment as a whole.

The Group will also press ahead with our growth strategy for financial business by preparing to create and manage a number of funds through GAM which may include products such as money lender fund (expected to be launched in Q2 of 2019), equity fund, property fund, etc., while GSI will take part in buying and selling of these funds. In addition, we will continue to seek to identify partners with suitable knowhow and/or asset portfolio to work out different potential products for the market.

Looking forward, the Group will continue to keep our feet on the contact centre services and system business by focusing on segments with higher potential and profit margin, while at the same time, actively expand our financial business through raising publicity of our brand, creating unique financial products as well as collaboration with promising partners. In addition, the Group will continue to look for potential business opportunities through direct investment or acquisition as a measure for swift growth and diversification in the long run.

FINANCIAL REVIEW

The financial performance was improved due to the contribution of our new financial business. The profit for the year was increased to approximately HK$3.9 million for the year ended 31 December 2018 from approximately HK$1.1 million for the year ended 31 December 2017.

REVENUE

The Group recorded a decrease in total revenue to approximately HK$141.7 million for the year ended 31 December 2018 from approximately HK$146.6 million for the year ended 31 December 2017, representing a decrease of approximately HK$4.9 million as compared to that of last year.

The following table sets forth the analysis of revenue in terms of business nature of our Group for the years ended 31 December 2018 and 2017 respectively:

	Year ended 31 December 2018		Year ended 31 December 2017	
	HK$'000	**GP Margin %**	HK$'000	GP Margin %
Outsourcing inbound contact services	**16,351**	**11.5%**	10,512	7.2%
Outsourcing outbound contact services	**43,689**	**30.8%**	66,416	45.3%
Staff insourcing services	**59,684**	**42.1%**	50,425	34.4%
Contact service centre and Service Centre facilities management services	**11,057**	**7.8%**	14,836	10.1%
Financial services*	**6,772**	**4.8%**	657	0.4%
Others	**4,188**	**3.0%**	3,745	2.6%
			4,402	
Revenue	**141,741**	**100%**	146,591	100%

* Financial services related to securities were classified in "Others" segment in 2017.

Outsourcing Inbound Contact Services

The revenue of outsourcing inbound contact services increased from approximately HK$10.5 million for the year ended 31 December 2017 to HK$16.4 million for the year ended 31 December 2018. It is mainly due to increase of the demand of the outsourcing inbound contact services during the year.

Outsourcing Outbound Contact Services

The revenue of outsourcing outbound contact services decreased from approximately HK$66.4 million for the year ended 31 December 2017 to approximately HK$43.7 million for the year ended 31 December 2018.

The decrease of the revenue of outsourcing outbound contact services reflects effect of the challenging business environment mentioned in the section "Business Environment". Despite the management of the group adopted a more competitive marketing strategy, the effort of the management cannot fully set off the effect of the tightening regulatory business environment.

Staff Insourcing Services

The staff insourcing services segment increased from approximately HK$50.4 million for the year ended 31 December 2017 to approximately HK$59.7 million for the year ended 31 December 2018.

The increasing trend of the revenue of staff insourcing services demonstrates a strong demand of staff insourcing services.

Contact Service Centre and Service Centre Facilities Management Services

The contact service centre and service centre facilities management services segment decreased from approximately HK$14.8 million for the year ended 31 December 2017 to approximately HK$11.0 million for the year ended 31 December 2018. The decrease of the revenue is due to the demand of the services decreased during the year.

Financial services

The revenue of financial services increased from approximately HK$0.7 million for the year ended 31 December 2017 to approximately HK$6.8 million for the year ended 31 December 2018. The Group recorded the revenue related to securities business amounted approximately HK$2.9 million and recorded the revenue related to provision of asset management services amounted approximately HK$3.9 million. The significant increase of revenue of financial services is due to the contribution from our asset management business.

Others

For the year ended 31 December 2018, the Group recorded a revenue in licencing and sales of system and software of approximately HK$2.6 million (2017: approximately HK$2 million), system maintenance income of approximately HK$1.6 million respectively (2017: approximately HK$1.7 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 2018 and 2017 respectively:

	Year ended 31 December 2018		Year ended 31 December 2017	
	HK$'000	GP Margin %	HK$'000	GP Margin %
Outsourcing inbound contact services	2,076	12.7%	1,077	10.2%
Outsourcing outbound contact services	6,005	13.7%	7,304	11%
Staff insourcing services	6,996	11.7%	6,582	13.1%
Contact service centre and Service Centre facilities management services	2,138	19.3%	1,051	7.1%
Financial services*	(2,759)	(40.7%)	(5,561)	(846.4%)
Others	1,735	41.4%	1,322 (4,239)	35.3%
Total	16,191	11.4%	11,775	8%

* Financial services related to securities were classified in "Others" segment 2017.

The gross profit percentage of our Group increased from approximately 8% for the year ended 31 December 2017 to approximately 11.4% for the year ended 31 December 2018. The overall increase in segment result and the gross profit margin is mainly due to the improvement of financial performance of our financial business.

Outsourcing Inbound Contact Services

The gross profit margin in outsourcing inbound contact services increased from approximately 10.2% for the year ended 31 December 2017 to approximately 12.7% for the year ended 31 December 2018. The increase in the segment result is mainly attributable to the increase of the productivity of our operation.

Outsourcing Outbound Contact Services

The gross profit margin in outsourcing outbound contact services increased from approximately 11% for the year ended 31 December 2017 to approximately 13.7% for the year ended 31 December 2018. The increase was mainly attributable to the once off income generated from the existing customers.

Staff Insourcing Services

The gross profit margin in staff insourcing services decreased from approximately 13.1% for the year ended 31 December 2017 to approximately 11.7% for the year ended 31 December 2018. The decrease in the gross profit margin mainly due to the increase of the employee cost cannot be fully shifted to our customers.

Contact Service Centre and Service Centre Facilities Management Services

The gross profit margin in contact service centre facilities management services increased significantly from approximately 7.1% for the year ended 31 December 2017 to approximately 19.3% for the year ended 31 December 2018. The increase in gross profit margin in this segment represents the overall improvement in the operation.

Financial services

The gross profit margin of financial services improved significantly from the gross loss approximately 846.4% for the year ended 31 December 2017 to the gross loss approximately 40.7% for the year ended 31 December 2018. The significant improvement of gross margin of financial services is due to the contribution on our asset management business.

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 increase in segment result is mainly because the increase of the productivity of our operation.

EXPENSES

During the year under review, the employee benefits expenses decreased from approximately HK$88.8 million for the year ended 31 December 2017 to approximately HK$82.6 million for the year ended 31 December 2018. The decrease of employee benefit expenses is mainly due to the increase of voluntary resignation of contact centre staffs.

The Group's depreciation and amortization expenses increased from approximately HK$8.9 million for the year ended 31 December 2017 to approximately HK$9 million for the year ended 31 December 2018.

The Group recorded other operating expenses amounted to approximately HK$44.4 million (2017: approximately HK$47.6 million). The other operating expenses mainly include auditors' remuneration, insourcing expenses, insurance, legal and professional expenses, rent and rates, repair and maintenance, subcontracting expenses, telephone expenses, travelling, entertainment and utilities expenses. The other operating expenses to sales ratio decreased from approximately 32.4% for the year ended 31 December 2017 to approximately 31.3% for the year ended 31 December 2018. The decrease of the other operating expenses is mainly due to cost saving from the reduction of the rental area of contact centre.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group's profit attributable to owners of the Company increased from approximately HK$1.1 million for the year ended 31 December 2017 to approximately HK$3.9 million for the year ended 31 December 2018. The increase in profit attributable to owners of the Company was mainly due to the decrease of the loss of financial business following the expansion of the asset management business and the general reduction of the expenses.

PLEDGE OF ASSETS

As at 31 December 2018, the Group had pledged its bank deposits of approximately HK$9.0 million (2017: approximately HK$5.3 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 2018 (2017: Nil). As at 31 December 2018, there was HK$0.9 million capital commitments outstanding but not provided for in the financial statements (2017: 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 2018, 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 2018.

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Tang Yiu Sing (鄧耀昇), aged 33, 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 11 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 47, 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 85, was appointed as a non-executive Director on 29 July 2015 and is the Chairman of the Board. He has over 41 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 71, 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 56, 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 32 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 45, 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 55, 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 54, 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 58, joined the Group on 28 June 1999. He is the General Manager for Call Centre of the Group. Mr. Yeung has over 33 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 52, 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 14 years of experience in information technology & project management.

Mr. Cheung Chi Tat (張志達), aged 56, 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 29 years of experience in electronic engineering.

Ms. Yung Kwan Yee (容坤儀), aged 48, 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 19 years' extensive experience in sales and marketing in the telecommunications industry.

Ms. Chan Yin Ming (陳燕鳴), aged 45, 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 19 years of experience in accounting.

Mr. Siu Man On (蕭文安), aged 40, 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 is a member of Certified Practising Accountant Australia and a fellow member of The Hong Kong Institute of Certified Public Accountants. Mr. Siu has more than 14 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 2018, the Company has complied with all the code provisions as set out in the Code except for the code provision A.6.2 (a) of the Code, details of which are set out below.

According to code provision A.6.2 (a) of the Code, the functions of non-executive directors should include participating in board meetings to bring an independent judgment 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, the Chairman and a non-executive Director, was absent from two 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 2018.

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 15 to 17 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.

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

DIRECTORS' TRAINING

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

The Directors 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 2018. The attendance records of individual directors at such meetings and the annual general meeting held by the Company during the year under review are set below:

	Number of Meeting Attended/Held[1]	
	Board Meeting	**General Meeting**
Executive Directors:		
Mr. Tang Yiu Sing	4/6[2]	1/1
Mr. Yeung Ka Wing	6/6	1/1
Non-executive Director:		
Mr. Tang Shing Bor	2/6[2]	1/1
Independent Non-executive Directors:		
Mr. Wong Sik Kei	6/6	1/1
Mr. Cheung Kong Ting	5/6	1/1
Mr. Wong Kam Tai	6/6	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 2018, 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 renewed service contract with the Company for a term of three years commencing on 29 July 2018.

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.

The Nomination Committee held one meeting during the year ended 31 December 2018, and the attendance records of the individual committee members are set out below:

	Number of Meetings Attended/Held [(1)]
Mr. Wong Sik Kei *(Chairman)*	1/1
Mr. Tang Yiu Sing	1/1
Mr. Yeung Ka Wing	1/1
Mr. Cheung Kong Ting	1/1
Mr. Wong Kam Tai	1/1

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:

– 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");

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

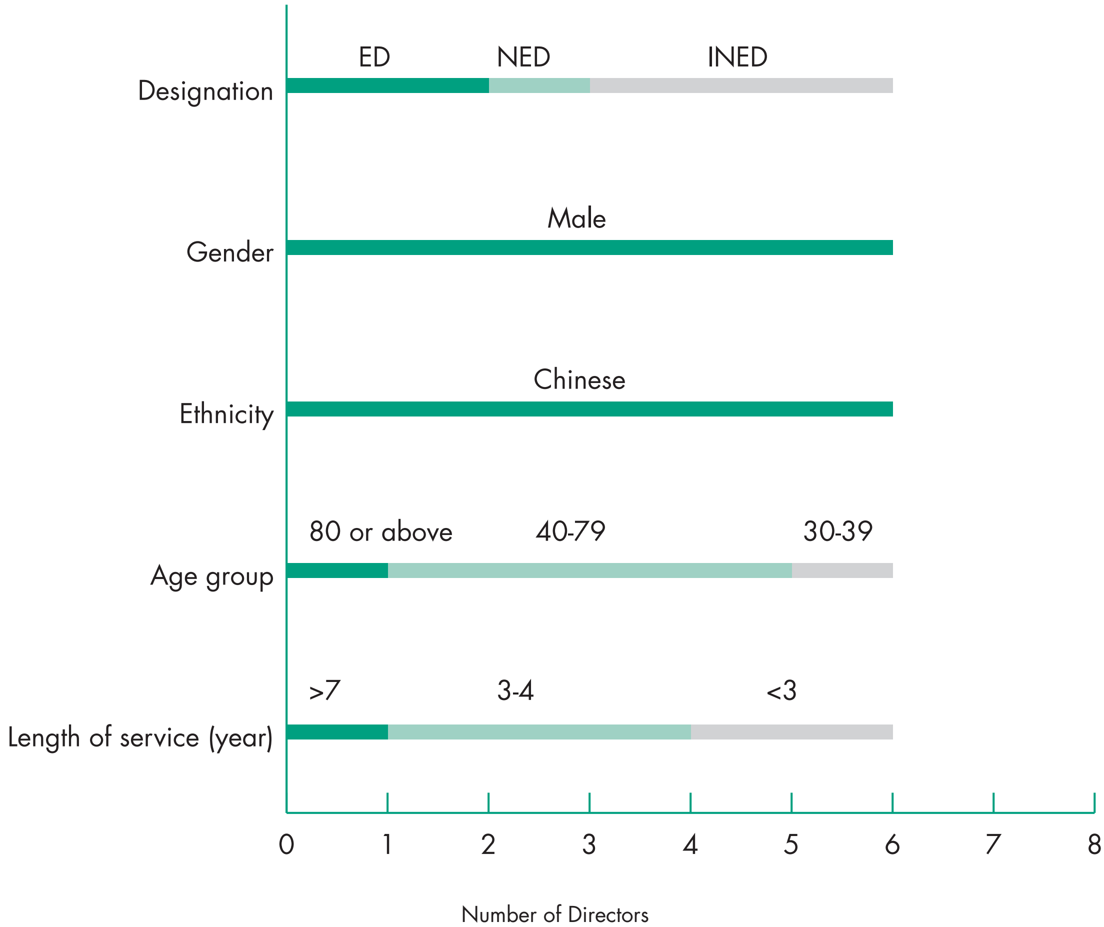
– made recommendation on the retiring Directors at the Annual General Meeting of the Company.

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 2018, the Board's composition under major diversified perspectives was summarized as follows:

BOARD DIVERSITY



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 2018 is set out in the Independent Auditors' Report on pages 59 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.

The Remuneration Committee held two meetings during the year ended 31 December 2018, and the attendance records of the individual committee members are set out below:

	Number of Meetings Attended/Held [1]
Mr. Cheung Kong Ting *(Chairman)*	2/2
Mr. Tang Yiu Sing	2/2
Mr. Wong Sik Kei	2/2
Mr. Wong Kam Tai	2/2

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 package of an executive Director and the Director's fee of all independent non-executive Directors, and recommended to the Board for approval; and

– reviewed the revenue of the respective employment contract of the executive and non-executive Directors 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 2018, and the attendance records of individual committee members are set out below:

	Number of Meetings Attended/Held [1]
Mr. Wong Kam Tai *(Chairman)*	4/4
Mr. Wong Sik Kei	4/4
Mr. Cheung Kong Ting	4/4

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 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 2018, and the attendance records of the individual committee members are set out below:

	Number of Meetings Attended/Held [1]
Mr. Wong Kam Tai *(Chairman)*	2/2
Mr. Tang Yiu Sing	2/2
Mr. Yeung Ka Wing	2/2
Mr. Wong Sik Kei	2/2
Mr. Cheung Kong Ting	2/2

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; and

– to review the credit risk, the liquidity risk and the business risk of the Group.

AUDITORS AND THEIR REMUNERATION

The accounts for the year ended 31 December 2018 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 2018, the remuneration paid or payable to HIC, the auditors of the Company, in respect of the audit services rendered was approximately HK$1,100,000 (2017: 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 2019 Annual General Meeting of the Company, which will be delivered together with the 2018 Annual Report of the Company to the shareholders.

THE PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

The Environmental, Social and Governance Report (the "ESG Report") of ETS Group Limited (the "Company") and its subsidiaries (collectively the "Group" or "We") has been prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The ESG Report highlights the activities and provides the information incurred from 1 January 2018 to 31 December 2018 ("2018").

Environmental protection and social sustainability has been integrated into the Group's corporate vision and mission to create business value and sustain the growth of the Group. In order to properly address the ESG issues that are material to our business, the environmental policies and the practice of corporate governance were reviewed by the management of the Group during 2018 ensuring the issues of ESG can be managed. We believed that our continuous engagement and efforts will enhance the relationships with stakeholders and will help to create value for the community and the environment we all share.

PART A: ENVIRONMENTAL

Emissions

The Group basically operates its business in an office environment and thus does not involve much direct air and greenhouse gas emission. The only direct emission of greenhouse gas is mainly produced by the usage of motor vehicle. Policies and guidelines are in place to manage and accurately record the greenhouse gas emission to ensure greater disclosure and accountability of the Group's carbon footprint.

The direct emission of greenhouse gas was mainly produced by the usage of motor vehicle and the consumption of electricity. Policies are in placed to manage the emissions and to accurately record the carbon emission to ensure greater disclosure and accountability of the Group's carbon footprint. The major source of air pollutions produced by the Group is the usage of motor vehicle during 2018. Fuel consumption of the motor vehicle is the major source of direct emissions of nitrogen oxides ("NO_X"), surplus oxides ("SO_X") and particulate matter ("PM"). The following table shows the direct emissions of NO_X, SO_X and PM produced by the usage of the motor vehicle for 2018:

	Total (g)
Nitrogen oxides	1,494
Surplus oxides	57
Particulate matter	110

The following table summarizes the scope 1 direct emission of green house gas emission from mobile combustion source for 2018:

Carbon Dioxide ("CO_2")	6,544
Methane ("CH_4/N_2O")	21
Nitrous Oxide ("N_2O")	1,335
Total direct GHG emission (kg)	7,900

Greenhouse gas emissions (mostly carbon dioxide, methane and nitrous oxide) are building up in the atmosphere and lead to greenhouse effect. Global warming is causing climate change which means floods, droughts, rising sea levels, crop failures and famines, more powerful storms and other disasters. To minimize our contribution to the problem and the impact on the environment, policies and guidelines on using the motor vehicle were drawn up during 2018 including but not limited to:

- consume unleaded petrol instead of diesel oil;
- carry out phone or video conference, if possible, to reduce travelling;
- encourage using public transport as much as possible; and
- plan and optimize route for multiple points of pick up or drop off.

The major indirect emission of greenhouse gas, carbon dioxide ("CO_2"), generated from our business operation is through the consumption of electricity, which amounted to around 431,268 kg in 2018.

In addition, since our operations are mainly office-based, other indirect emissions released due to the electricity used for processing fresh water and sewage by government departments are minimal and therefore we do not collect any data related to such emissions. During 2018, the Group did not record any indirect emissions generated from air travelling for business. The amount of carbon dioxide produced by disposal of paper waste at landfills was estimated to be approximately 2,592 kg for 2018.

Waste

The Group remains steadfast in managing our waste efficiently and seeks to reduce, reuse and recycle the waste as much as possible. Policies are in place to govern disposal of hazardous waste to avoid any harmful effect to the environment. Procedures and guidelines are also set up to monitor and record the proper disposal of such waste. Qualified recycling companies have been hired to collect hazardous waste for recycling and responsible disposal. Hazardous waste produced by the Group in 2018 was mainly made up of personal computers and computer components.

The main source of non-hazardous waste produced by the Group was from the usage of paper. During 2018, the Group consumed approximately 1,860 kg of paper. In order to minimize the production of paper waste, the Group has implemented, including but not limited to, the following guidelines in the work place at all time:

- reuse one side printed paper;
- use smaller print to reduce the use of paper;
- reuse paper envelope and packaging;
- read electronically instead of printing out hard copies as much as possible;
- set double-side printing as the default mode for photocopier and fax machine; and
- encourage staff to bring your own cup/plate/utensil to avoid using disposal paper plates.

Moreover, different collection points are set up in the workplace to collect used paper or paper packaging, which are collected by qualified recycling companies on regular basis. During 2018, 1,320 kg of paper was collected for recycling which represented planting 33.8 tree seedlings.

In addition to recycling paper generated from business operation, the management of the Group also initiated other recycling programs in order to raise the overall awareness of environmental protection.

collecting aluminum mooncake boxes after Mid-Autumn Festival 2018 for recycling

collecting red packets for recycling after Chinese New Year of 2018

collecting plastic bottles for recycling by qualified recycling organizations

Use of resources

The deterioration of global warming mainly attributed to the emissions of greenhouse gas. The Group is committed to reduce our carbon footprint by using electricity responsibly. Electricity usage is considered as the most significant energy consumption by the Group in the course of carrying out our business. By integrating electricity usage policies into our operation not only enabled us to reduce the operating cost, but also allowed us to better protect the environment as a whole. Instructions and guidelines of managing and reducing the usage of electricity are in place and being reviewed during 2018 by the management of the Group to include:

- replace fluorescent tubes by LED lighting;
- turn off all the lights, air conditioning and copying machines after work;
- set timer to automatically switch off some office equipment, lighting and computer equipment at contact centre during non-operating hours; and
- apply zoning control of air conditioning to reduce wastage.

The consumption of electricity was reduced from 1,010,756 kwh for the year ended 31 December 2017 to 684,552 kwh for the year ended 31 December 2018.

Water

The management of the Group recognized the importance of effective management of water consumption. Although our business mainly consumed water for hygiene purpose such as washing hands and dishes as well as toilet flushing, policies and guidelines are in place to reduce or encourage to reduce the consumption of water.

- install self-closing water tap to avoid massive water wastage due to negligence;
- adjust the water flow to avoid overuse of water; and
- post "Save Water" posters to encourage less water consumption.

Due to full occupancy of the premises, the overall consumption of water increased from 2,567 cubic meters for the year ended 31 December 2017 to 3,925 cubic meters for the year ended 31 December 2018.

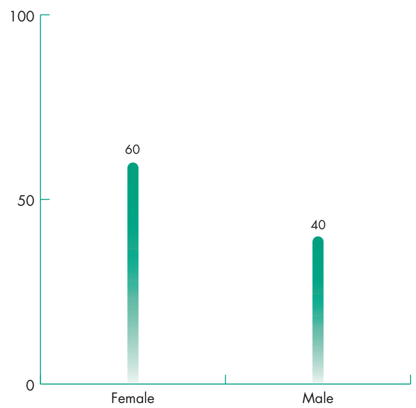
PART B: SOCIAL

Employment and labour standard

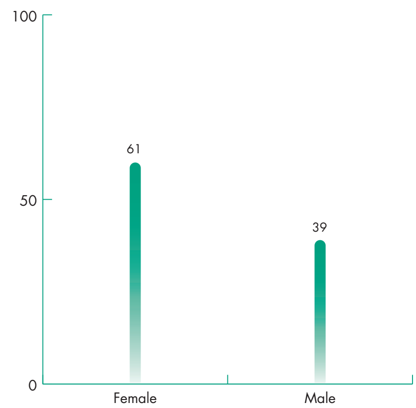
The total number of employees were increased from 525 for the year ended 31 December 2017 to 688 for the year ended 31 December 2018. Most of the employees work on a full time basis in both of the years ended 2017 and 2018 and all employees' geographic region is Hong Kong based. Further demographic details of the diversified employment pool on age group and gender for the year ended 2017 and 2018 are shown by percentage in the below diagrams:

Percentage of employees by gender

Gender 2018

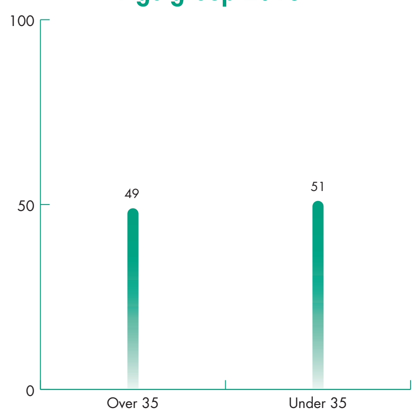


Gender 2017

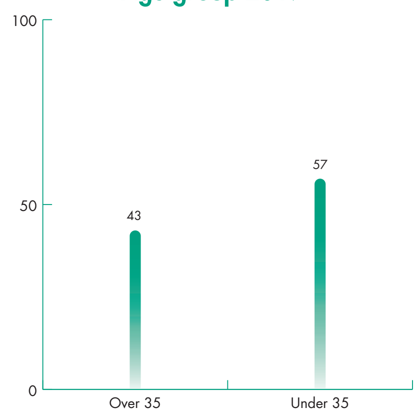


Percentage of employees by age group

Age group 2018



Age group 2017



The management recognizes people is the most important asset of the Group and our success relies on the contribution from each of our staff. Through proactive engagement, fair labour practice and competitive remuneration, we strive to be an employer of choice in the market.

Policies are in place and reviewed by the management of the Group during 2018 to ensure our employment practice complies with mandatory ordinance such as <<Employment Ordinance>>, <<Employers Provident Fund Schemes Ordinance>> and the <<Minimum Wages Order>>. The Human Resources Department had also reviewed and updated the relevant policies in regard of recruitment, working hours, rest period, compensation, dismissal and promotion to ensure basic or better than basic requirements of the Employment Ordinance and other relevant regulations in Hong Kong are met during 2018.

The Group is committed to offer fair and competitive remuneration package in accordance with the performance, role and responsibilities of each employee. Appraisals are performed on yearly basis to assess the performance of staff, while reasonable remuneration adjustment and/or promotion are made based on the result of the appraisal as a token of recognition. The Overall remuneration policy and structure related to employees are recommended by the Remuneration Committee which comprises three Independent Executive Directors and one Executive Director.

Besides of meeting basic or mandatory employment requirements in Hong Kong, the Group offers other competitive fringe benefits including medical and insurance coverage, generous annual leave, maternity leave, marriage leave, compassionate leave, educational allowance, etc. to make up the total compensation package.

A harmonious working environment is essential for the ongoing development of the business. That is the reason why the management of the Group strived to increase the sense of belonging of our staff by building a positive working culture and pleasant workplace for all. Throughout the year of 2018, the Group had organized different types of projects and activities to try to create an enjoyable working place and achieve work-life balance for all levels of our staff. Activities organized including:

- football competition, basketball competition, “Innorun” (a city orientation competition);
- birthday party, Christmas party, coffee corner;
- dessert days, massage day, blood donation;
- Halloween decoration competition, Christmas party, CNY Lion Dance and so on.

As a responsible and respectful employer, the Group continues to uphold our commitment on the fairness in the process of recruitment. The Group's Equal Opportunity Policy was reviewed by the management of the Group during 2018 prohibiting any discrimination on gender, pregnancy, disability, marital status and race, throughout the recruiting and employment period in order to comply with the <<Sex Discrimination Ordinance>>, <<Disability Discrimination Ordinance>>, <<Family Status Discrimination Ordinance>> and <<Race Discrimination Ordinance>>. Training was organized during 2018 to all staff related to recruiting to upkeep the awareness of the corresponding policies.

In addition, the management of the Group maintains the policy that strictly prohibits employment of child labour. Verifying the age of applicant against the Hong Kong identity card or equivalent identity proof is an essential procedure of the recruiting process. We endeavor to pay special attention and caring to employees who marginally reach the statutory working age, if any. We do not have any child labour employment during 2018.

Policies also existed to prevent any form of forced labour. The employment contract clearly states the responsibilities of the employee, the remuneration structure and the basis of compensation in case of over time working. Human Resources Department is responsible to review forced labour cases, if any, and recommends appropriate compensation scheme to the management in order to properly address the issue. Open communication channel with superiors are set up for reporting any incident of forced labour.

Health and safety

The Group has always placed great emphasis on the health and well-being of the employees and it is our commitment to provide a safe working place for all staff. Safety related policies are in place and reviewed by the management of the Group during 2018 to ensure the compliance with government regulations such as <<Fire Safety (Building) Ordinance>>, <<Occupational Safety and Health Ordinance>> and <<Employee Compensation Ordinance>>. The relevant measures taken included, but not limited to:

- organize the annual fire drill exercise;
- ensure all exit doors can be easily opened from inside;
- ensure the fire escape routes are unobstructed;
- display a clear fire escape route at prominent areas;
- install "Exit" sign at all exits; and
- set up first aid facilities at an accessible location in the premises.

In addition, we ensure there is an adequate property or office constructions notice informing the employees. In order to keep our office clean, we employed specific employees to clean up the office and installed an air purifier in the workplace. The Administrative Department is responsible to review the above policies regularly and report to the management of the Group.

During 2018, there were 6 injured records with a total approximately 57 lost day.

Training and development

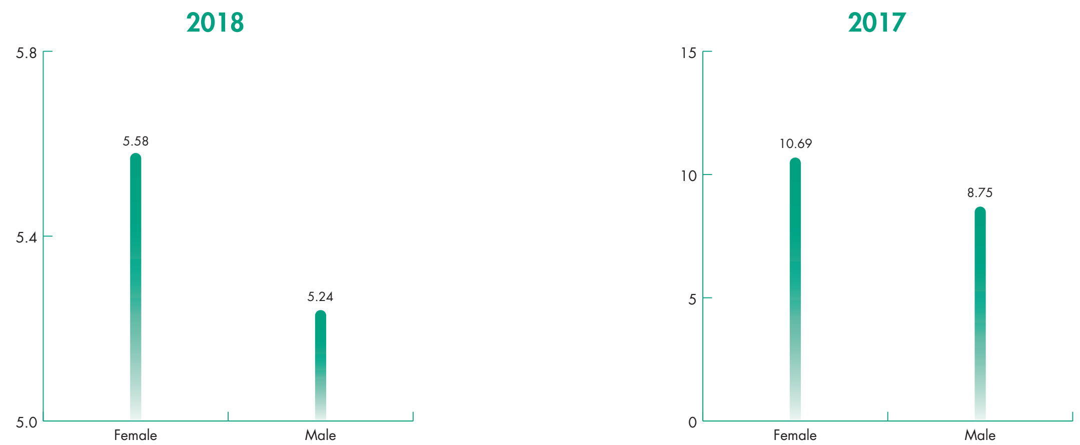
The Group understands that adequate and sufficient training is essential to the provision of quality service and long term success of the company. That is the reason why general as well as customized training and monitoring programs are set up and constantly updated to keep up with any changes together with the quality of training.

Relevant internal and external training were organized and arranged for different staff to enhance their skillset and job knowledge. To further encourage continual lifetime learning, the Group has set up and constantly reviewed our <Training Program Policy> which provides subsidies to employees for attending external classes or trainings related to their respective jobs and skills.

Moreover, appropriate training were also arranged to board members regularly in order to keep abreast of any new listing policies and regulations, as well as fulfilling the corresponding requirements of Listing Rule of Hong Kong.

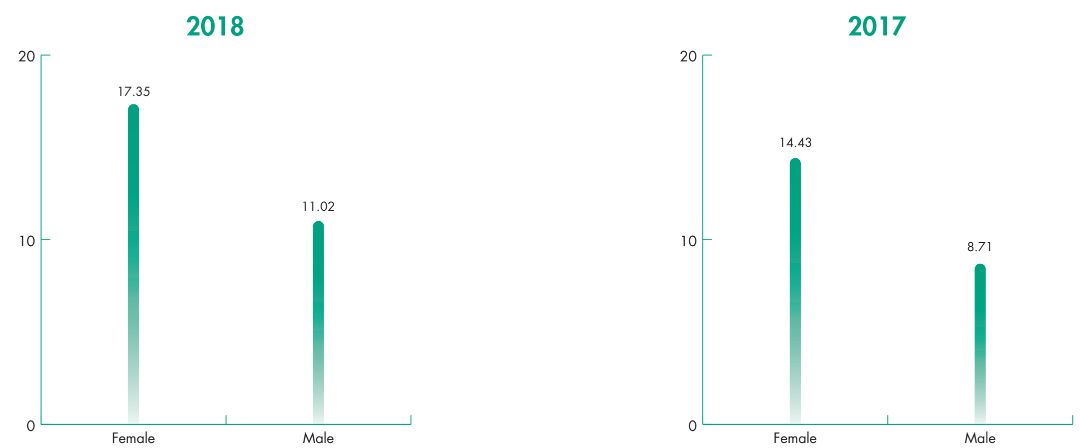
The below charts present the average training hours completed per employees by gender in 2018 and 2017 respectively.

Average training hours by gender



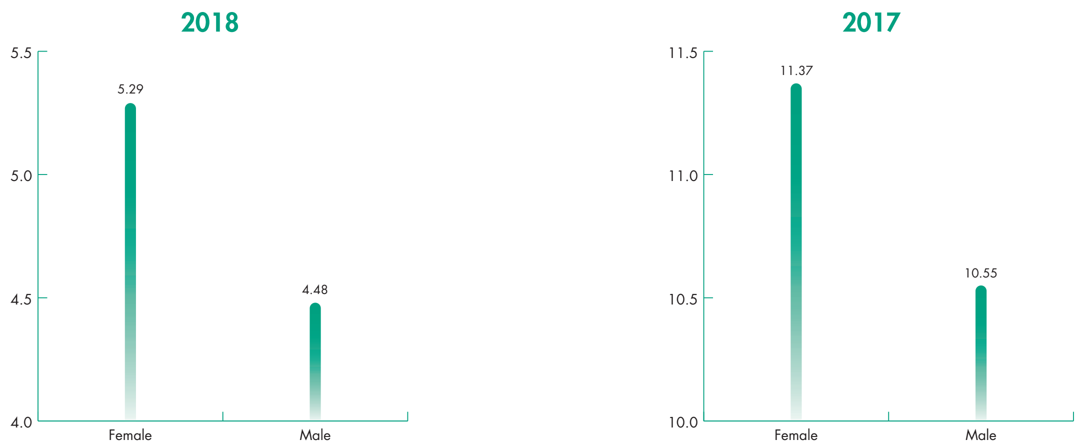
The below charts present the average training hours of each of the employees in supervisory level by gender in 2018 and 2017 respectively.

Average training hours in supervisory level by gender



The below charts present the average training hours of each of the employees in working level by gender in 2018 and 2017 respectively.

Average training hours in working level by gender



Supply chain management

Other than committing to be an environmentally and socially responsible corporation, the Group also endeavored to extend our standards to our suppliers as much as possible. Hence we set up general guidelines on selecting suppliers to our procurement procedures. Annual review of suppliers was performed in 2018, which in addition to pricing comparison, other aspects such as reputation of the brand/company, product quality, business track record and social and environmental commitment (such as obtaining relevant certifications or recognitions) were also considered. Suppliers with higher evaluation score were usually selected and preferred to build up long term relationship with the Group. When necessary, our procurement staff also carry out background assessment, site visit and/or meeting with the supplier's management as a measure to ensure it can truly meet our evaluation criteria.

During 2018, we engaged with five major suppliers who are based in Hong Kong. We communicated with our major supplier to:

- share our Group's policy in environmental protection and social responsibilities;
- encourage the supply/use of eco-friendly recycled materials and products; and
- share corresponding best practice in the market.

Product responsibility

The Group places high emphasis on quality control of our services and products. We have been accredited the ISO 9001:2008 Quality System Certificate in design and provision of telemarketing and 24-hour customer service hotline since 1997.


Certificate No: CC 897

CERTIFIED COMPANY

HKQAA

This is to certify that the Quality Management System of

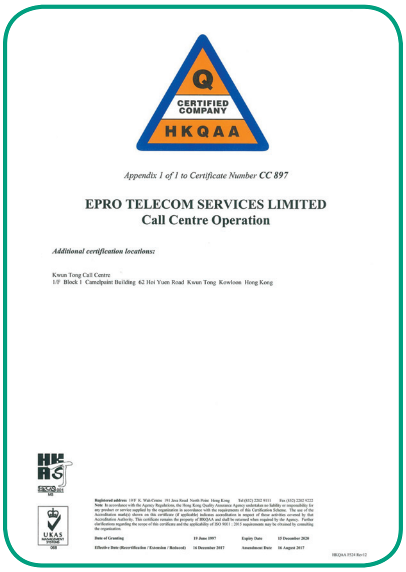
EPRO TELECOM SERVICES LIMITED
Call Centre Operation

complies with the requirements of ISO 9001 : 2015 quality management system standard, applicable to:

Design and provision of telemarketing and 24-hour customer service hotline

Signed for and on behalf of
HONG KONG QUALITY ASSURANCE AGENCY

Chief Executive Officer | Director

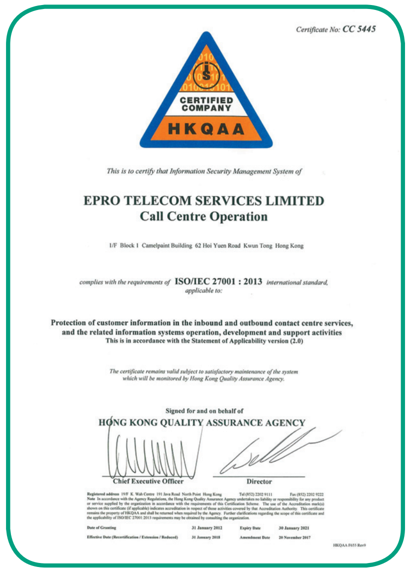

CERTIFIED COMPANY

HKQAA

Appendix 1 of 1 to Certificate Number CC 897

EPRO TELECOM SERVICES LIMITED
Call Centre Operation

Additional certification locations:


Certificate No: CC 5445

CERTIFIED COMPANY

HKQAA

This is to certify that Information Security Management System of

EPRO TELECOM SERVICES LIMITED
Call Centre Operation

complies with the requirements of ISO/IEC 27001 : 2013 international standard, applicable to:

Protection of customer information in the inbound and outbound contact centre services, and the related information systems operation, development and support activities

Signed for and on behalf of
HONG KONG QUALITY ASSURANCE AGENCY

Chief Executive Officer | Director

Quality policies are in place to ensure that we comply with <<Consumer Goods Safety Ordinance>> and <<Sale of Goods Ordinance>>. Component products, mainly comprise computer equipment and computer accessories, are mainly purchased from reputable and approved suppliers. We adopted a strict procurement policy in order to ensure our selected suppliers meet our standards regarding product safety and product labeling. Internally, our Information Technology Department is responsible to ensure the products are all labeled properly for sale.

Besides, the Group also set up guidelines for any marketing/advertising activities so as to comply with the <<Trade Description Ordinance>>. During 2018, the Group adhered to the guidelines and did not trigger any relevant issue on advertising.

Handling complaints is part of our quality control. The compliant handling procedures were reviewed during 2018 by the management of the Group. All complaints are reviewed and managed by the supervisors, who are being trained and updated on customer complaint handling skill on on-going basis. Digital recording system is in place for recording as well as monitoring the complaint call and the performance of compliant handling. During 2018, we did not receive any complaint on our services from the Consumer Council or any other government departments in Hong Kong relating to health safety, advertising or privacy matter.

The management of the Group has also set up the policy on product recall as part of our quality control of our sales of systems and software business. The recall procedures are highlighted as below:

1. File a recall report.

2. Identify the reason.

3. Evaluate the effect and risk associated for the recalled case.

4. Inform the relevant government authorities if necessary.

5. Evaluate the scope of effect whether the same products may be affected.

6. Identify the products may be affected.

7. Determine and schedule the follow up action.

8. Assign the case to the responsible party.

9. File the recall process as a record.

10. Perform recall activities including but not limited to recall distributed products, notify affected customers, provide repair services and etc.

The Group strives to protect customer's privacy by adopting industry best practices. Policies are in place to comply with <<Privacy Act>> of Hong Kong. We continue to manage our confidential data through limited access and on a strictly need-to-know basis. All of our employees who are authorized to assess these confidential data are requested to sign the confidentiality agreement with the Group.

The Group has a well-established cyber security infrastructure for the protection of confidential data and information. Anti-virus software are in place to protect against a wide variety of malicious software attacks, and security patches are also constantly and timely updated to guarantee the maximum protection. Firewalls are installed and tested regularly to safeguard the reliability of the data servers, and we keep adopting the international information security management standard through the ISO 27001 certification since 2011.

We honor the protection of intellectual property right and have corresponding policy in place that complies with Hong Kong's <<Copyright Ordinance>>. Information Technology Department as well as procurement team are responsible to ensure only properly licensed products are acquired.

Anti-corruption

The Group has set up <<Anti-corruption and Anti-bribery Policy>> based on the guidelines of the local <<Prevention of Bribery Ordinance>>. The policy mainly prohibits employees from:

- offering any bribe or advantage to any person in order to solicit favor related to the business or personal benefits;
- soliciting or accepting benefits from anyone who are doing or seeking to do business with the Group.

Employee who failed to comply with the internal or regulatory requirements related to anti-bribery and corruption is subject to disciplinary action and where applicable, reporting to the relevant authorities.

The employees are required to declare any conflict of interest to the Group. The declaration mechanism is monitored by the Risk Management and Internal Control Committee of the Group. The Group has also set the Whistleblowing Policy to make known to all employees and stakeholders the proper channel for reporting any misconduct or illegal practices or irregularities in connection with the business.

Community

Community engagement has grown to be one of the core values of the Group. Throughout the year of 2018, a lot of activities related to charity or serving the community were organized by the Group with the engagement of both our employees and their families. The Group was awarded a caring company from the Hong Kong Council of Social Service (HKCSS) for the fifth consecutive year in 2018.

In June 2018, we joined the INNO RUN of Stan Group, which was an outdoor orientation race demanded planning and physical stamina, to raise fund for the Hong Kong Community Chest.

The Group again collaborated with Hong Kong Red Cross to promote blood transfusion through an on-site "Blood Drive" event, encouraging and allowing our employees to participate and give blood for the social good. The activity received very positive response with a much higher turnout rate as compared to that of last year.

To promote a caring and harmonious community that encompasses all types of people in the society, the Group has initiated, for the second year, the「有耳思」campaign with the Mental Health Association of Hong Kong. The program allows our volunteer staff to make telephone call to members of the association on monthly basis to offer our caring and support. Besides, regular gathering were also organized for all of those to meet up together to further build up the bondage and friendship.

During Dragon Boat Festival and Mid-Autumn Festival 2018, the Group also organized social gatherings and home visits to the elderly in the neighborhood. Festive food and goodies were given out in order to bring more caring and happiness to them during the holidays.

The Group continued to offer the 'Epro Telecom Scholarship Scheme' at the Hong Kong Institute of Vocational Education (IVE) as a support to the continuous development of the Hong Kong education.

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 2018.

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 2018 and the state of affairs of the Group at that date are set out in the Financial Statements on pages 63 to 154 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 2018 (2017: Nil) 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 2 May 2019 (Thursday) to 7 May 2019 (Tuesday), 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 30 April 2019 (Tuesday). 1 May 2019 (Wednesday) is a public holiday in Hong Kong.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 155 and 156 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 16 to the Financial Statements.

BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at the balance sheet date are set out in note 32 to the Financial Statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 33 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 35 to the Financial Statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2018, 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$68,629,000 (2017: HK$67,585,000).

MAJOR CLIENTS AND SUPPLIERS

Sales to the Group's five largest clients accounted for approximately 61% of the total sales for the year and sales to the 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 75% 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

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. Cheung Kong Ting and Mr. Wong Kam Tai shall retire from office at the 2019 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 15 to 17 of this Report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and the non-executive Director has entered into a renewed service contract with the Company for a term of three years commencing on 29 July 2018.

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 2018 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 38 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

So far as the Directors are aware of, more of the Directors or the substantial/controlling shareholders of the Company has any interest in a business which compete 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 2018.

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 2018, 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 2018, 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 2018, the following persons (not being a Director or Chief Executive) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

LONG POSITIONS IN THE SHARES OF THE COMPANY

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

Note:

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

Save as disclosed above, as at 31 December 2018, 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 18 to 29 of this Report.

EMOLUMENT POLICY

The Company has established a remuneration committee to make recommendations to the Board with regard to the Group's remuneration policy relating to Directors and senior management of the Company, reviewing and evaluating their performance and recommending remuneration package for each of them as well as other employee benefit arrangements. The emoluments of the Directors are decided with reference to their duties and level of responsibilities and the remuneration policy of the Company and the prevailing market conditions. The Company has adopted the Share Option Scheme as an incentive to Directors and eligible participants, details of such scheme is set out in note 34 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 2018 are set out in note 38 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) China Paint Building Lease

On 21 December 2015, Epro Telecom Services Limited ("Epro Telecom"), an indirect wholly-owned subsidiary of the Company, as the lessee entered into a lease ("China Paint Building Lease") with Stan Group (Holdings) Limited ("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").

Stan Group is wholly-owned and beneficially owned by Mr. Tang Yiu Sing, an executive Director since 29 July 2015 and the son of Mr. Tang Shing Bor, a non-executive Director and a controlling shareholder of the Company, Stan Group's is therefore a connected person of the Company and 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 to 31 December 2018 (both days 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.

The China Paint Building Lease expired on 31 December 2018. Before the expiry, the relevant parties had entered a lease dated 27 December 2018 for renewing the lease of the China Paint Building Property for a fixed term of three years commenced from 1 January 2019 and expiring on 31 December 2021 (both days inclusive) (the "Renewed China Paint Building Lease"), details of which will be provided in the Company's next Annual Report for the year 2019.

(b) Camelpaint Building Lease Dated 1 November 2017

Reference is made to the Company's announcement dated 1 November 2017 regarding the lease dated 1 November 2017 entered into between Epro Telecom and Always Beyond Limited ("Always Beyond") in relation to the leasing of 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") 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 ("2017 Camelpaint Building Lease").

Pursuant to the 2017 Camelpaint Building Lease, Epro Telecom 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).

The 2017 Camelpaint Building Lease was terminated by the parties on 31 May 2018.

(c) Camelpaint Building Lease Dated 28 May 2018

On 28 May 2018, Epro Telecom and Always Beyond:

– entered into an agreement, pursuant to which the parties thereto agreed to terminate the 2017 Camelpaint Building Lease on 31 May 2018; and

– entered into a lease, pursuant to which Always Beyond agreed to lease to Epro Telecom the property situated at Factories A & B and part of D of 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") with a total saleable area of approximately 8,100 square feet for a fixed term of two years commenced from 1 June 2018 and expiring on 31 May 2020 (both days inclusive) at a monthly rent of HK$106,272 (exclusive of rates, government rent and management fees)("2018 Camelpaint Building Lease").

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 2018 Camelpaint Building Lease constituted continuing connected transactions on the part of the Company under Chapter 20 of the GEM Listing Rules.

Epro Telecom has occupied and used the property located in the Camelpaint Building leased from Always Beyond for ancillary office use and operation of contact centre since 2007. In consideration of the relocation plan (i) centralizing all outsourced contact centre services at China Paint Building Property offering more efficient operation management and internal communication; and (ii) optimizing any spare and un-utilized space resources as a means of cost saving, the Directors (including the independent non-executive Directors) considered the termination of the 2017 Camelpaint Building Lease and the entering into of the 2018 Camelpaint Building Lease is in the interests of the Company and its Shareholders as a whole.

The maximum annual aggregate amount payable (the "Annual Cap for the 2018 Camelpaint Building Lease") by Epro Telecom to Always Beyond under the 2018 Camelpaint Building Lease for each of the years ended 31 December 2018, 2019 and 2020 are approximately HK$1,942,000, HK$1,275,000 and HK$531,000 respectively.

As disclosed in the announcement of the Company dated 21 December 2015 in relation to, among others, the China Paint Building Lease, the maximum annual aggregate amounts payable (the "Annual Cap for the China Paint Building Lease") by Epro Telecom to Stan Group under the China Paint Building Lease for each of the years ended 31 December 2016 and 2017 and 2018 are approximately HK$2,162,000, HK$2,526,000 and HK$2,756,000 respectively.

Given the similar nature of the transactions under, and the contracting parties to, the 2017 Camelpaint Building Lease, the 2018 Camelpaint Building Lease and the China Paint Building Lease, the Annual Cap for the 2018 Camelpaint Building Lease for the year ended 31 December 2018 is aggregated with the historical amount paid by the Group under the 2017 Camelpaint Building Lease and the Annual Cap for the China Paint Building Lease for the year ended 31 December 2018 for the compliance with the requirements under the GEM Listing Rules. As such, the aggregate annual cap for the 2017 Camelpaint Building Lease, the 2018 Camelpaint Building Lease and the China Paint Building Lease for the year ended 31 December 2018 is approximately HK$4,698,000 (the "Aggregate Proposed Annual Cap").

The terms of the 2018 Camelpaint Building Lease (including the monthly rent) were determined after arm's length negotiations between the Group and Always Beyond with reference to the prevailing market rent for the comparable property in the vicinity. The Directors (including the independent non-executive Directors) consider that (i) the termination of the 2017 Camelpaint Building Lease and the entering into of the 2018 Camelpaint Building Lease were entered into in the ordinary and usual course of business of the Group on normal commercial terms; and (ii) the terms of the 2018 Camelpaint Building Lease, the Annual Cap for the 2018 Camelpaint Building Lease and the Aggregate Proposed 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, 1 November 2017 and 28 May 2018 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 from 29 September 2015 to 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.

The SG Hotel Service Agreement has not been renewed after the expiration on 28 September 2018.

(b) Stan Group Service Agreement Dated 29 August 2018

Reference is made to the Company's announcement dated 29 July 2016 in relation to, among others, the East Ocean Service Agreement, the SG Hotel Service Agreement and the 2016 Stan Group Service Agreement. The East Ocean Service Agreement and the 2016 Stan Group Service Agreement expired on 5 August 2016 and 31 July 2017 respectively, whereas the SG Hotel Service Agreement expired on 28 September 2018.

On 29 August 2018, Epro Online Services Limited ("Epro Online") and Stan Group entered into an agreement dated 29 August 2018, pursuant to which Epro Online agreed to provide call centre infrastructure and insourced agent support to Stan Group for a term of one year commenced from 1 September 2018 and expiring on 31 August 2019 (both days inclusive) ("2018 Stan Group Service Agreement").

The Fee comprises:

(1) a one-off set up charge of HK$60,000;

(2) a monthly workstation recurring charge and insourcing staff charge ranging from HK$20,000 to HK$26,500 per unit;

(3) a monthly IT technical support and system administration charge of HK$20,000; and

(4) all other miscellaneous and optional charges in accordance with the fee schedule to the 2018 Stan Group Service Agreement.

The maximum annual aggregate amounts ("Annual Cap for the 2018 Stan Group Service Agreement") payable to Epro Online by Stan Group for each of the two years ended 31 December 2018 and 2019 are HK$1,300,000 and HK$1,400,000 respectively.

As disclosed in the Company's announcement dated 29 July 2016 in relation to the East Ocean Service Agreement, SG Hotel Service Agreement and 2016 Stan Group Service Agreement, the maximum annual aggregate amounts (the "Annual Cap for the East Ocean Service Agreement and the SG Hotel Service Agreement") payable to Epro Telecom by East Ocean Gourmet Group Limited (which is controlled by the family members of Mr. Tang Shing Bor) under the East Ocean Service Agreement and by SG Hotel Group Management Limited (which is wholly and beneficially owned by Stan Group) under the SG Hotel Service Agreement for the year ended 31 December 2018 is HK$2,400,000.

Given the similar nature of the transactions under, and the relationship between contracting parties to, the East Ocean Service Agreement, the SG Hotel Service Agreement and the 2018 Stan Group Service Agreement, the Annual Cap for the East Ocean Service Agreement and the SG Hotel Service Agreement for the year ended 31 December 2018 are aggregated with the Annual Cap for the 2018 Stan Group Service Agreement for the year ended 31 December 2018 for the compliance with the requirements under the GEM Listing Rules. As such, the aggregate proposed annual cap for the East Ocean Service Agreement, the SG Hotel Service Agreement and the 2018 Stan Group Service Agreement for the year ended 31 December 2018 is HK$3,700,000 (the "Aggregate Proposed Annual Cap"), while the annual cap for the 2018 Stan Group Service Agreement for the year ending 31 December 2019 is HK$1,400,000 (the "2019 Proposed Annual Cap").

As explained above, Stan Group is a connected person of the Company. Therefore, the transactions contemplated under the 2018 Stan Group Service Agreement constituted continuing connected transactions on the part of the Company under Chapter 20 of the GEM Listing Rules.

Given that (i) the transactions contemplated under the 2018 Stan Group Service Agreement are in the ordinary and usual course of business of the Group and will contribute positively to the Group's income; (ii) the terms of the 2018 Stan Group Service Agreement (including the fee payable to the Group) were determined at after arm's length negotiations between the Group and Stan Group with reference to the market prices charged by the Group on its customers of similar size and scale of Stan Group and its affiliates, the Directors (including the independent non-executive Directors but excluding Mr. Tang and Mr. YS Tang) consider that (a) the 2018 Stan Group Service Agreement was entered into in the ordinary and usual course of business of the Group on normal commercial terms; and (b) the terms of the 2018 Stan Group Service Agreement and the Annual Cap for the 2018 Stan Group Service Agreement are fair and reasonable and the entering into of the 2018 Stan Group Service Agreement is in the interests of the Company and its Shareholders as a whole.

Please also refer to the announcements made by the Company on 29 July 2016 and 29 August 2018 regarding to the above transactions for further details.

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.

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 2018 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 2018 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, 19 March 2019

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

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

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

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 154, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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

Key Audit Matter	How our audit addressed the 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 judgment.	**How our audit addressed the Key Audit Matter** We considered the key areas of judgment, 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.
Goodwill impairment testing Refer to Notes 4 and 17 to the consolidated financial statements. Under HKFRSs, the Group is required to test the amount of goodwill for impairment annually. In addition, the assessment process is complex and highly judgmental and is based on assumptions which are affected by expected future market or economic conditions.	**How our audit addressed the Key Audit Matter** We have assessed the competence, expertise and objectivity of the management expert who calculates the recoverable amount of goodwill. We engaged a valuation expert to assist us in evaluating the assumptions and methodologies used in the calculation. In addition, we assessed whether the projected future cash flows used are within the confines of HKFRSs and are consistent with historical trends in financial performance, market developments and specific business plans.

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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Kwok Kin Leung
Practising Certificate Number: P05769

Hong Kong, 19 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	6	**141,741**	146,591
Other income	7	**440**	527
Other (losses)/gains – net	8	**(407)**	1,312
Employee benefits expenses	9	**(82,611)**	(88,848)
Depreciation and amortization		**(9,048)**	(8,887)
Other operating expenses		**(44,409)**	(47,552)
Operating profit		**5,706**	3,143
Finance costs	10	**(323)**	(469)
Profit before tax	11	**5,383**	2,674
Income tax expense	12	**(1,437)**	(1,559)
Profit for the year		**3,946**	1,115
Profit attributable to owners of the Company		**3,946**	1,115
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss			
Available-for-sale financial asset:			
– Gain arising on change in fair value		**–**	500
Other comprehensive income for the year		**–**	500
Total comprehensive income for the year		**–**	1,615
Total comprehensive income for the year attributable to owners of the Company		**3,946**	1,615
Earnings per share attributable to owners of the Company			
– Basic and diluted (HK cents)	13	**1.4**	0.4

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	16	**4,574**	6,330
Intangible assets	17	**12,263**	7,801
Investment in an associate	18	**–**	–
Available-for-sale financial asset	19	**–**	10,900
Derivative financial instrument	20	**–**	700
Deferred income tax assets	31	**1,181**	690
Other assets	21	**205**	205
		18,223	26,626
Current assets			
Contract assets	22	**11,709**	–
Trade and other receivables	23	**55,308**	61,816
Financial assets designated as at fair value through profit or loss	24	**–**	7,026
Amount due from an associate	18	**–**	10,609
Amount due from a related company	25	**–**	208
Pledged bank deposits	26	**9,029**	5,265
Bank trust account balances	27	**36,522**	8,235
Cash and cash equivalents	28	**47,848**	28,552
		160,416	121,711
Current liabilities			
Contract liabilities	22	**2,235**	–
Trade and other payables	29	**50,135**	23,543
Amounts due to related companies	30	**11**	22
Current income tax liabilities		**703**	634
Borrowings	32	**11,632**	12,537
		64,716	36,736
Net current assets		**95,700**	84,975
Total assets less current liabilities		**113,923**	111,601

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Deferred income tax liabilities	31	195	180
Borrowings	32	149	281
		344	461
Net assets		113,579	111,140
Equity attributable to the owners of the Company			
Share capital	33	2,800	2,800
Share premium	33	25,238	25,238
Reserves	35	85,541	83,102
Total equity		113,579	111,140

The consolidated financial statements were approved and authorized for issue by the board of directors on 19 March 2019 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 2018

	Attributable to owners of the Company					
	Share capital HK$'000 *(Note 33)*	**Share premium** HK$'000 *(Note 33)*	**Merger reserve** HK$'000 *(Note 35)*	**Available-for-sale financial asset revaluation reserve** HK$'000 *(Note i)*	**Retained profits** HK$'000 *(Note 35)* *(Note ii)*	**Total equity** HK$'000
Balance as at 1 January 2017	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 14)*	–	–	–	–	(1,120)	(1,120)
Balance as at 31 December 2017	2,800	25,238	*25,624	*500	*56,978	111,140
Balance as at 1 January 2018 (as originally stated)	2,800	25,238	25,624	500	56,978	111,140
Effect arising from initial application of HKFRS 9	–	–	–	(500)	(1,007)	(1,507)
Restated balance as at 1 January 2018	2,800	25,238	25,624	–	55,971	109,633
Profit for the year	–	–	–	–	3,946	3,946
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	3,946	3,946
Balance as at 31 December 2018	**2,800**	**25,238**	***25,624**	**–**	***59,917**	**113,579**

Notes:

(i) Under Hong Kong Accounting Standard 39 "*Financial Instruments: Recognition and Measurement*" ("**HKAS 39**"), the Group's 4% equity interest in a private company incorporated in Hong Kong was classified as available-for-sale financial asset and carried at its fair value of HK$10,900,000 as at 31 December 2017. These unquoted equity investment is classified as financial asset at fair value through profit or loss ("**FVTPL**") under Hong Kong Financial Reporting Standard 9 "*Financial Instruments*" ("**HKFRS 9**") as at 1 January 2018. The put option held by the Group in relation to the available-for-sale financial asset was classified as financial asset at FVTPL as it is a derivative financial instrument and carried at its fair value of HK$700,000 as at 31 December 2017. This put option continues to be classified as financial asset at FVTPL under HKFRS 9 at 1 January, 2018.

(ii) Upon the adoption of HKFRS 9 on 1 January 2018, the cumulative impact of approximately HK$1,007,000 was recorded as an adjustment to the retained profits as at 1 January 2018, which are all due to additional impairment loss on trade and other receivables, contract assets and amount due from a related company made under the expected credit loss model under HKFRS 9 and its corresponding deferred tax impact as at 1 January 2018. More details are set out in Note 2.

* These reserve accounts comprise the consolidated reserves of approximately HK$85,541,000 (2017: approximately HK$83,102,000) 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 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Profit before tax		5,383	2,674
Adjustments for:			
Depreciation and amortization		9,048	8,887
Fair value loss on financial assets designated as at fair value through profit or loss		410	28
Fair value loss on derivative financial instrument		–	100
Gain on disposal of property, plant and equipment		–	(1,295)
Gain on disposal of an associate		(3)	–
Gain on disposal of financial assets designated as at fair value through profit or loss		(100)	–
Reversal of impairment of financial and contract assets – net		(379)	–
Interest income		(416)	(527)
Interest expense	*40*	323	469
Operating cash flows before changes in working capital		14,266	10,336
Contract assets		3,771	–
Trade and other receivables		404	(17,177)
Other assets		–	(205)
Amount due from an associate		10,609	(33)
Amount due from a related company		197	(54)
Bank trust account balances		(28,287)	(8,235)
Contract liabilities		(210)	–
Trade and other payables		28,867	7,438
Amounts due to related companies		–	22
Cash generated from/(used in) operations		29,617	(7,908)
Income tax paid		(1,645)	(253)
Net cash generated from/(used in) operating activities		27,972	(8,161)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired	37	(3,971)	–
Additions of intangible assets		(3,781)	(4,092)
Increase in pledged bank deposits		(3,764)	(468)
Interest received		416	527
Payments for derivative financial instrument		–	(800)
Purchases of available-for-sale financial asset		–	(10,400)
Proceeds from disposal of financial assets designated as at fair value through profit or loss		6,616	–
Proceeds from disposal of property, plant and equipment		–	1,400
Purchases of property, plant and equipment		(2,832)	(1,126)
Net cash used in investing activities		(7,316)	(14,959)
Cash flows from financing activities			
Dividends paid		–	(1,120)
Interest paid	40	(323)	(469)
Proceeds from borrowings	40	49,849	70,390
Repayments of borrowings	40	(50,886)	(64,347)
Net cash (used in)/generated from financing activities		(1,360)	4,454
Net increase/(decrease) in cash and cash equivalents		19,296	(18,666)
Cash and cash equivalents at beginning of the year		28,552	47,218
Cash and cash equivalents at end of the year	28	47,848	28,552

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

1. GENERAL INFORMATION

ETS Group Limited (the "**Company**") is an investment holding company. ETS Group Limited and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in providing comprehensive multi-media contact services, contact centre system, staff insourcing 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 GEM of the Stock Exchange of Hong Kong Limited with effect from 9 January 2012.

As at 31 December 2018, the directors of the Company regard Million Top Enterprises Limited, a company incorporated in Hong Kong with limited liability, as the parent and ultimate holding company of the Company, Mr. Tang Shing Bor ("**Mr. SB Tang**") is the ultimate controlling shareholder of the Group.

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 19 March 2019.

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 of the Stock Exchange and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities which are measured at fair value.

The preparation of the consolidated financial statements in accordance 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 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related amendments
Amendments to HKFRS 1 and HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of HKFRS 15 "*Revenue from Contracts with Customers*" ("**HKFRS 15**") and HKFRS 9 are disclosed below. The other amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current periods.

HKFRS 15

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "*Revenue*" ("**HKAS 18**"), HKAS 11 "*Construction Contracts*" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognized in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

HKFRS 15 (continued)

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognized in the consolidated statement of financial position as at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amount previously report at 31 December 2017 HK$'000	**HKFRS 15 Reclassification** HK$'000	**Carrying amount under HKFRS 15 at 1 January 2018** HK$'000
Current assets			
Contract assets	–	15,573	15,573
Trade and other receivables	61,816	(15,573)	46,243
Current liabilities			
Contract liabilities	–	2,445	2,445
Trade and other payables	23,543	(2,445)	21,098

The amounts stated in above are before the adjustments from the application of HKFRS 15.

Upon application of HKFRS 15, advances received from customers have been classified as contract liabilities instead of being included as part of accrued expenses and other payables under HKAS 18.

There is no impact on retained profits of transition to HKFRS 15 at 1 January 2018.

There is no impact of applying HKFRS 15 on the consolidated statement of profit and loss and other comprehensive income for the current year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

HKFRS 9

The Group has applied HKFRS 9 for the first time in the current year. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities, (ii) expected credit losses ("**ECL**") for financial assets, contract assets and other items subject to ECL assessment, and (iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e, applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognized as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognized as at 1 January 2018 determined under HKFRS 9. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 (determined under HKFRS 9) are recognized in the opening retained profits as at 1 January 2018, without restating the comparative information for the year ended 31 December 2017.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

HKFRS 9 (continued)

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets, financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application on 1 January 2018.

	Financial assets/ financial liabilities/ contract assets/ contract liabilities	Original measurement category under HKAS 39	New measurement category under HKFRS 9	Original carrying amount under HKAS 39 HK$'000	Reclassification HK$'000 (Note a)	Additional loss allowance recognized and the respective deferred tax impact HK$'000 (Note b)	New carrying amount under HKFRS 9 HK$'000
1.	Available-for-sale financial asset	Available-for-sale financial asset	NA	10,900	(10,900)	–	–
2.	Derivative financial instrument	Derivative financial instrument	NA	700	(700)	–	–
3.	Other assets	Loans and receivables	Financial assets at amortized cost	205	–	–	205
4.	Trade and other receivables	Loans and receivables	Financial assets at amortized cost	46,243*	–	(1,167)	45,076
5.	Financial assets designated as at fair value through profit or loss	Financial assets at FVTPL	Financial assets at FVTPL	7,026	11,600	–	18,626
6.	Amount due from an associate	Loans and receivables	Financial assets at amortized cost	10,609	–	–	10,609

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

HKFRS 9 (continued)

Summary of effects arising from initial application of HKFRS 9 (continued)

The table below illustrates the classification and measurement of financial assets, financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application on 1 January 2018. (continued)

	Financial assets/ financial liabilities/ contract assets/ contract liabilities	Original measurement category under HKAS 39	New measurement category under HKFRS 9	Original carrying amount under HKAS 39 HK$'000	Reclassification HK$'000 *(Note a)*	Additional loss allowance recognized and the respective deferred tax impact HK$'000 *(Note b)*	New carrying amount under HKFRS 9 HK$'000
7.	Amount due from a related company	Loans and receivables	Financial assets at amortized cost	208	–	(1)	207
8.	Pledged bank deposits	Loans and receivables	Financial assets at amortized cost	5,265	–	–	5,265
9.	Bank trust account balances	Loans and receivables	Financial assets at amortized cost	8,235	–	–	8,235
10.	Cash and cash equivalents	Loans and receivables	Financial assets at amortized cost	28,552	–	–	28,552
11.	Trade and other payables	Financial liabilities at amortized cost	Financial liabilities at amortized cost	21,098*	–	–	21,098
12.	Amounts due to related companies	Financial liabilities at amortized cost	Financial liabilities at amortized cost	22	–	–	22
13.	Borrowings	Financial liabilities at amortized cost	Financial liabilities at amortized cost	12,818	–	–	12,818
14.	Contract assets	NA	NA	15,573*	–	(38)	15,535
15.	Contract liabilities	NA	NA	2,445*	–	–	2,445
						(1,206)	
Recognition of deferred tax assets						199	
Total						(1,007)	

* Those amounts are after the adjustments from the application of HKFRS 15.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

HKFRS 9 (continued)

Summary of effects arising from initial application of HKFRS 9 (continued)

(a) Available-for-sale financial asset

From available-for-sale financial asset measured at FVTOCI to financial assets at FVTPL

Unlisted equity investment with fair value of HK$10,900,000 were reclassified from available-for-sale financial asset at FVTOCI to financial assets at FVTPL. At the date of initial application of HKFRS 9, the Group elected to account for this unlisted equity investment as financial assets at FVTPL.

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which use a lifetime ECL for all trade receivables and contract assets. To measure the ECL, the trade receivables and contract assets have been grouped based on individual risk assessment.

The Group applies the HKFRS 9 general approach to measure ECL on deposits and other receivables, amount due from an associate and amount due from a related company. The Group has applied the general approach in HKFRS 9 to measure the loss allowance at 12-month ECL ("**12m ECL**"), since there has not been a significant increase in credit risk since initial recognition for deposits and other receivables, amount due from an associate and amount due from a related company. The ECL for pledged bank deposits, bank trust account balances and bank balances are insignificant because such assets are placed in banks with good reputation and there has been no recent history of default in relation to these banks.

As at 1 January 2018, the additional credit loss allowance of approximately HK$1,206,000, together with the recognition of the corresponding deferred tax assets of approximately HK$199,000, totaling approximately HK$1,007,000 has been recognized against retained profits as at 1 January 2018. The additional loss allowance is charged against the respective asset.

The additional impairment loss allowance upon the initial application of HKFRS 9 as disclosed above resulted entirely from a change in the measurement attribute of the loss allowance relating to each financial asset and contract assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

HKFRS 9 (continued)

Summary of effects arising from initial application of HKFRS 9 (continued)

No loss allowance provision was recognized for amount due from an associate, pledged bank deposits, bank trust account balances and bank balances as at 31 December 2017 and 1 January 2018. The loss allowance for trade receivables, deposits and other receivables, contract assets and amount due from a related company as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Trade receivables HK$'000	Deposits and other receivables HK$'000	Contract assets HK$'000	Amount due from a related company HK$'000	Total HK$'000
Closing balance as at 31 December 2017	–	–	–	–	–
Amounts remeasured through opening retained profits	1,139	28	38	1	1,206
Opening balances as at 1 January 2018	1,139	28	38	1	1,206

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

Impact on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policy above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognized for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited) HK$'000	**HKFRS 15** HK$'000	**HKFRS 9** HK$'000	**1 January 2018 (Restated)** HK$'000
Non-current assets				
Available-for-sale financial asset	10,900	–	(10,900)	–
Derivative financial instrument	700	–	(700)	–
Deferred income tax assets	690	–	199	889
Current assets				
Contract assets	–	15,573	(38)	15,535
Trade and other receivables	61,816	(15,573)	(1,167)	45,076
Financial assets designated as at fair value through profit or loss	7,026	–	11,600	18,626
Amount due from a related company	208	–	(1)	207
Current liabilities				
Contract liabilities	–	2,445	–	2,445
Trade and other payables	23,543	(2,445)	–	21,098
Equity				
Total equity	83,102	–	(1,507)	81,595
Available-for-sale financial asset revaluation reserve	500	–	(500)	–
Retained profits	56,978	–	(1,007)	55,971

For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2018 as disclosed above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.2 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 2018 reporting periods and have not been early adopted by the Group:

Standards	Subject of amendment	Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to HKFRSs	Annual Improvement to HKFRS Standards 2015–2017 Cycle	1 January 2019
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
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	A date to be determined
Amendments to HKFRS 3	Definition of Business	Note

Note: Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

Except as described below, the management of the Group considers that 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.

HKFRS 16 "*Leases*" ("**HKFRS 16**")

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 by lessees, 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.

Impact

The Group has reviewed all of the Group's leasing arrangements in implementation at the end of 2018 in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of HK$10,780,000 (Note 36). Of these commitments, short-term leases and low-value leases will be recognized on a straight-line basis as expense in profit or loss. For the remaining lease commitments, the Group expects to recognize right-of-use assets and lease liabilities on 1 January 2019 respectively.

The accounting for lessors will not significantly change.

Date of adoption by the Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. All right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

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 acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill.

If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

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

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

(c) Disposal of subsidiaries

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

2.2.2 Separate financial statements

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Associates

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

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

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

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

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (continued)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

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

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

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

2.6 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment (continued)

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 of the Company by comparing the proceeds with the carrying amount and are recognized within "Other (losses)/gains – net" in the consolidated statement of profit or loss and other comprehensive income.

2.7 Intangible assets

(a) Goodwill

Goodwill on acquisition of a subsidiary is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("**CGU**") for the purpose of impairment testing. The allocation is made to those CGU or groups of CGU that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(b) Internally generated software development costs

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of non-financial assets

Goodwill is not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 inflows which are largely independent of the cash inflows from other assets or groups of assets (CGU). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Financial instruments (before adoption of HKFRS 9 on 1 January 2018)

2.9.1 Financial assets

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", "amount due from a related company", "pledged bank deposits", "bank trust account balances" and "cash and cash equivalents" in the consolidated statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments (before adoption of HKFRS 9 on 1 January 2018) (continued)

2.9.1 Financial assets (continued)

Classification (continued)

(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.

Recognition and measurement

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

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

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

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

Interest on available-for-sale securities calculated using the effective interest method is recognized in the consolidated statement of profit 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments (before adoption of HKFRS 9 on 1 January 2018) (continued)

2.9.1 Financial assets (continued)

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)

2.9 Financial instruments (before adoption of HKFRS 9 on 1 January 2018) (continued)

2.9.1 Financial assets (continued)

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.

2.10 Financial instruments (after adoption of HKFRS 9 on 1 January 2018)

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

2.10.1 Financial assets

All financial assets are recognized and derecognized on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of financial asset within the timeframe established by the market concerned.

All recognized financial assets are required to be subsequently measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial instruments (after adoption of HKFRS 9 on 1 January 2018) (continued)

2.10.1 Financial assets (continued)

(a) Classification as debt or equity

Debt instruments that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All of the Group's financial assets are subsequently measured at amortized cost.

(b) Amortized cost and effective interest rate

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding ECL, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost. For financial instruments, other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial assets. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset. Interest income is recognized in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial instruments (after adoption of HKFRS 9 on 1 January 2018) (continued)

2.10.1 Financial assets (continued)

(c) Reclassifications

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. Changes in contractual cash flows are considered under the accounting policy on derecognition of financial assets described below.

(d) Impairment of financial assets and contract assets

The Group recognizes a loss allowance for ECL on financial assets and contract assets which are subject to impairment under HKFRS 9 (including trade receivables, contract assets, deposits and other receivables, amount due from an associate, amount due from a related company, pledged bank deposits, bank trust account balances and bank balances). The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument (referred to as Stage 2 and Stage 3). In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date (referred to as Stage 1). Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables and contract assets and assesses the lifetime ECL for trade receivables and contract assets on a collective basis. The estimation of the credit loss is determined based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as forecast direction of conditions at the end of each reporting period, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equals to 12m ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial instruments (after adoption of HKFRS 9 on 1 January 2018) (continued)

2.10.1 Financial assets (continued)

(e) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account when assessing whether the credit risk has increased significantly.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's internal credit rating;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in debtor's ability to meet its debt obligations;

- significant increases in credit risk on other financial instruments of the same debtor; and

- actual or expected significant adverse changes in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default (i.e. no default history), (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial instruments (after adoption of HKFRS 9 on 1 January 2018) (continued)

2.10.1 Financial assets (continued)

(f) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(g) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower; or
- a breach of contract, such as a default or past due event; or
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(h) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial instruments (after adoption of HKFRS 9 on 1 January 2018) (continued)

2.10.1 Financial assets (continued)

(i) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

The ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate grouping.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status; and
- Nature, size and industry of debtors.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount with the exception of trade receivables and contract assets where the correspondence adjustment is recognized through a loss allowance account.

If the Group has measured the loss allowance for a financial instrument at an amount equals to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial instruments (after adoption of HKFRS 9 on 1 January 2018) (continued)

2.10.2 Financial liabilities and equity instrument

(a) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognized at the proceeds received, net of direct issue costs.

(b) Financial liabilities

Financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group.

(c) Financial liabilities subsequently measured at amortized cost

Financial liabilities that are not (1) contingent consideration of an acquirer in a business combination, (2) held-for-trading, or (3) designated as at FVTPL, are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

All financial liabilities are subsequently measured at amortized cost using the effective interest method.

(d) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 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.

2.12 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 (losses)/gains – net".

2.13 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade 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 receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, and in which case the promised amount of consideration is adjusted to reflect the significant financing component calculated by using a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.18 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Current and deferred income tax (continued)

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income 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.

2.20 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Employee benefits (continued)

(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.

2.21 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Share-based payments (continued)

(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.

2.22 Provisions

Provisions for legal claims, service warranties and make good obligations 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 can be reliably estimated. 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 management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.23 Revenue recognition (before adoption of HKFRS 15 on 1 January 2018)

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 Revenue recognition (after adoption of HKFRS 15 on 1 January 2018)

Revenue is recognized when or as the control of the goods or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may transfer over time or at a point in time.

Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If service transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- Direct measurements of the value transferred by the Group to the customer; or
- The Group's efforts or inputs to the satisfaction of the performance obligation.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant. As a practical expedient, the Group does not adjust any of the transaction prices for the time value of money when the period between the payment by the customer and the transfer of the promised goods or services is one year or less.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Revenue recognition (after adoption of HKFRS 15 on 1 January 2018) (continued)

The following is a description of the accounting policy for the principal revenue streams of the Group.

(a) Provision of telecommunication and related services

For provision of telecommunication and related services, comprising outsourcing inbound contact services, outsourcing outbound contact services and contact service centre facilities management services revenue is recognized when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs, thus the Group satisfies a performance obligation and recognizes revenue over time with reference to the Group's input to the satisfaction of the performance obligation of the projects.

(b) Sales of software system and related services as an integrated service

For sales of software system and related services as an integrated service, the Group provides multiple deliverables to customers, including sale of software system, installation of software and related services regarding to the IT specifications and requirement of the system. It is accounted for as a single performance obligation since the Group provides an integrated service. Revenue is recognized at a point when the sales and related services are completed without further unfulfilled obligation.

(c) System maintenance services

For system maintenance services, the services fee received are generally paid in advance prior to the contract period and are initially recorded as contract liabilities. The revenue is recognized when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the Group throughout the contract period. Thus, the Group satisfies a performance obligation and recognizes revenue over time with reference to the actual service period passed relative to the total contract period. The portion of system maintenance services fee received in advance but not earned is recorded as contract liabilities and is reflected as a current liability as such amounts represent revenue that the Group expects to earn within one year.

(d) Provision of licensing services

For provision of licensing services, the services provided relate to granting licensees the right to use the software, revenue is recognized at a point of time.

(e) Staff insourcing services

For staff insourcing services, the Group entails assigning the staff of the Groups with qualifications and experience specified by the customers to work at the customers' business centre. The Group is responsible for the entire recruitment process for the insourcing service, which includes recruitment advertising, interview and assessment, employment contract maintenance, routine payroll management and other administrative support. The insourced staff remain as employees of the Group which the Group is responsible for all the employee benefits including defined contribution plans and termination benefits. The Group recognized the revenue associated with this arrangement over the period of time with reference to the value of the services provided which have the same pattern of transfer and benefit the customer as the services are provided.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Revenue recognition (after adoption of HKFRS 15 on 1 January 2018) (continued)

(f) Commission income from broker business

Brokerage commission income is recognized on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from brokerage business is recognized when the related services are rendered.

(g) Advisory fees

Advisory fees are recognized progressively over time using a method that depicts the Group's performance.

(h) Asset management services

For asset management services, the management service fees are calculated as percentage of the agreed aggregate value of the assets under management. The revenue is recognized over time using the method that depicts the Group's performance with reference to the value of the services provided, to the extent that is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

2.25 Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2.26 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.

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% (2017: 5%) higher/lower, the Group's profit before taxation for the year would increase/decrease by Nil (2017: approximately HK$386,000) 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% (2017: 5%) higher/lower, the Group's revaluation reserves would increase/decrease by Nil (2017: approximately HK$545,000) 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 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$115,000 (2017: approximately HK$124,000). 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 credit risk of the Group's financial assets, which comprise trade and 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, amount due from a related company, pledged bank deposits, bank trust account balances and bank balances, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

The credit risk of financial assets designated as at fair value through profit or loss, pledged bank deposits, bank trust account balances and bank balances are limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies. There has been no recent history of default in relation to these banks and thus the risk of default is regarded as low.

For other receivables and other assets management makes individual assessment on the recoverability of other receivables and other assets based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balances of other receivables and other assets.

In respect of trade receivables and contract assets, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. In addition, the Group reviews the recoverable amount of each individual trade receivables and contract assets balance at the end of the reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

As at 31 December 2018, the Group has certain concentrations of credit risk as 19% and 76% (2017: 35% and 81%) 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 23.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

The following table shows the Group's credit risk grading framework:

Category	Group definition of category	Basis for recognition of ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12m ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The Group accounts for its credit risk by appropriately providing for ECL on a timely basis. In calculating the ECL rates, the Group considers historical loss rates for each category of receivables and adjusts for forward-looking information.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Trade receivables and contract assets

The Group applies the simplified approach to providing for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets.

To measure the ECL, trade receivables and contract assets have been grouped based on individual risk assessment. The loss allowance provision as at 31 December 2018 is determined as follows, with the aging analysis determined based on the invoice date and the ECL below also incorporate forward-looking information.

	Within 30 days	Over 31 days and within 60 days	Over 61 days and within 90 days	Over 90 days	Total
Trade receivables					
As at 31 December 2018					
Expected loss rate	0.4%	0.7%	1.7%	6.9%	
Gross carrying amount *(HK$'000)*	9,329	8,739	5,243	5,909	29,220
Loss allowance provision *(HK$'000)*	33	63	90	409	595

	Total
Contract assets	
As at 31 December 2018	
Expected loss rate	0.8%
Gross carrying amount *(HK$'000)*	11,802
Loss allowance provision *(HK$'000)*	93

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Trade receivables and contract assets (continued)

The loss allowance provision for trade receivables and contract assets as at 31 December 2018 reconcile to the opening loss allowance for that provision is as follows:

	Trade receivables HK$'000	Contract assets HK$'000
As at 1 January 2018	1,139	38
(Reversal of)/provision for loss allowance recognized in profit or loss	(544)	55
As at 31 December 2018	595	93

For the year ended 31 December 2018, the provision for loss allowance was recognized in profit or loss in other operating expenses in relation to the impaired trade receivables and contract assets.

(ii) Deposits and other receivables

The Group applies the general approach to providing for ECL prescribed by HKFRS 9, which permits to measure the loss allowance at 12m ECL on other financial assets including deposits and other receivables and amount due from a related company.

To measure the ECL, deposits and other receivables have been grouped based on individual risk assessment. The loss allowance provision as at 31 December 2018 is determined as follows.

	Total
Deposits and other receivables	
As at 31 December 2018	
Expected loss rate	0.5%
Gross carrying amount *(HK$'000)*	26,772
Loss allowance provision *(HK$'000)*	139

No amount due from a related company as at 31 December 2018.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Deposits and other receivables (continued)

The loss allowance for deposits and other receivables and amount due from a related company as at 31 December 2018 reconcile to the opening loss allowance for that provision is as follows:

	Deposits and other receivables HK$'000	**Amount due from a related company** HK$'000
As at 1 January 2018	28	1
Provision for/(Reversal of) loss allowance recognized in profit or loss	111	(1)
As at 31 December 2018	139	–

For the year ended 31 December 2018, the provision for/(reversal of) loss allowance was recognized in profit or loss in other operating expenses in relation to the impaired deposits and other receivables and amount due from a related company.

The Group made no write-off on trade and other receivables during the year ended 31 December 2018.

(c) Liquidity risk

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

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

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	On demand or within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total HK$'000
As at 31 December 2018				
Trade and other payables excluding non-financial liabilities	**50,135**	**–**	**–**	**50,135**
Amounts due to related companies	**11**	**–**	**–**	**11**
Borrowings				
– Term loan subject to a repayable on demand clause	**11,573**	**–**	**–**	**11,573**
– Finance lease liability	**140**	**140**	**12**	**292**
	61,859	**140**	**12**	**62,011**
As at 31 December 2017				
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
	33,849	140	152	34,141

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The following table summarizes the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments as set out in the loan agreements. Taking into account the Group's financial position, the directors of the Company do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors of the Company believe that such term loans will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements.

	On demand or within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total HK$'000
As at 31 December 2018				
Borrowings				
– Term loan subject to a repayable on demand clause	**11,573**	**–**	**–**	**11,573**
As at 31 December 2017				
Borrowings				
– Term loan subject to a repayable on demand clause	11,064	1,525	–	12,589

As at 31 December 2018, the Group has available unutilized banking facilities of approximately HK$22,000,000 (2017: approximately HK$19,000,000) for future operating activities.

3.2 Capital management

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

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management (continued)

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt comprises total debt (including trade and other payables, contract liabilities, 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:

	2018 **HK$'000**	2017 HK$'000
Total debt	**64,162**	36,383
Less: cash and cash equivalents *(Note 28)*	**(47,848)**	(28,552)
Net debt	**16,314**	7,831
Total equity	**113,579**	111,140
Total capital	**129,893**	118,971
Gearing ratio	**12.6%**	6.6%

3.3 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as at 31 December 2018 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).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

Financial assets	Fair value as at 31 December 2018 HK$'000	Fair value as at 31 December 2017 HK$'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	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 Amortization ratio of comparable listed companies.

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 2017 and 2018.

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 and 2018. The column "net amount" shows the impact on the Group's statement of financial position if all set-off rights were exercised.

	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$'000	Related amount not offset in the consolidated statement of financial position: Amounts subject to master netting arrangements HK$'000	Related amount not offset in the consolidated statement of financial position: Financial instrument collateral and other similar arrangements HK$'000	Net amount HK$'000
As of 31 December 2018						
Financial assets:						
Amounts receivables arising from financial service business	146	(146)	–	–	–	–
Financial liabilities:						
Amounts payable arising from financial services business	(36,522)	146	(36,376)	–	36,376	–
As of 31 December 2017						
Financial assets:						
Amounts receivables arising from financial service business	541	(511)	30	(30)	–	–
Financial liabilities:						
Amounts payable arising from financial services business	(8,226)	511	(7,715)	–	7,715	–

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Offsetting financial assets and financial liabilities (continued)

	2018 HK$'000	2017 HK$'000
Trade receivables		
Net amount of receivables as stated above	–	30
Amount not in scope of offsetting disclosures	55,308	61,786
Amount of total trade and other receivables as stated in Note 23	55,308	61,816
Trade payables		
Net amount of payables as stated above	36,376	7,715
Amount not in scope of offsetting disclosures	13,759	15,828
Amount of total trade and other payables as stated in Note 29	50,135	23,543

3.5 Financial instruments by category

	2018 HK$'000	2017 HK$'000
Assets as per consolidated statement of financial position		
Financial assets at fair value through profit or loss		
– Unlisted investments designed as at fair value through profit or loss	–	7,026
– Derivative financial instrument	–	700
Financial assets at amortized costs		
– Other assets	205	205
– Trade and other receivables excluding prepayments	50,451	61,465
– Amount due from an associate	–	10,609
– Amount due from a related company	–	208
– Pledged bank deposits	9,029	5,265
– Bank trust account balances	36,522	8,235
– Cash and cash equivalents	47,848	28,552
Available-for-sale financial asset	–	10,900
	144,055	133,165

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.5 Financial instruments by category (continued)

	2018 HK$'000	2017 HK$'000
Liabilities as per consolidated statement of financial position		
At amortized costs:		
– Trade and other payables excluding non-financial liabilities	**50,135**	21,098
– Amounts due to related companies	**11**	22
– Borrowings	**11,781**	12,818
	61,927	33,938

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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash, a material impairment loss may arise. The carrying amount of goodwill as at 31 December 2018 was HK$4,526,000 (Note 37).

5. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with current year's presentation as the Group changed the operating and reporting structure as a result of the commencement of financial services business in a manner that causes the composition of its reportable segments to change by introducing an additional reportable segment regarding financial services business. Accordingly, segment information of financial services business for the year ended 31 December 2017 for comparative purposes has been reclassified to reflect the newly reportable segment.

6. 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 services;

(b) Outsourcing outbound contact services;

(c) Staff insourcing services;

(d) Contact service centre and service centre facilities management services;

(e) Financial services segment which principally comprises commission income from broker business and asset management services; and

(f) The "Others" segment which principally comprises sales of system and software, licence service fee income and system maintenance fee income.

6. SEGMENT INFORMATION AND REVENUE (CONTINUED)

The segment information provided to the board of directors for the reportable segments for the years ended 31 December 2017 and 2018 are as follows:

For the year ended 31 December 2018

	Outsourcing inbound contact services HK$'000	Outsourcing outbound contact services HK$'000	Staff insourcing services HK$'000	Contact service centre and service centre facilities management services HK$'000	Financial services HK$'000	Others HK$'000	Total HK$'000
Segment revenue	16,351	43,689	59,684	11,057	6,772	4,188	141,741
Segment results	2,076	6,005	6,996	2,138	(2,759)	1,735	16,191
Depreciation and amortization	1,500	2,376	–	2,376	1,156	1,459	8,867
Total segment assets	6,695	19,651	16,276	6,123	46,952	4,240	99,937
Total segment assets includes: Additions to non-current assets (other than financial instruments)	1,188	1,880	-	1,880	218	1,422	6,588
Total segment liabilities	1,026	3,892	3,621	1,901	36,967	1,018	48,425

6. SEGMENT INFORMATION AND REVENUE (CONTINUED)

The segment information provided to the board of directors for the reportable segments for the years ended 31 December 2017 and 2018 are as follows: (continued)

For the year ended 31 December 2017

	Outsourcing inbound contact services HK$'000	Outsourcing outbound contact services HK$'000	Staff insourcing services HK$'000	Contact service centre and service centre facilities management services HK$'000	Financial services HK$'000	Others HK$'000 (Restated)	Total HK$'000
Segment revenue	10,512	66,416	50,425	14,836	657	3,745	146,591
Segment results	1,077	7,304	6,582	1,051	(5,561)	1,322	11,775
Depreciation and amortization	248	3,159	–	2,787	899	1,597	8,690
Total segment assets	7,505	35,071	19,199	7,872	10,838	4,878	85,363
Total segment assets includes: Additions to non-current assets (other than financial instruments)	120	1,528	–	1,348	857	1,365	5,218
Total segment liabilities	143	4,185	3,072	1,436	8,906	350	18,092

There were no inter-segment sales during the years ended 31 December 2017 and 2018. The revenue from external parties reported to the directors of the Company are measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

6. SEGMENT INFORMATION AND REVENUE (CONTINUED)

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

	2018 HK$'000	2017 HK$'000
Segment results for reportable segments	16,191	11,775
Unallocated:		
Other income	440	527
Other (losses)/gains – net	(407)	1,312
Depreciation and amortization	(181)	(197)
Finance costs	(323)	(469)
Corporate and other unallocated expenses	(10,337)	(10,274)
Profit before tax	5,383	2,674

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:

	2018 HK$'000	2017 HK$'000
Segment assets for reportable segments	99,937	85,363
Unallocated:		
Property, plant and equipment	391	547
Available-for-sale financial asset	–	10,900
Derivative financial instrument	–	700
Deferred income tax assets	1,181	690
Financial assets designated as at fair value through profit or loss	–	7,026
Corporate and other unallocated assets	77,130	43,111
Total assets per consolidated statement of financial position	178,639	148,337

6. 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:

	2018 HK$'000	2017 HK$'000
Segment liabilities for reportable segments	48,425	18,092
Unallocated:		
Deferred income tax liabilities	195	180
Current income tax liabilities	703	634
Borrowings	11,781	12,818
Corporate and other unallocated liabilities	3,956	5,473
Total liabilities per consolidated statement of financial position	65,060	37,197

Breakdown of the revenue from all services is as follows:

Analysis of revenue by category

	2018 HK$'000	2017 HK$'000 (Restated)
Service fee income from provision of telecommunication and related services	71,097	91,764
Financial services income	6,772	657
Licencing and sales of system and software	2,579	2,089
System maintenance income	1,609	1,656
Staff insourcing services	59,684	50,425
	141,741	146,591

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$141,200,000 (2017: approximately HK$146,502,000), and the total of revenue from external customers from other country is approximately HK$541,000 (2017: approximately HK$89,000).

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$16,837,000 (2017: approximately HK$14,131,000), and none of these non-current assets is located in other countries (2017: Nil).

6. 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:

	2018 HK$'000	2017 HK$'000
Customer A	**32,179**	34,959
Customer B	**17,347**	26,091
Customer C	**14,560**	–
Customer D	**NA[1]**	21,536
	64,086	82,586

1 The corresponding revenue did not contribute to 10% or more of the total revenues of the Group for the year ended 31 December 2018.

Disaggregation of revenue from contracts with customers

	2018 HK$'000	2017 HK$'000
By timing of revenue recognition:		
Control transferred over time	**139,162**	144,502
Control transferred at a point of time	**2,579**	2,089
	141,741	146,591

Transaction price allocated to the remaining performance obligations

	2018 HK$'000
Remaining performance obligations expected to be satisfied during the year ending:	
Within one year	**22,063**
More than one year	**21,440**
	43,503

The remaining performance obligations expected to be recognized in more than one year relate to asset management services that are to be satisfied within three years. All the other remaining performance obligations are expected to be recognized within one year.

7. OTHER INCOME

	2018 HK$'000	2017 HK$'000
Interest income from bank deposits	**416**	527
Sundry income	**24**	–
	440	527

8. OTHER (LOSSES)/GAINS – NET

	2018 HK$'000	2017 HK$'000
Derivative financial instrument *(Note 20)*		
– Fair value loss	**–**	(100)
Financial assets designated as at fair value through profit or loss *(Note 24)*		
– Fair value loss	**(410)**	(28)
Gain on disposal of financial assets at fair value through profit or loss	**100**	–
Gain on disposal of an associate	**3**	–
Gain on disposal of property, plant and equipment	**–**	1,295
Net foreign exchange (losses)/gains	**(100)**	145
	(407)	1,312

9. EMPLOYEE BENEFITS EXPENSES

	2018 HK$'000	2017 HK$'000
Salaries and allowances	82,647	88,600
Pension costs – defined contribution plans	3,745	3,981
Total employee benefits expenses, including directors' remuneration	86,392	92,581
Less: Amounts capitalized in deferred development costs	(3,781)	(3,733)
	82,611	88,848

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2018 none of them is the director (2017: one director) whose emoluments are reflected in the analysis show in Note 41. The emoluments payable to the remaining five individuals (2017: four individuals) for the year ended 31 December 2018 is as follows.

	2018 HK$'000	2017 HK$'000
Salaries, allowances and benefits in kind	4,585	3,966
Pension costs – defined contribution plans	171	139
	4,756	4,105

	Number of Individuals	
	2018	2017
Emolument bands (in HK$)		
Below HK$1,000,000	4	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 (2017: Nil). None of the directors of the Company waived any emoluments during the year ended 31 December 2018 (2017: Nil).

10. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on bank borrowings and bank overdrafts	**310**	451
Interest on finance lease liability	**13**	18
	323	469

11. PROFIT BEFORE TAX

	2018 HK$'000	2017 HK$'000
Profit before tax is stated after charging:		
Depreciation and amortization		
Depreciation of owned property, plant and equipment	**5,063**	4,592
Depreciation of asset under finance lease	**140**	140
Amortization of intangible assets	**3,845**	4,155
Total depreciation and amortization	**9,048**	8,887
Auditors' remuneration	**1,100**	850
Reversal of impairment of financial and contract assets – net	**379**	–
Operating lease payments in respect of rented premises	**6,619**	8,811

12. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the year.

	2018 HK$'000	2017 HK$'000
Current tax:		
Current tax on profits for the year	**1,894**	1,736
Adjustments in respect of prior year	**(180)**	–
Total current tax	**1,714**	1,736
Deferred income tax *(Note 31)*	**(277)**	(177)
Income tax expense	**1,437**	1,559

12. INCOME TAX EXPENSE (CONTINUED)

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

	2018 HK$'000	2017 HK$'000
Profit before tax	5,383	2,674
Tax calculated at Hong Kong profits tax rate of 16.5%	888	441
Tax effects of:		
– Income not subject to tax	(4)	(4)
– Expenses not deductible for tax purposes	78	93
– Temporary differences not recognized	112	10
– Tax losses for which no deferred income tax asset was recognized	768	1,019
– Utilization of previous unrecognized tax losses	(225)	–
– Adjustments in respect of prior year	(180)	–
Tax charge	1,437	1,559

13. 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 (2017: 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 2017 and 2018.

14. DIVIDENDS

During the year ended 31 December 2017, the Company did not declare any dividend and paid final dividends of HK$1,120,000 (HK0.40 cents per ordinary share). The rate of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful for the preparation of these consolidated financial statements.

No dividend was paid or proposed by the board of directors of the Company for the year ended 31 December 2018 (2017: Nil).

15. SUBSIDIARIES

The following is a list of the subsidiaries as at 31 December 2017 and 2018:

Name	Place of incorporation and kind of legal entity	Principal activities	Particulars of issued share capital	Interest held 2018	Interest held 2017
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	25,000,000 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)

15. SUBSIDIARIES (CONTINUED)

The following is a list of the subsidiaries as at 31 December 2017 and 2018: (continued)

Name	Place of incorporation and kind of legal entity	Principal activities	Particulars of issued share capital	Interest held 2018	2017
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 shares of HK$1 each	100% (indirect)	100% (indirect)
Gear Holdings Limited (formerly known as "Zecom Limited")	Hong Kong, limited liability company	Investment holding and research and development of telecommunication systems software	10,000 ordinary shares of HK$1 each	100% (indirect)	100% (indirect)
ETS Investments Limited	British Virgin Islands, limited liability company	Investment holding	2 ordinary shares of US$1 each	100% (indirect)	100% (indirect)
Gear Asset Management Limited ("**GAM**") [1]	Hong Kong, limited liability company	Provision of asset management services	4,107,400 ordinary shares of HK$2.3 each	100% (indirect)	–
Gear Management Services Limited [2]	Hong Kong, limited liability company	Provision of asset management services	10,000 ordinary shares of HK$1 each	100% (indirect)	–
Gear Credit Limited [2]	Hong Kong, limited liability company	Provision of corporate financial management	10,000 ordinary shares of HK$1 each	100% (indirect)	–

1 Acquired during the year ended 31 December 2018 (Note 37).

2 Incorporated during the year ended 31 December 2018.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements, furniture and fixtures HK$'000	Computer equipment HK$'000	Computer software HK$'000	Electronic and office equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
As at 1 January 2017						
Cost	14,659	3,310	6,542	1,351	698	26,560
Accumulated depreciation	(8,092)	(2,210)	(5,118)	(1,029)	(70)	(16,519)
Net book amount	6,567	1,100	1,424	322	628	10,041
Year ended 31 December 2017						
Opening net book amount	6,567	1,100	1,424	322	628	10,041
Additions	735	62	190	139	–	1,126
Disposals	(66)	(5)	(1)	(33)	–	(105)
Depreciation charge	(3,197)	(451)	(816)	(128)	(140)	(4,732)
Closing net book amount	4,039	706	797	300	488	6,330
As at 31 December 2017						
Cost	11,871	2,707	5,500	868	698	21,644
Accumulated depreciation	(7,832)	(2,001)	(4,703)	(568)	(210)	(15,314)
Net book amount	4,039	706	797	300	488	6,330
Year ended 31 December 2018						
Opening net book amount	**4,039**	**706**	**797**	**300**	**488**	**6,330**
Additions	**2,004**	**100**	**650**	**78**	**–**	**2,832**
Acquisition of a subsidiary (Note 37)	**3**	**612**	**–**	**–**	**–**	**615**
Depreciation charge	**(3,607)**	**(623)**	**(732)**	**(101)**	**(140)**	**(5,203)**
Closing net book amount	**2,439**	**795**	**715**	**277**	**348**	**4,574**
As at 31 December 2018						
Cost	**11,867**	**3,237**	**4,703**	**601**	**698**	**21,106**
Accumulated depreciation	**(9,428)**	**(2,442)**	**(3,988)**	**(324)**	**(350)**	**(16,532)**
Net book amount	**2,439**	**795**	**715**	**277**	**348**	**4,574**

Fixed asset held under finance lease

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

	2018 HK$'000	2017 HK$'000
Cost – capitalized finance lease	**698**	698
Accumulated depreciation	**(350)**	(210)
Net Book Value (Note 32)	**348**	488

17. INTANGIBLE ASSETS

	Goodwill HK$'000 *(Note a)*	Internally generated software development costs HK$'000 *(Note b)*	Total HK$'000
As at 1 January 2017			
Cost	–	44,076	44,076
Accumulated amortization	–	(36,212)	(36,212)
Net book amount	–	7,864	7,864
Year ended 31 December 2017			
Opening net book amount	–	7,864	7,864
Additions	–	4,092	4,092
Amortization charge	–	(4,155)	(4,155)
Closing net book amount	–	7,801	7,801
As at 31 December 2017			
Cost	–	48,168	48,168
Accumulated amortization	–	(40,367)	(40,367)
Net book amount	–	7,801	7,801
Year ended 31 December 2018			
Opening net book amount	**–**	**7,801**	**7,801**
Additions	**–**	**3,781**	**3,781**
Acquisition of a subsidiary (Note 37)	**4,526**	**–**	**4,526**
Amortization charge	**–**	**(3,845)**	**(3,845)**
Closing net book amount	**4,526**	**7,737**	**12,263**
As at 31 December 2018			
Cost	**4,526**	**51,949**	**56,475**
Accumulated amortization	**–**	**(44,212)**	**(44,212)**
Net book amount	**4,526**	**7,737**	**12,263**

17. INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill

Goodwill is measured as described in Note 37. Goodwill on acquisition of a subsidiary is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to CGU for the purpose of impairment testing. The allocation is made to those CGU or groups of CGU that are expected to benefit from the business combination in which the goodwill arose.

Impairment for goodwill

For the purposes of impairment testing, the goodwill of approximately HK$4,526,000 has been allocated to the CGU, representing the operating activities of GAM ("**Asset Management CGU**") which is engaged in the carrying on regulated activity in connection with dealing in asset management.

Management determined that there is no impairment of the CGU containing goodwill for the acquisition of business during the year ended 31 December 2018.

The recoverable amount of Asset Management CGU has been determined on the basis of value-in-use calculations using calculations of cash flow projections based on financial budgets approved by the management covering a five-year period at pre-tax discount rate of 32.69% per annum. The set of cash flows beyond the 5-year period are extrapolated using a zero-growth rate.

The key assumptions for the value-in-use calculation are those regarding the discount rates, the budgeted revenue and budgeted expenses during the forecasting periods, which are determined by the management based on the past performance and managements' expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Asset Management CGU to exceed the aggregate recoverable amount of Asset Management CGU.

(b) Internally generated software development costs

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

18. INVESTMENT IN AN ASSOCIATE

	2018 HK$'000	2017 HK$'000
Unlisted, at cost	–	3
Share of net liabilities	–	(3)
	–	–

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

During the year ended 31 December 2018, the Group disposed of 25% shareholding in Epro Career Limited at cash consideration of HK$2,500 in total. The amount due from Epro Career Limited was reclassified as other receivables at the date of disposal.

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

	2018 HK$'000	2017 HK$'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 profit or (losses) of this associate for the current year and cumulatively were approximately HK$258,000 (2017: approximately HK$(184,000)) and approximately HK$(2,712,000) (2017: approximately HK$(2,970,000)), respectively.

19. AVAILABLE-FOR-SALE FINANCIAL ASSET

	2018 HK$'000	2017 HK$'000
Unlisted equity Investments 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$.

20. DERIVATIVE FINANCIAL INSTRUMENT

	2018 HK$'000	2017 HK$'000
Put option in relation to available-for-sale financial asset	–	700

Put option represents rights to sell unlisted equity investment granted by the seller of the shares, which is subject to the fulfillment of certain conditions as stipulated in the sales and purchase agreement of the available-for-sale financial asset. The put option allows the Group to sell the investment to the original seller at the original purchase price of the Group. The put option lapsed when the unlisted equity investment was disposed during the year ended 31 December 2018.

21. OTHER ASSETS

	2018 HK$'000	2017 HK$'000
Fidelity fund deposit to The Stock Exchange of Hong Kong Limited ("**SEHK**")	50	50
Compensation fund deposit to SEHK	50	50
Stamp duty deposit with SEHK	5	5
Admission fee paid to Hong Kong Securities Clearing Company Limited ("**HKSCC**")	50	50
Guarantee fund deposit to HKSCC	50	50
	205	205

22. CONTRACT ASSETS AND LIABILITIES

The Group has recognized the following revenue-related contract assets and liabilities:

	2018 HK$'000	2017 HK$'000
Contract assets	11,802	–
Less: loss allowance	(93)	–
Contract assets – net	11,709	–
Contract liabilities	(2,235)	–
	9,474	–

The contract assets primarily relate to the Group's rights to consideration for work completed but not yet billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional upon rending of the billings. The contract liabilities primarily relate to the advanced consideration received from customers, for which revenue is recognized based on the progress of the provision of related services.

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9. The counterparties are grouped based on individual risk assessment. For the year ended 31 December 2018, additional provision of approximately HK$55,000 was made against the gross amounts of contract assets.

Revenue recognized in relation to contract assets and contract liabilities

The following table shows how much of the revenue recognized in the respective reporting period relates to carried-forward contract assets and contract liabilities.

	2018 HK$'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	1,268
Transfers from the contract assets recognized at the beginning of the year to trade receivables	(15,573)

23. TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables		
Amounts receivables arising from multi-media contact services, contact centre system and advisory services	**29,220**	52,472
Amounts receivables arising from financial services business		
– Clients-cash	**–**	30
– Clearing house	**50**	433
Less: loss allowance	**(595)**	–
Trade receivables – net	**28,675**	52,935
Other receivables, deposits and prepayments	**26,772**	8,881
Less: loss allowance	**(139)**	–
Other receivables, deposits and prepayments – net	**26,633**	8,881
	55,308	61,816

The average credit period on the Group's sales is 30 days (2017: 30 days). The aging analysis of the trade receivables net of loss allowance based on invoice date is as follows:

	2018 HK$'000	2017 HK$'000
0 – 30 days	**9,296**	22,087
31 – 60 days	**8,676**	11,888
61 – 90 days	**5,153**	9,573
Over 90 days	**5,500**	8,924
	28,625	52,472

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.

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2018, the Group's trade receivables of approximately HK$19,488,000 (2017: approximately HK$29,180,000) 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:

	2018 HK$'000	2017 HK$'000
0 – 30 days	8,713	10,665
31 – 60 days	5,279	9,591
61 – 90 days	698	2,540
Over 90 days	4,798	6,384
	19,488	29,180

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

	2018 HK$'000	2017 HK$'000
HK$	54,050	59,637
Chinese Yuan Renminbi ("**RMB**")	1,258	2,179
	55,308	61,816

As at 31 December 2017 and 2018, the carrying amounts of the Group's trade and other receivables approximated their fair values due to short duration.

As at 31 December 2018, the carrying amount of the Group's trade receivables included approximately HK$1,206,000 is due from Stan Group (Holdings) Limited. The receivable arises mainly from sale transactions and is due one month from the date of invoices. The receivable is unsecured in nature and bears no interest.

As at 31 December 2018, the carrying amount of the Group's deposits included approximately HK$213,000 is premise rental deposits paid to Always Beyond Limited (2017: approximately HK$479,000).

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9. The debtors are grouped based on individual risk assessment. For the year ended 31 December 2018, reversal of impairment losses of approximately HK$544,000 was made against the gross amounts of trade receivables.

The Group applies the general approach to provide for ECL prescribed by HKFRS 9. Deposits and other receivables are grouped based on individual risk assessment. For the year ended 31 December 2018, additional provision of approximately HK$111,000 was made against the gross amounts of deposits and other receivables.

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.

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

	2018 HK$'000	2017 HK$'000
Unlisted investment:		
– Designated as at fair value through profit or loss	–	7,026
Market value of the unlisted investment	–	7,026

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

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 and they were released upon disposal of the investments during the year ended 31 December 2018.

During the year ended 31 December 2018, the Group disposed of its unlisted equity investment which was classified as available-for-sale financial asset as at 31 December 2017.

25. AMOUNT DUE FROM A RELATED COMPANY

Name of related company	Maximum amount outstanding during the year HK$'000	2018 HK$'000	2017 HK$'000
Stan Group (Holdings) Limited	208	–	208

The amount due from a related company is unsecured, interest-free and repayable on demand.

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

26. 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 0.25% to 0.5% per annum at 31 December 2018 (2017: from 0.02% to 0.7% per annum). The maturity of these deposits ranged from 7 to 31 days (2017: from 31 to 92 days). The carrying amounts of pledged bank deposits are denominated in HK$.

27. 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 ("**SFO**").

28. 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.

	2018 **HK$'000**	2017 HK$'000
Cash at banks and on hand	**40,209**	24,936
Short-term bank deposits	**7,639**	3,616
Cash and cash equivalents	**47,848**	28,552

As at 31 December 2018, the cash and cash equivalents of the Group denominated in RMB amounted to approximately HK$73,000 (2017: approximately HK$77,000). 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.

29. TRADE AND OTHER PAYABLES

	2018 **HK$'000**	2017 HK$'000
Trade payables	**4,177**	3,206
Amounts payable arising from financial services business		
– Clients-cash	**636**	1,464
– Clients-margin	**35,740**	6,251
– Clearing house	**195**	972
Other payables and accruals	**9,387**	11,650
	50,135	23,543

29. TRADE AND OTHER PAYABLES (CONTINUED)

As at 31 December 2018, the aging analysis of the trade payables based on invoice date is as follows:

	2018 HK$'000	2017 HK$'000
0 – 30 days	2,565	1,765
31 – 60 days	684	789
61 – 90 days	219	359
Over 90 days	709	293
	4,177	3,206

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.

30. AMOUNTS DUE TO RELATED COMPANIES

Name of related company	2018 HK$'000	2017 HK$'000
East Ocean Gourmet Group Limited	–	10
H.K. Sources Finance Limited	–	12
Stan Group Holdings Limited	11	–
As at 31 December	11	22

31. DEFERRED INCOME TAX

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

	2018 HK$'000	2017 HK$'000
As at 1 January	(510)	(333)
Effect arising from initial application on HKFRS 9	(199)	–
Adjusted as at 1 January	(709)	(333)
Consolidated statement of profit or loss credited *(Note 12)*	(277)	(177)
As at 31 December	(986)	(510)

31. DEFERRED INCOME TAX (CONTINUED)

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

Deferred tax liabilities:	**Accelerated tax depreciation** HK$'000
As at 1 January 2017	353
Credited to the consolidated statement of profit or loss	(173)
As at 31 December 2017	180
Effect arising from initial application on HKFRS 9	(107)
Adjusted as at 1 January 2018	73
Charged to the consolidated statement of profit or loss	122
As at 31 December 2018	**195**

Deferred tax assets:	**Decelerated tax depreciation** HK$'000
As at 1 January 2017	(686)
Credited to the consolidated statement of profit or loss	(4)
As at 31 December 2017	(690)
Effect arising from initial application on HKFRS 9	(92)
Adjusted as at 1 January 2018	(782)
Credited to the consolidated statement of profit or loss	(399)
As at 31 December 2018	**(1,181)**

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 2018, the Group has unused tax losses of approximately HK$14,198,000 (2017: approximately HK$10,908,000) 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.

32. BORROWINGS

	2018 HK$'000	2017 HK$'000
Current		
Secured bank borrowings	11,500	12,410
Finance lease liability	132	127
	11,632	12,537
Non-current		
Finance lease liability	149	281
Total borrowings	11,781	12,818

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

	2018 HK$'000	2017 HK$'000
Within 1 year	11,500	10,910
More than 1 year but not more than 2 years	–	1,500
More than 2 years but not more than 5 years	–	–
	11,500	12,410

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 5.24% per annum as at 31 December 2018 (2017: from 2.75% to 6.25% per annum) and mature until 2019.

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

32. BORROWINGS (CONTINUED)

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

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 was released during the year ended 31 December 2018 (2017: approximately HK$7,026,000);

(iii) Pledged bank deposits with carrying amount of approximately HK$9,029,000 (2017: approximately HK$5,265,000);

(iv) Proceeds in relation to certain trade receivables of the subsidiaries of the Company and was released during the year ended 31 December 2018.

(v) Assignment of all book debts and receivables by the subsidiary of the Company.

(b) Finance lease liability:

	As at 31 December 2018		As at 31 December 2017	
	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	132	140	127	140
More than one year but not more than two years	137	140	132	140
More than two years but not more than five years	12	12	149	152
	281	292	408	432
Less: total future interest expenses		(11)		(24)
Present value of lease obligations		281		408

The Group's motor vehicle with aggregate net book value of approximately HK$348,000 as at 31 December 2018 is secured as the rights to the leased assets revert to the lessors in the event of default (2017: approximately HK$488,000) (Note 16).

The Group had committed finance lease facility which bore interest at 1.98% per annum as at 31 December 2018 (2017: 1.98% per annum).

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

33. SHARE CAPITAL AND PREMIUM

	Number of ordinary shares	Ordinary shares of HK$0.01 each HK$'000	Share premium HK$'000
Ordinary shares, Issued and fully paid up:			
As at 31 December 2017 and 2018	**280,000,000**	**2,800**	**25,238**

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.

34. SHARE OPTION SCHEME

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

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

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

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

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

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

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

34. SHARE OPTION SCHEME (CONTINUED)

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 2017 and 2018.

35. RESERVES

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.

36. COMMITMENTS

(a) Capital commitments

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

	2018 HK$'000	2017 HK$'000
Property, plant and equipment	900	–

(b) Operating lease commitments

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

	2018 HK$'000	2017 HK$'000
No later than 1 year	5,251	7,205
Later than 1 year and no later than 5 years	5,529	1,645
	10,780	8,850

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

37. BUSINESS COMBINATION

On 14 May 2018, the Group acquired a 100% interest in GAM from Great Forum Investment Limited ("**Vendor**") which is wholly-owned by Mr. YS Tang, an executive director of the Company. Each of Mr. YS Tang and Mr. SB Tang, the ultimate controlling shareholder of the Group and non-executive director of the Company who is a director of the Vendor. Mr. YS Tang, Mr. SB Tang and Vendor 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.

The Group is principally engaged in the business of providing comprehensive multimedia contact services and contact centre system. The Group has also tapped into finance and securities business and is carrying on Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) regulated activities under the SFO. GAM is licensed to carry on Type 9 (Asset Management) regulated activity under SFO and is engaged in the establishment and management of private equity fund and provision of advisory services on asset management. The acquisition would enable the Group to further diversify its business within the finance and securities business by attaining a more comprehensive profile of licences under the SFO.

The purchase consideration for the acquisition was in the form of cash, with HK$1,000,000 paid upon signing the sale and purchase agreement during the year ended 31 December 2017 and the remaining HK$5,000,000 paid on 16 May 2018.

The fair values of the identifiable assets and liabilities of GAM as at the date of acquisition were as follows:

	Notes	**Fair value recognized on acquisition** HK$'000
Property, plant and equipment	*16*	615
Cash and bank balances		1,029
Trade payables		(36)
Accruals and other payables		(134)
Total identifiable net assets as fair value		1,474
Goodwill on acquisition	*17*	4,526
Satisfied by cash		6,000

37. BUSINESS COMBINATION (CONTINUED)

The Group incurred transaction costs of approximately HK$254,000 for this acquisition. These transaction costs have been expensed and are included in other operating expenses in consolidated statement of profit or loss and other comprehensive income.

The goodwill is attributable to assembled workforce and the significant synergies expected to arise subsequent to the acquisition. None of the goodwill acquired is expected to be deductible for tax purposes.

There were no acquisitions during the year ended 31 December 2017.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration	(6,000)
Cash consideration paid in prior year	1,000
Cash and bank balances acquired	1,029
Net outflow of cash and cash equivalents included in cash flows from investing activities	(3,971)
Transaction costs of the acquisition included in cash flows from operating activities	(254)
	(4,225)

The acquired business contributed revenues of approximately HK$1,418,000 and net loss of approximately HK$7,000 to the Group for the period from 14 May 2018 to 31 December 2018.

If the acquisition had occurred on 1 January 2018, consolidated pro-forma revenue and net profit of the Group for the year ended 31 December 2018 would have been approximately HK$141,841,000 and HK$2,350,000 respectively.

38. 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*	2018 HK$'000	2017 HK$'000
168 Storage Limited	Outsourcing outbound contact services income	*(i) & (vi)*	–	(23)
Always Beyond Limited	Premise rental expenses	*(i), (vii) & (xiii)*	1,811	2,804
East Ocean Food (Hong Kong) Limited	Seasonal event expenses	*(ii) & (vi)*	14	22
Epro Career Limited	Insourcing fee expenses	*(v) & (vi)*	17,453	15,968
GAM	System centre facilities management service income	*(iv) & (viii)*	(356)	(1,960)
H.K. Sources Finance Limited	System maintenance income	*(iv) & (vi)*	(73)	(70)
	System installation and provide relevant services	*(iv) & (vi)*	(35)	(13)
	Advisory service income	*(iv) & (ix)*	(83)	–
Jiayuan Stangroup Development Company Limited	Asset management services income	*(iii) & (x)*	(2,856)	–
Lafa Yette Wedding Limited	Seasonal event expenses	*(ii) & (vi)*	–	15
SG Marketing Limited	Outsourcing outbound contact services income	*(ii) & (vi)*	–	(30)
	Website development and relevant services expenses	*(ii) & (vi)*	93	–
Stan Group (Holdings) Limited	Premise rental expenses	*(ii), (xi) & (xiii)*	2,496	2,288
	Insourcing service income	*(ii), (xii) & (xiii)*	(800)	(785)
	Facilities management services income	*(ii), (xii) & (xiii)*	(406)	(401)
	Outsourcing inbound contact services income	*(ii) & (vi)*	–	(2)
	Seasonal event expenses	*(ii) & (vi)*	90	61
The Wave (Hing Yip Street) Corporation Limited	System maintenance income	*(ii) & (vi)*	–	(46)
	Premise rental expenses	*(ii) & (vi)*	–	96
	Seasonal event expenses	*(ii) & (vi)*	1	–

38. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

(i) 168 Storage Limited and Always Beyond Limited are controlled by the family members of Mr. SB Tang.

(ii) East Ocean Food (Hong Kong) Limited, Lafa Yette Wedding Limited, SG Marketing Limited, Stan Group (Holdings) Limited and The Wave (Hing Yip Street) Corporation Limited, are controlled by Mr. YS Tang.

(iii) Jiayuan Stangroup Development Company Limited is partially controlled by Mr. SB Tang and Mr. YS Tang.

(iv) GAM and H.K. Sources Finance Limited are controlled by Mr. SB Tang and Mr. YS Tang. The Group has acquired GAM on 14 May 2018 detail in Note 37.

(v) Epro Career Limited was an associate of ETH. The related relationship ceased upon the date of disposal during the year ended 31 December 2018 (Note 18).

(vi) Seasonal event expenses, system maintenance income, outsourcing inbound contact services income, outsourcing outbound contact service income, insourcing fee expenses, system installation and provide relevant services, premise rental expenses and website development and relevant services expenses are based on terms mutually agreed between the parties involved. Insourcing fee expenses is included in other operating expenses in consolidated statement of profit or loss and other comprehensive income.

(vii) Pursuant to rental agreements entered into between Always Beyond Limited and ETS, ETS agreed to lease the premises commenced from 2 November 2016 to 1 November 2017, from 2 November 2017 to 31 May 2018 and from 1 June 2018 to 31 May 2020.

(viii) Pursuant to service agreement entered into between GAM and GSI, GSI agreed to provide service centre infrastructure and facilities management services to GAM for a term of 2 years commencing on 1 January 2017.

(ix) Pursuant to service agreement entered into between H.K. Sources Finance Limited and GAM on 2 November 2017, GAM agreed to provide advisory services to H.K. Sources Finance Limited for a period of 12 months commenced from 1 November 2017 and an extension of agreement entered on 23 October 2018 for an extension for a period of six months from 1 November 2018 to 30 April 2019.

(x) Pursuant to service agreement entered into between Jiayuan Stangroup Development Company Limited and GMS, GMS agreed to provide asset management service to Jiayuan Stangroup Development Limited for the period commenced from the first day of the "Disposal Period" as per defined in the asset management agreement and the last day of "Disposal Period".

(xi) Pursuant to rental agreement entered into between Stan Group (Holdings) Limited and ETS on 21 December 2015 and 27 December 2018. ETS agreed to lease the premises for a term from 1 January 2016 to 31 December 2018 and for a term from 1 January 2019 to 31 December 2021.

(xii) Pursuant to service agreement entered into between Stan Group (Holdings) Limited and EOS on 29 July 2016 and 27 August 2018, EOS agreed to provide staff insourcing service and facilities management services to Stan Group (Holdings) Limited for the period of 12 months commenced from 1 August 2016 and for the period of 12 months commenced from 1 September 2018.

(xiii) 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

	2018 HK$'000	2017 HK$'000
Salaries and short-term employee benefits	540	1,125
Post-employment benefits	6	21
	546	1,146

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

	As at 31 December	
	2018 HK$'000	2017 HK$'000
Non-current assets		
Investments in subsidiaries	**40,151**	40,151
Current assets		
Other receivables	**6,534**	6,029
Amounts due from subsidiaries	**72,144**	75,171
Cash and cash equivalents	**4,638**	1,163
	83,316	82,363
Current liabilities		
Other payables	**1,327**	963
Amounts due to subsidiaries	**10,471**	10,472
Borrowings	**–**	478
Current income tax liabilities	**92**	67
	11,890	11,980
Net current assets	**71,426**	70,383
Net assets	**111,577**	110,534
Equity attributable to the owners of the Company		
Share capital	**2,800**	2,800
Share premium	**25,238**	25,238
Reserves *(Note (a))*	**83,539**	82,496
Total equity	**111,577**	110,534

Approved and authorized for issue by the board of directors on 19 March 2019.

Tang Yiu Sing
Director

Yeung Ka Wing
Director

39. 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 2017	40,151	42,671	82,822
Profit for the year	–	794	794
Dividends paid *(Note 14)*	–	(1,120)	(1,120)
As at 31 December 2017	40,151	42,345	82,496
Profit for the year	–	1,044	1,044
As at 31 December 2018	**40,151**	**43,389**	**83,540**

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.

40. 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 borrowings HK$'000	Finance lease liability HK$'000	Total HK$'000
As at 1 January 2017	6,244	531	6,775
Changes from financing cash flows:			
Proceeds from borrowings	70,390	–	70,390
Repayments of borrowings	(64,224)	(123)	(64,347)
Interest paid	(451)	(18)	(469)
Other changes			
Interest expenses	451	18	469
As at 31 December 2017	12,410	408	12,818
As at 1 January 2018	**12,410**	**408**	**12,818**
Changes from financing cash flows:			
Proceeds from borrowings	**49,849**	**–**	**49,849**
Repayments of borrowings	**(50,759)**	**(127)**	**(50,886)**
Interest paid	**(310)**	**(13)**	**(323)**
Other changes			
Interest expenses	**310**	**13**	**323**
As at 31 December 2018	**11,500**	**281**	**11,781**

41. 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 2018 is set out below:

Name of director	Fees HK$'000	Salary HK$'000	Discretionary bonus HK$'000	Other benefits HK$'000	Employer's contribution to pension schemes HK$'000	Total HK$'000
Executive directors						
Mr. YS Tang[2]	–	60	–	–	3	63
Mr. Yeung Ka Wing	–	60	–	–	3	63
Non-executive director						
Mr. SB Tang	–	60	–	–	–	60
Independent non-executive directors						
Mr. Wong Sik Kei	120	–	–	–	–	120
Mr. Cheung Kong Ting	120	–	–	–	–	120
Mr. Wong Kam Tai[1]	120	–	–	–	–	120
	360	180	–	–	6	546

41. 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 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
Executive directors						
Mr. YS Tang[2]	–	60	–	–	3	63
Mr. Yeung Ka Wing	–	720	–	–	18	738
Non-executive director						
Mr. SB Tang	–	60	–	–	–	60
Independent non-executive directors						
Mr. Wong Sik Kei	96	–	–	–	–	96
Mr. Cheung Kong Ting	96	–	–	–	–	96
Mr. Wong Kam Tai[1]	93	–	–	–	–	93
	285	840	–	–	21	1,146

Notes:

1 Appointed on 12 January 2017.

2 Mr. YS Tang is the chief executive of the Group.

(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.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**141,741**	146,591	146,164	143,612	176,044
Operating profit	**5,706**	3,143	6,901	11,921	16,426
Finance costs	**(323)**	(469)	(515)	(582)	(659)
Share of loss of associate accounted for using the equity method	**–**	–	–	–	–
Profit before tax	**5,383**	2,674	6,386	11,339	15,767
Income tax expense	**(1,437)**	(1,559)	(1,572)	(2,149)	(1,384)
Profit for the year	**3,946**	1,115	4,814	9,190	14,383

	At 31 December				
	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Asset and liabilities					
Property, plant and equipment	4,574	6,330	10,041	4,961	7,628
Intangible assets	12,263	7,801	7,864	7,889	9,706
Investment in an associate	–	–	–	–	–
Available-for-sale financial asset	–	10,900	–	–	–
Derivative financial instrument	–	700	–	–	–
Deferred income tax assets	1,181	690	686	1,011	874
Other assets	205	205	–	–	–
Net current assets	95,700	84,975	92,816	94,991	87,098
Total assets less current liabilities	113,923	111,601	111,407	108,852	105,306
Borrowings – non current	(149)	(281)	(409)	–	–
Deferred income tax liabilities	(195)	(180)	(353)	(333)	(517)
Net assets	113,579	111,140	110,645	108,519	104,789
Capital and reserves					
Share capital	2,800	2,800	2,800	2,800	2,800
Share premium	25,238	25,238	25,238	25,238	25,238
Reserves	85,541	83,102	82,607	80,481	76,751
Total equity	113,579	111,140	110,645	108,519	104,789
Earnings per share attributable to owners of the Company – Basic and diluted (HK cents)	1.4	0.4	1.7	3.3	5.1

Notes:

1. The results of the Group for the year ended 31 December 2018 and 2017 are those set out on page 63 of this annual report.

2. The consolidated statement of financial position as at 31 December 2018 and 2017 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