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:8031 股票代號:8031

SYSTEM
SOLUTION

CONTACT
CENTER SERVICE

FINANCIAL
SERVICES

2019
ANNUAL REPORT
年報

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

CONTENTS

Corporate Information	3
Chairman's Statement	5
Management Discussion and Analysis	6
Particulars of Directors and Senior Management	14
Corporate Governance Report	17
Environmental, Social and Governance Report	29
Report of the Directors	44
Independent Auditors' Report	59
Consolidated Statement of Profit or Loss and Other Comprehensive Income	63
Consolidated Statement of Financial Position	64
Consolidated Statement of Changes in Equity	66
Consolidated Statement of Cash Flows	67
Notes to the Consolidated Financial Statements	69
Financial Summary	155

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Mr. Tang Shing Bor *(Chairman)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

RISK MANAGEMENT AND INTERNAL CONTROL COMMITTEE

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

COMPLIANCE OFFICER

Mr. Yeung Ka Wing

COMPANY SECRETARY

Mr. Suen Fuk Hoi

AUTHORISED REPRESENTATIVES

Mr. Tang Yiu Sing
Mr. Yeung Ka Wing

REGISTERED OFFICE

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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WEBSITE

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STOCK CODE

8031

On behalf of the board of directors (the "Board") 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 2019 (the "Year") to all shareholders and investors.

During the financial year under review, the Group recorded a consolidated revenue of approximately HK$132 million (2018: HK$142 million), a slight decrease of 6.6%. Net profit attributed to owners of the Company amounted to approximately HK$7.6 million (2018: HK$4.0 million) representing an increase of 92.4%. The Board resolved not to declare any annual dividend for the Year.

Our principle contact centre business continued to make up the bulk of our revenue during the period. The social unrest in the second half of the Year followed by the devastating pandemic crisis early this year, the Group's contact centre business has been moderately affected owing to different extent of budget reduction or expansion delay of some of our clients during the period. In spite of the current unfavourable factors, the management has confidence that business momentum will gradually pick up when we go further into the Year of 2020.

Our financial services business operated under Gear Financials has continued to contribute healthily to the top line and bottom line of the Group's performance. The management has diligently and successfully paved a lot of groundwork during the period, and the Group eagerly looks forward to start working on a pipeline of exciting financial projects in this year.

I would like to take this opportunity to express my sincere appreciation to the management team and all staff for their commitment, dedication and valuable contribution to the Group. Also thanks to our shareholders, business partners and customers for their continuous support and trust in our business. With our vision, strategy, resilience and concerted effort, I am confident we are going the right direction and is able to make the most of the opportunities and manage any challenges we may face in achieving the next significant milestone for the Group.

Tang Shing Bor
Chairman

Hong Kong, 20 March 2020

BUSINESS ENVIRONMENT AND BUSINESS REVIEW

The business environment in Hong Kong was challenging during the year. The continual social unrest dealt a heavy blow to the local consumption and resulted in unfavorable investment sentiment. Although our business operation was mildly affected by the political turbulence of the community, the uncertainty and wait-and-see attitude of some corporations has either slowed down or brought a temporary suspension to projects, leading to a sluggish business growth especially in the second half of the year.

Stringent regulation on data security, overall increasing labour cost and rental expenses continue to present challenges on our contact centre business. The Group has constantly reviewed and adjusted our business strategies through changes or new business expansion so as to better equip ourselves for any upcoming challenges as well as opportunities.

Providing financial services has been one of the business directions the Group has actively pursued in the past years. Followed the establishment of Gear Securities Investment Limited (with Type 1 and 4 regulated activities of dealing in securities and advising on securities) and Gear Asset Management Limited (with Type 9 regulated activities in asset management), the Group obtained money lender's license under the Money Lenders Ordinance (Cap. 163) in June 2019 through our new wholly owned subsidiary, Gear Credit Limited. The new company is mainly engaged in providing mortgage loan, personal loan and SME loan to individual and corporate customers. The management of the Group believes the money lending business is able to broaden our revenue base, enhance our profitability and achieve better return to the shareholders.

Despite at a time of global uncertainties, the Hong Kong stock market once again ranked first globally in terms of IPO proceeds with an increase of approximately 8.6% to $312.9 billion, cementing its position as the world's leading IPO hub. Moreover, with the growing importance of the Greater Bay Area development, the Group believes Hong Kong can further leverage the competitive advantage as an international financial and asset management centre in the region. In 2019, the Group has actively established major connections and networks with business partners and potential clients from local as well as mainland China. With the groundwork well laid, we expect a number of exciting projects and contracts in terms of securities trading, asset and/or fund management can be realized in this coming year. The Group has confidence that our financial service segment will continue to expand and become one of our major and stable income streams.

To further leverage our established strength and competency, the Group set up the new Kumo Personnel Services Limited in 2019 to tape into the recruitment service sector. Ride on our rich experience and network in staff recruiting and insourcing service for different industries, the management of the Group believes the new recruitment unit is able to capture additional business opportunities as a natural extension of our core operation and serves as a new revenue stream of the Group in the long run.

Our newly revamped proprietary Marvel Contact Centre System (formerly known as WISE-xb Contact Centre System) which offers communication through both traditional (call, fax email, SMS) as well as social media channels (web-chat, Facebook Fan Page, Facebook Messenger, WeChat, WhatsApp) has received increasing interest and encouraging sales from our customers throughout the year. We will continue to enhance the Marvel Contact Centre System through in-house development as well as strategic collaboration with external parties in order to maintain its competitiveness in the market. The management of the Group has confidence that the new system solution can boost the volume of sales and help to improve both the revenue and profit of the business in long run.

The Group explored investment opportunity in information technology industry through investing in Oneshop Limited ("Oneshop") in 2019. Oneshop is a company that has created and operates an on-line eCommerce management system that allows an e-shop to manage and update its multiple sales channels such as, website, mobile app, Facebook, Instagram, WeChat, YouTube, TikTok, etc. through a single on-line platform simultaneously. More in-depth and holistic information across all channels can be collected and analyzed to provide highly insightful reports and recommendations to further enhance the engagement and conversion rate of each product. Oneshop is essentially an eCommerce ecosystem for merchants, content providers, KOLs and IT developers that creates and sustains synergies for all entities with a viable business model. The management of the Group believes there is substantial potential in the future development of eCommerce and Oneshop will become a sustainable business direction of the Group.

The Group is continuously engaged in the business of providing comprehensive multi-media contact services and contact centre system 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. We provide our clients with staff to support their activities such as customer service, telemarketing, data entry, helpdesk assistance and other backend projects.

Contact service centre and service centre facilities management services

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

Financial services

The financial services related to securities include securities brokerage, 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.

The financial services related to credit finance include commercial and personal lending.

Others

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

Financial assets at fair value through profit or loss

During 2019, the Group acquired an aggregate amount of 2,470 Shares of a company incorporated in Hong Kong, Oneshop limited ("Oneshop"), at approximately HK$2 million. The whole carrying value of the shares was recorded fair value change of HK$2 million for the year ended 31 December 2019. The Group holds approximately 18% of the total issued share capital of Oneshop as at 31 December 2019. As the applicable percentage ratios of the Subscription Agreement under the GEM Listing Rules are less than 5%, the Subscription Agreement does not constitute a notifiable transaction on the part of the Company pursuant to Chapter 19 of the GEM Listing Rules. Based on the unaudited management accounts of Oneshop for the tenth months ended 31 December 2019, Oneshop recorded a loss before tax of approximately HK$3.5 million.

PROSPECT

The near-term outlook for the Hong Kong economy is extremely challenging, and subject to high uncertainties including the developments of the novel coronavirus infection, US-China trade relations and the local social incidents. Taking into account the various headwinds and possible boosting effect from the support measures from the local government, the Hong Kong economy is forecast to grow by -1.5% to 0.5% in 2020. Business and investment activities or growth are expected to slow down considerably at least for the first half of the year. All these unfavourable factors took a heavy toll on the local economic sentiment as well as consumption related activities, and cast a dark shadow on the overall outlook for this year.

Although a loose labour market benefits our labour intensive contact centre service business, the remaining high labour and rental cost together with data security compliance restrictions still impose considerable pressure on the profit margin of our business in the near future.

In order to prepare and face the foreseeable challenges ahead, the Group will continue to further diversify and develop our different businesses in contact centre, system solution, financial as well as money lending services.

Due to the outbreak of novel coronavirus and a tendency to reduce face-to-face interaction, customer service provided by contact centre via different communication media has experienced an upturn lately. The Group sees the change as a positive trend on our core contact centre services as well as contact centre system solution.

As part of an economic stimulus package, the government relaxed mortgage caps for first-time home buyers in Hong Kong in October 2019, and which was closely followed by a reduction in base lending rate the following month. The management of the Group believes the measures can eventually improve the overall economy to some extent and create more business opportunities especially for our money lending business targeted at individual as well as corporate customers. The Group will continue to maintain a conservatively aggressive approach to our money lending business in order to maximize the benefit of each opportunity.

Based on the planned strategies on the development of our financial services, the Group has aligned and established a lot of collaboration initiatives in 2019. And despite the current lack luster investing sentiment in Hong Kong, we will continue the discussion on the final arrangement of the planned projects and contracts with our partners and clients as soon as the pandemic crisis eased.

FINANCIAL REVIEW

The financial performance was improved mainly due to the contribution of our asset management business. Although the profit was partly set off by the other losses arising from fair value change through profit or loss amounted approximately HK$2 million, the profit for the year was increased to approximately HK$7.6 million for the year ended 31 December 2019 from approximately HK$3.9 million for the year ended 31 December 2018.

REVENUE

The Group recorded a decrease in total revenue to approximately HK$9.4 million from approximately HK$141.7 million for the year ended 31 December 2018 to approximately HK$132.3 million for the year ended 31 December 2019.

The following table sets forth the analysis of revenue in terms of business nature of the Group for the years ended 31 December 2019 and 2018 respectively:

	Year ended 31 December 2019 HK$'000		Year ended 31 December 2018 HK$'000	
Outsourcing inbound contact services	**11,833**	**8.9%**	16,351	11.5%
Outsourcing outbound contact services	**28,180**	**21.3%**	43,689	30.8%
Staff insourcing services	**56,291**	**42.5%**	59,684	42.1%
Contact service centre facilities management services	**10,913**	**8.3%**	11,057	7.8%
Financial services	**21,029**	**15.9%**	6,772	4.8%
Others	**4,087**	**3.1%**	4,188	3.0%
Revenue	**132,333**	**100%**	141,741	100%

Outsourcing inbound contact services

The revenue of outsourcing inbound contact services decreased from approximately HK$16.4 million for the year ended 31 December 2018 to HK$11.8 million for the year ended 31 December 2019. It is mainly due to decrease 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$43.7 million for the year ended 31 December 2018 to approximately HK$28.2 million for the year ended 31 December 2019.

The decrease of the revenue of outsourcing outbound contact services reflects effect of the challenging business environment mentioned in the section "Business Environment". The tightening regulatory business environment continuously present challenges on the outsourcing outbound contact services.

Staff insourcing services

The staff insourcing services segment decreased from approximately HK$59.7 million for the year ended 31 December 2018 to approximately HK$56.3 million for the year ended 31 December 2019.

The turnover of the staff insourcing services was similar to that of last year represents the stable demand of our services.

Contact service centre and service centre facilities management services

We recorded similar revenue of the contact service centre and service centre facilities management services. The revenue segment slightly decreased from approximately HK$11.1 million for the year ended 31 December 2018 to approximately HK$10.9 million for the year ended 31 December 2019.

Financial services

The following table sets forth the analysis of revenue of financial services for the years ended 31 December 2019 and 2018 respectively:

	2019 HK$'000	2018 HK$'000
Securities business	**4,810**	2,498
Asset management business	**15,689**	4,274
Credit finance business	**530**	–
Revenue	**21,029**	6,772

The overall revenue of financial services increased from approximately HK$6.8 million for the year ended 31 December 2018 to approximately HK$21 million for the year ended 31 December 2019. The significant increase of revenue of financial services is due to the contribution from the growth of our asset management business.

Others

For the year ended 31 December 2019, the Group recorded a revenue in licencing and sales of system and software of approximately HK$2.2 million (2018: approximately HK$2.6 million), system maintenance income of approximately HK$1.9 million respectively (2018: approximately HK$1.6 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 2019 and 2018 respectively:

	Year ended 31 December 2019		Year ended 31 December 2018	
	HK$'000	GP Margin %	HK$'000	GP Margin %
Outsourcing inbound contact services	1,364	11.5%	2,076	12.7%
Outsourcing outbound contact services	4,002	14.2%	6,005	13.7%
Staff insourcing services	5,707	10.1%	6,996	11.7%
Contact service centre facilities management services	2,447	22.4%	2,138	19.3%
Financial services	7,027	33.4%	(2,759)	(40.7%)
Others	1,560	38.2%	1,735	41.4%
Total segment result and gross profit margin	22,107	16.7%	16,191	11.4%

The gross profit percentage of our Group increased from approximately 11.4% for the year ended 31 December 2018 to approximately 16.7% for the year ended 31 December 2019. 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 decreased from approximately 12.7% for the year ended 31 December 2018 to approximately 11.5% for the year ended 31 December 2019. The decrease in the segment result is mainly attributable to the increase of the employee benefits and decrease of revenue.

Outsourcing outbound contact services

The gross profit margin in outsourcing outbound contact services increased from approximately 13.7% for the year ended 31 December 2018 to approximately 14.2% for the year ended 31 December 2019. The increase in gross profit margin was mainly attributable to strict control of the staff and rental cost.

Staff insourcing services

The gross profit margin in staff insourcing services decreased from approximately 11.7% for the year ended 31 December 2018 to approximately 10.1% for the year ended 31 December 2019. The decrease in the gross profit margin was 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 from approximately 19.3% for the year ended 31 December 2018 to approximately 22.4% for the year ended 31 December 2019. The increase in gross profit margin in this segment represented the overall improvement in the operation.

Financial services

The gross profit margin of financial services improved from the gross loss approximately 40.7% for the year ended 31 December 2018 to the gross profit approximately 33.4% for the year ended 31 December 2019. The improvement of gross margin of financial services was mainly due to the contribution from the growth of our asset management business and the credit finance 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 decrease in segment result was mainly because the increase of the staff and rental costs.

OTHER LOSSES

The Group recorded net other losses amounted to approximately HK$2 million (2018: approximately HK$0.4 million). During 2019, the Group acquired a financial asset at fair value through profit or loss, the shares of Oneshop, at approximately HK$2 million in which the whole carrying value of the shares was recorded fair value change for the year ended 31 December 2019. Oneshop is experiencing the development stage of the business recording a loss approximately HK$3.5 million for the tenth months ended 31 December 2019.

EXPENSES

During the year under review, the employee benefits expenses increased from approximately HK$82.6 million for the year ended 31 December 2018 to approximately HK$89.1 million for the year ended 31 December 2019. The increase of employee benefit expenses was mainly due to the Group fully absorbed the expenses of Gear Asset Management Limited, which was acquired in May of 2018, and more employment of contact centre agents after terminating of outsourcing of contact centre agents services from our associate company.

The Group recorded other operating expenses amounted to approximately HK$20.5 million (2018: approximately HK$44.4 million). The other operating expenses mainly include auditors' remuneration, insourcing expenses, insurance, legal and professional expenses, expenses relating to short-term leases and rates, repair and maintenance, subcontracting expenses, telephone expenses, travelling, entertainment and utilites expenses. The other operating expenses to sales ratio decreased from approximately 31.3% for the year ended 31 December 2018 to approximately 15.5% for the year ended 31 December 2019. The decrease of the other operating expenses was mainly due to the decrease of the insourcing fee after the termination of outsourcing of contact centre agents services from our associate company and the decrease of rental expenses after reclassifying the rental expenses to depreciation expenses of right-of-use assets.

The Group's depreciation and amortization expenses increased from approximately HK$9 million for the year ended 31 December 2018 to approximately HK$11.3 million for the year ended 31 December 2019. The increase of depreciation and amortization expenses is mainly due to the increase of depreciation expenses of right-of-use assets which were reclassified from rental expenses.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group's profit attributable to owners of the Company increased from approximately HK$3.9 million for the year ended 31 December 2018 to approximately HK$7.6 million for the year ended 31 December 2019. The increase in profit attributable to owners of the Company was mainly due to the contribution from the growth of the financial business following the expansion of the asset management business and the general reduction of the expenses.

DIVIDEND

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

The Board does not recommend a final dividend for the year ended 31 December 2019 (2018: nil).

PLEDGE OF ASSETS

As at 31 December 2019, the Group had pledged its bank deposits of approximately HK$9.1 million (2018: approximately HK$9 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 2019 (2018: Nil). As at 31 December 2019, there was no capital commitments outstanding but not provided for in the financial statements (2018: HK$0.9 million).

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

Save for those disclosed in this announcement, there were no significant investments held as at 31 December 2019, 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 2019.

DIRECTORS

Executive Directors

Mr. Tang Yiu Sing (鄧耀昇), aged 34, 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 has been appointed as an executive director of Pine Care Group Limited (stock code: 1989), a company listed on the Main Board of Hong Kong Exchanges and Clearing Limited, with effect from 23 March 2020. He is also 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 48, 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, he resigned as an Executive Director of Creative Energy with effect from 29 July 2010. Mr. Yeung has been appointed as an executive director of Pine Care Group Limited (stock code: 1989), a company listed on the Main Board of Hong Kong Exchanges and Clearing Limited, with effect from 23 March 2020. 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 86, 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 72, 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 57, 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 46, 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. Mr. Wong had been appointed as a non-executive director of Xinhua News Media Holdings Limited (Stock Code: 309), a listed company under the Main Board of Hong Kong Exchanges and Clearing Limited with effect from 8 November 2019, and his directorship ceased on 29 February 2020. 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 56, 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 55, 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. Yu Yeuk Sze (余若詩), aged 53, 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 57, 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 49, 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.

Mr. Siu Man On (蕭文安), aged 41, 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 2019, 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 another 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 2019.

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 14 to 16 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

The Board held six Board meetings during the year ended 31 December 2019. 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	6/6	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 2019, 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, has entered into a renewed service contract with the Company for a term of three years commencing on 30 June 2019 and 12 January 2020 respectively.

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

BOARD COMMITTEES

Nomination Committee

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.

Below are the nomination procedure and process:

- The evaluation, recommendation, nomination, selection and appointment or re-appointment of each proposed Director shall be assessed and considered by the Nomination Committee and the Board against the selection criteria and the Board Diversity Policy.

- In the appointment of a proposed Director, the Nomination Committee shall evaluate the candidate's eligibility based on the selection criteria. If multiple candidates are involved, the Nomination Committee shall prioritize them according to the Company's needs and the candidates' respective qualification.

The Board will review the nomination procedure and process from time to time.

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 two meetings during the year ended 31 December 2019, and the attendance records of the individual committee members are set out below:

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

Note:

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

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

– 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

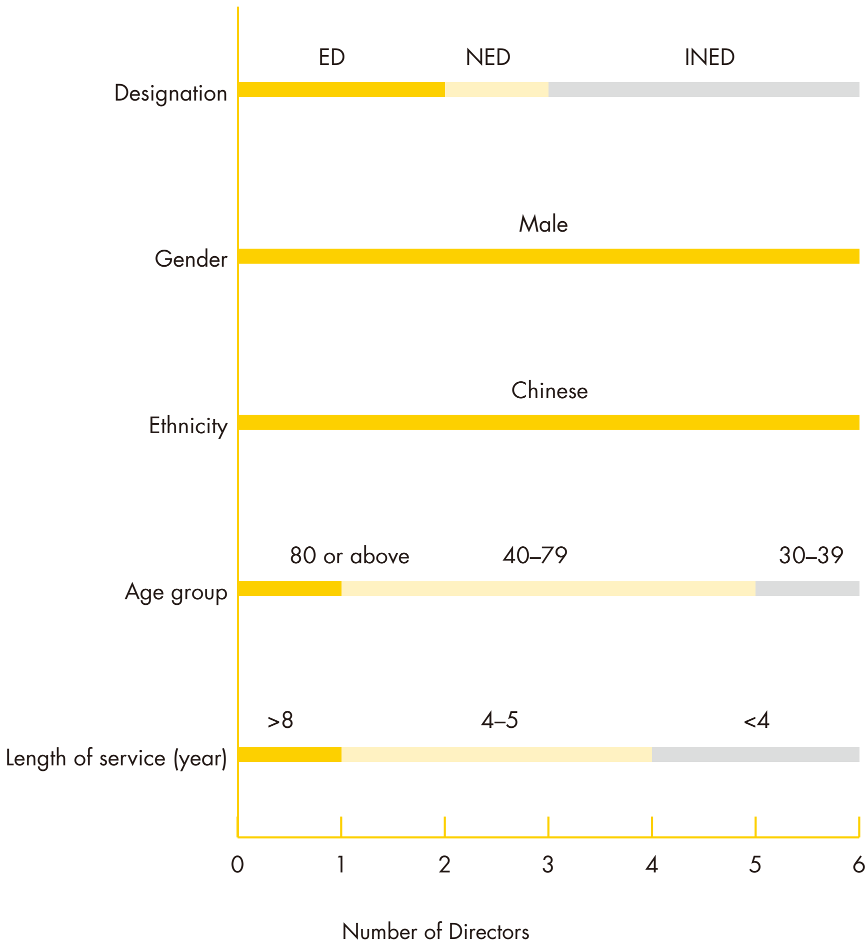
– made recommendation on the retiring Directors at the Annual General Meeting of the Company.

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 2019, 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 2019 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 non-executive Directors.

The Remuneration Committee held two meetings during the year ended 31 December 2019, 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 2019, 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 three meetings during the year ended 31 December 2019, and the attendance records of the individual committee members are set out below:

	Number of Meetings Attended/Held[1]
Mr. Wong Kam Tai *(Chairman)*	3/3
Mr. Tang Yiu Sing	1/3
Mr. Yeung Ka Wing	3/3
Mr. Wong Sik Kei	3/3
Mr. Cheung Kong Ting	3/3

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 2019 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 2019, 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 (2018: HK$1,100,000).

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 2020 Annual General Meeting of the Company, which will be delivered together with the 2019 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 under Appendix 20 of the GEM Board Listing Rules issued by The Stock Exchange of Hong Kong Limited. This ESG Report provides an update on the Group's sustainability performance and initiatives for the period from 1 January 2019 to 31 December 2019 ("2019").

As a responsible corporate citizen, we are committed to incorporate good environmental, social and governance practice into our management and operation to serve as a positive force to our environment and community. The management of the Group regularly communications and reviews with major business and/or operation units about sustainability issues and revises internal policies or procedures whenever necessary. This ESG report reflects our sustainability progress and recognizes our pertinent efforts made in 2019.

PART A: ENVIRONMENTAL

The Group recognizes our responsibilities of potential impact on the environment associated with our business operations. We embrace our responsibilities by promoting energy saving, waste reduction, recycling and any other green initiatives in our business decisions and operations. We continue to commit to provide training to our employees to raise their awareness on environmental protection and complying with relevant environmental laws and regulations.

In order to enhance our environmental governance practice and minimize any adverse impact of our operations to the environment, the Group has implemented Environmental Policy and constantly applied the practice to our day to day operation of the business. The major objective of the Environmental Policy is to ensure our energy consumption, air emission, waste disposal and recycling are conducted in an environmentally responsible manner. Moreover, the Group will continue to try to reduce our energy and other resources consumption and explore other environmental friendly initiatives in the long run.

In 2019, the Group has not identified any material non-compliance of environmental laws and regulations, including but not limited to Air Pollution Control Ordinance, Water Pollution Control Ordinance, Waste Disposal Ordinance, Noise Control Ordinance in relation to exhaust gas and GHG emissions, water and land discharge, and the generation of hazardous and non-hazardous waste that would have a significant impact on the Group.

Emissions

Air emissions

The Group mainly provides services to our customers and relevant air emission generated is not significant. One of the major sources of air pollution produced by the Group is through fuel consumption by the Company's motor vehicle during 2019. The following table shows direct emission of nitrogen oxides ("NO_x"), sulfur oxides ("SO_x") and particulate matter ("PM") produced by fuel consumption of the motor vehicle in 2019:

	Total (g)
Nitrogen oxides (NO_x)	3,430
Surplus oxides (SO_x)	53
Particulate matter (PM)	253

GHG Emissions

The Group's GHG emissions in scope 1 mainly comes from fuel consumption by the vehicle owned by the Company in 2019, and is shown in the following table.

	Total (g)
Carbon Dioxide ("CO_2")	6,014
Methane ("CH_4/N_2O")	19
Nitrous Oxide ("N_2O")	1,227
Total direct GHG emission (kg)	7,260

Consumption of electricity is the major source of indirect emission of GHG. The Group's carbon dioxide ("CO_2") produced from electricity consumption was approximate 423,846 in 2019.

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 2019, the Group did not record any indirect emissions generated from air travelling for business.

The Group tried to minimize the adverse environmental impact by encouraging positive practice related to travelling in our Environmental Policy, which 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.

Waste management

Hazardous waste handling

The Group did not generate any hazardous waste in 2019.

According to our Environmental Policy, in case we need to dispose of any hazardous waste produced, the Group will engage qualified chemical waste collector to handle the disposal.

Non-hazardous waste handling

The Group adheres to waste reduction principle and strives to manage our waste efficiently through "reduce, reuse and recycle" measures. During 2019, the Group consumed approximately 1,890 kg of paper. Relevant guidelines to promote responsible utilization of resources are provided in our Environmental Policy, including but not limited to the followings:

- reuse one side printed paper;
- print with smaller font size to reduce the use of paper;
- reduce blank space in document;
- 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
- encourage staff to bring his/her own cup/plate to reduce usage of disposal utensils.

As a supportive action to promote recycling, the Group commissioned qualified recycling vendors to collect and recycle our used paper and plastic bottles in 2019. Different recycling collection points with signage are set up in the office to encourage staff to follow the practice. During 2019, 1,834 kg papers were collected for recycling representing planting 47 tree seedlings.

Similar to last year, the management of the Group organised different recycling campaigns to raise the overall awareness of environmental protection.

Used red packets collection after Chinese New Year.

Used aluminium mooncake boxes collection.

Used plastic bottles collection.

Use of resources

The Group is committed to optimise resource usage efficiency and reduce any unnecessary use of resources and/or materials in our business operations. Good practice are always promoted in the working environment as a support of the initiative.

Energy management

Electricity is the major source of energy consumed for our business operations. The Group has established energy conservation policies and guidelines in our Environmental Policy and all employees are expected to adopt the practice and measures in order to achieve the objective of energy saving and efficient use of resources. During 2019, the consumption of electricity was 672,772 kwh, and the management of the Group has performed, including but not limited to, the following measures related to energy management:

- use energy efficient LED lighting wherever is possible;
- 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;
- apply zoning control of air conditioning to reduce wastage; and
- share energy saving tips with employees regularly.

Water consumption

The Group mainly consume water for cleaning and sanitation. Although we do not consume significant amount of water from our business operation, the management of the Group always advocates environmental friendly practice and the importance of water conservation in the work place. The Group's consumption of water was 3,531 cubic meters in 2019, and during the reported period the following measures and promotions have been implemented to encourage reduction in water consumption:

- install self-closing water tap to avoid massive water wastage due to negligence;
- adjust the water flow to avoid overuse of water; and
- put up "Water Saving" posters to encourage using water conscientiously.

Use of packing materials

Due to the nature of our business, the Group did not involve any substantial production or consumption of packaging materials during 2019.

PART B: SOCIAL

Employment and labour standard

Human resources are the foundation of our business, and we regard each employee as a valuable asset of the Group. Our Employee Handbook has clear Employment Policy to support our people-oriented core value and provide a fair and suitable environment for the continuous growth of our employees. The Employee Handbook covers various aspects such as recruitment, compensation, working hours, rest period, dismissal, promotion, equal opportunities, diversity, etc., and is reviewed at least annually by the management of the Group to ensure it complies with the latest Employment Ordinance, Employers Provident Fund Schemes Ordinance, Minimum Wages Order, etc. as well as incorporates any new changes or improvements as needed.

During 2019, the Group was not aware of any material non-compliance with employment related laws and regulations which include, but are not limited to Employment Ordinance and Minimum Wage Ordinance.

Recruitment and remuneration

The management of the Group understands the importance of attracting capable talents and maintaining stable workforce hold the keys to the sustainability of our business. The Group mainly recruits through open recruitment channels, and we basically assess each candidate according to his/her qualifications, experience, skills, potential, suitability, etc. through a standardized recruitment process in an open and fair manner.

The Group's remuneration policy is based on principle of equality, responsibility, performance and market benchmark. We offer competitive remuneration package including but not limited to, paid holidays, annual leave, sick leave, maternity and paternity leave, marriage leave, medical scheme, mandatory provident fund and discretionary bonus. Remuneration packages are normally reviewed by the management of the Group on annual basis.

Promotion and dismissal

The Group has maintained an objective appraisal system for promotion and annual performance evaluation. The appraisal exercise allows the supervisors and employees an opportunity to discuss job performance, achievements, area for growth and also make alignments on goals and expectation.

We strive to maintain stable workforce, however, in case of voluntary resignation or dismissal, the Group follows all requirements regarding the termination of employment as stipulated in the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). The Group strictly prohibits any kind of unfair or unreasonable dismissals.

Work-life balance

The Group supports work-life balance of our employees, and we recognize healthy lifestyle as a means of business sustainability. Other than continuing to foster a pleasant workplace for the employees to work at, the Group has also actively engaged our employees through a series of social, gatherings, volunteer works and charity activities in 2019, including:

- sports competition, festive decoration contest
- annual dinner, Christmas party
- charity walk, volunteer activities
- monthly birthday party
- desert day, massage day

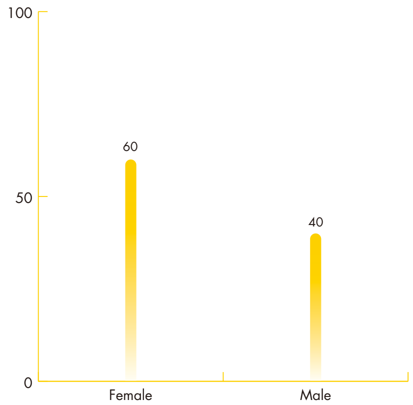
Diversity and equal opportunity

We recognize the benefits of having a diversified workforce and embrace an inclusive working culture at all times. We strive to create a trusting work environment which is able to provide equal opportunity and is free from discrimination against any individual on the basis of race, religion, colour, gender, physical or mental disability, age, place of origin, marital status, and sexual orientation. The management of the Group reviews our Equal Opportunity Policy annually to ensure all our employment related processes comply with discrimination law ordinances in Hong Kong.

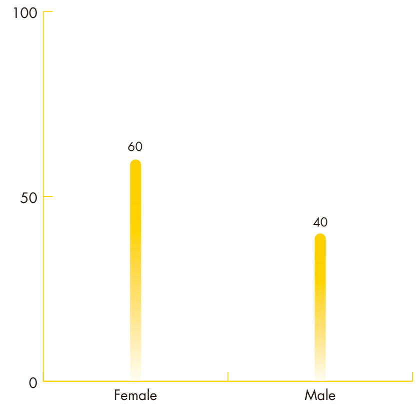
The Group has a total number of 753 employees as of 31 December 2019 in Hong Kong, and with a large majority of them work on full-time basis. We have maintained a reasonable diversity in our work force in terms of gender and age group in 2018 and 2019.

Percentage of employees by gender

Gender 2019

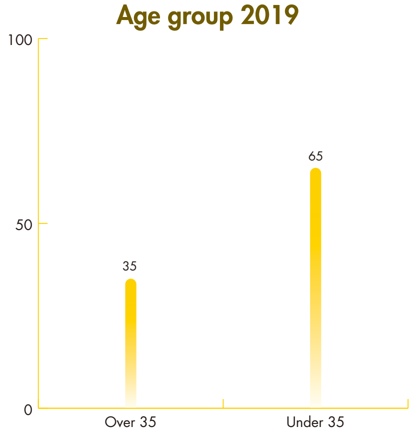


Gender 2018

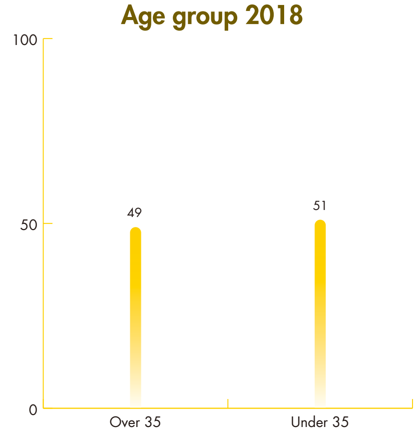


Percentage of employees by age group

Age group 2019



Age group 2018



Health and safety

The management of the Group is committed to provide a safe, healthy and comfortable working environment for all employees. We established Safety Policy that adheres to the occupational health and safety guidelines recommended by Labour Department and Occupational Safety and Health Council. Administration Department is responsible to regularly review the effectiveness of the policy and advise the management of the Group on any potential safety hazards and improvement of the health and safety standards.

The Safety Policy complies with relevant rules and guidelines, including but not limited to, that of Occupational Safety Health Ordinance, Employee Compensation Ordinance and Fire Safety (Building) Ordinance. On-going monitoring and regular training are performed to ensure awareness of the employees on the relevant safety issues. The relevant measures taken include:

- organize 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 exit route at prominent areas;
- install "Exit" sign at all exits; and
- set up first aid facilities at an accessible location in the premises.

In 2019, there was a total of 5 work injury cases resulting in 24 lost days of work.

The recent coronavirus epidemic in Hong Kong has imposed much risk to our operation. The management of the Group is highly alert and has activated crisis management through a series of preventive and monitoring controls to reduce the risk of infection and transmission of disease. A cross departmental committee ("CDC") headed by top management was set up for daily reporting and monitoring of the situation in order to ensure the health of employees and safety of the workplaces. Guidelines on different aspects have been prepared to alert and educate all employees how to stay safe on personal as well as working level.

The Group has tried hard to source and make available face masks for our employees and placed hand sanitizers at various points in the workplace for disinfection. Regular cleaning with disinfectant was performed in key public areas and temperature was taken for all people entering the workplace. Air purifiers are installed at different points of the contact centres to further improve the indoor air quality. Employees are allowed and encouraged to wear casual clothing to work which can be washed daily after going home. Guidelines provided by the Department of Health and Centre for Health Protection are shared with employees for their knowledge and upkeep of personal hygiene.

Employees are requested to report to the management on history of travelling to China or other places, close contact with people with suspected or confirmed infection, feeling unwell, etc. The CDC will decide what action to be taken on a case by case basis. As of the day of this report, there is no reported case of infection in the Group.

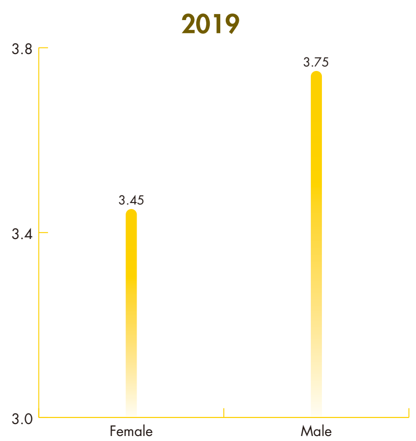
Development and training

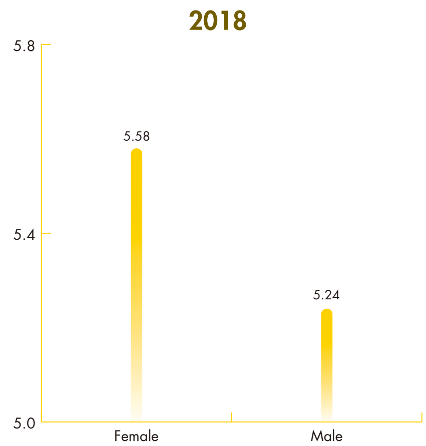
We recognize employees are our major assets, on-going training and development of our talents can greatly contribute to the continued success of the Group.

Other than providing basic job-related training to each employee upon on-boarding, the Group has always encouraged our staff to keep abreast of the latest knowledge in their respective field of expertise. The Group organizes, recommends and/or sponsors internal as well as external training programs on areas including but not limited to, sales and marketing, human resources management, new IT related technology, design thinking, etc. We believed effective training can help to further develop our talents and increase the competitiveness of the Group in the market.

We also encourage department managers to actively assess areas of training and development needs of their subordinates in order to improve their abilities for future career advancement. Sponsorships are available to employees for approved training or achieving professional qualifications upon meeting certain criteria.

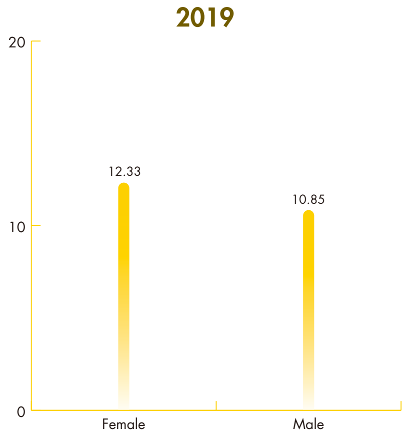
Average training hours by gender

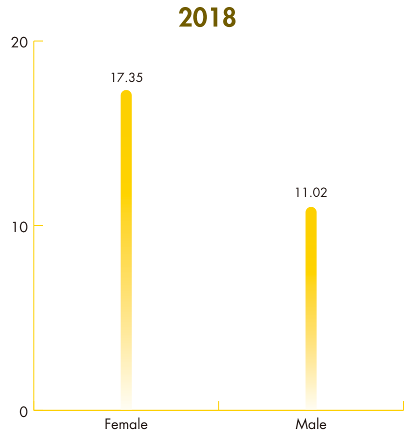




The below charts present the average training hours of employees in supervisory level by gender in 2019 and 2018 respectively.

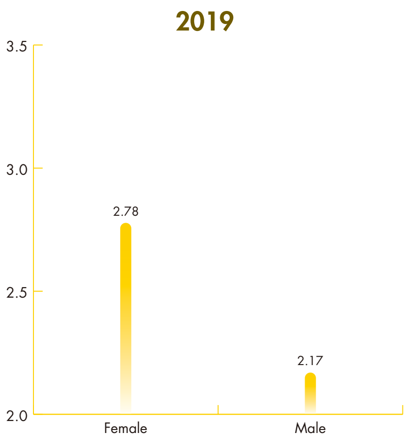
Average training hours in supervisory level by gender

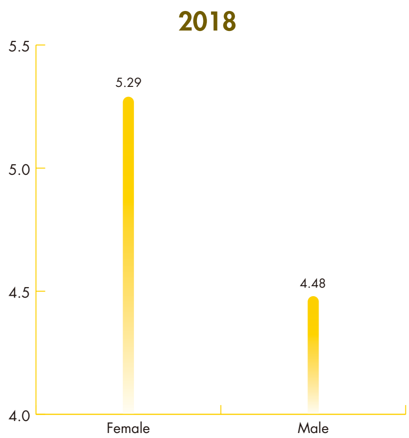




The below charts present the average training hours of employees in working level by gender in 2019 and 2018 respectively.

Average training hours in working level by gender





Labour standards

The Group strictly prohibits child and forced labour of any kind in accordance with the local labour laws, including but not limited to the Employment Ordinance (Cap. 57 of the Laws of Hong Kong). We have established sufficient and adequate controls in our human resources operational procedures to prevent employment of child and forced labour, including verification of personal identity documents and entering into legitimate employment contract with employees.

During the Reporting Period, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations relating to labour standards which would have a significant impact on the Group.

Supply chain management

The Group is aware of the importance in managing environmental and social risks of its supply chain, and recognizes that proper management of our supply chain could bring positive impact to our natural and social environment. We strive to promote and communicate with our suppliers about our environmental and social practices. The Group has embedded environmental and social consideration in the procurement process and supplier communication.

During the Reporting Period, we engaged with five major suppliers who are based in Hong Kong, and the Group was not aware of any significant incidents and irregularities relating to business ethics, environmental protection and employment practices of our major suppliers and contractors.

Product responsibility

The Group commits to offering products and services with high standards of safety, quality and reliability as well as protecting the personal data of our customers so as to maintain their trust in us. We have obtained ISO 9001:2008 Quality System Certificate in design and provision of telemarketing and 24-hour customer service hotline since 1997, and customize and improve the quality of our services according to the requests of the customers. The contact centre solutions provided to our customers include computer equipment and accessories we source from reputable suppliers or through their authorized distributors that comply with Sale of Goods Ordinance.

The Group has established recall procedures to handle any product recall in a professional manner. A recall report is to be prepared by the relevant departments to the management of the Group, which include but not limited to product identified, reasons, impact and risk of recall, solution proposed, action plan, etc. The management will assess the risks involved to decide the action to be taken, such as inform the vendors, customers and/or relevant regulatory bodies if necessary, make replacement, follow up with customers, etc. A report with preventive and corrective action will be submitted to the management for review and immediate improvement.

The management of the Group places high emphasis on providing excellent customer services. We have well defined guidelines and procedures of recording and managing customer complaint, in order to ensure that each complaint is handled promptly, properly and satisfactorily by staff equipped with relevant skills through training. Departments involved are responsible to draw up preventive and corrective action which can avoid the problem from happening again, and escalate the feedbacks or complaints to the management if necessary.

During the Reporting Period, there was no recall of product due to the health and safety reason and the Group was not aware of any significant complaints that would have a significant impact on the Group.

We have several registered trademarks in Hong Kong and the management of the Group is determined to protect our intellectual property rights and take appropriate lawful action in case of any infringement. The Group also has Information Security Policy and guidelines to protect any third party IP rights by prohibiting employees from duplicating, installing or using software without appropriate copyright or licenses.

The Group has very strict policy and procedures to safeguard the security of customer information entrusted to us by our clients. We have maintained ISO 27001: Information Security Management System since 2011, and tightly adhere to Personal Data (Privacy) Ordinance of Hong Kong throughout the operation. Adequate training are provided to employees responsible for handling sensitive customer data, and each of these employee is required to sign confidentiality agreement with us or the client. The IT Department is responsible to implement various measures, including but not limited to, password control, disable USB drive, screen lock, print control, firewall, anti-virus, anti-spam, etc. to protect our electronic data from unauthorized access or leaking, and also constantly update the relevant software to ensure their effectiveness.

During the Reporting Period, the Group was not aware of any material non-compliance with any laws and regulations, including but not limited to the Copyright Ordinance, Trade Description Ordinance and Personal Data (Privacy) Ordinance of Hong Kong, that has a significant impact on the Group.

Anti-corruption

The Group is committed to upholding the highest standards of business ethics in its business and operations. The Group is in strict compliance with the Prevention of Bribery Ordinance and has zero tolerance on any forms of bribery, corruption and fraud. We have established and implemented Anti-corruption and Anti-bribery Policy to maintain a fair and ethical business and working environment.

All employees are constantly reminded to observe the guidelines in handling conflict of interests, accepting gifts, benefits or entertainment, disclosing confidential information, offering approval or favour, etc. in order to comply with the relevant laws and regulations. Employees who violate the Anti-corruption and Anti-bribery Policy will be subject to warning and/or dismissal, and the management of the Group may also report to law-enforcement authorities if needed.

To increase the openness and accountability of the Group, we have established a whistleblower policy, which allows employees and external parties to directly report to the Board of Directors of any possible misconducts or malpractices anonymously. The Group will handle each case promptly and at the same time, protect the whistle-blower's identity where possible.

During the Reporting Period, the Group was not aware of any material non-compliance with relevant laws and regulations of corruption, bribery, fraud and money laundering, including but not limited to Prevention of Bribery Ordinance of Hong Kong, and we also did not have any legal cases regarding corrupt practices brought against the Group or our employees.

Community

As a socially responsible corporation, the Group always supports social stability, participation and contribution of the local community. The management of the Group aims to promote corporate citizenship with the mission of building a cohesive society, and inspire our employees, their families and friends to offer our help, in terms of money, time and efforts, to those less privileged in the society, and all together build up a caring community in Hong Kong.

We have obtained the Caring Company Award from The Hong Kong Council of Social Services in recognition of the Group's commitment in caring the community, employees and environment for the 7th consecutive year. During the year, the Group has continued to participate in community activities through donations, volunteer services and sponsorships, and was recognized as one of the "Supporting Social Enterprise Organizations".

The Group continued to join the blood donation event in 2019 with Hong Kong Red Cross to promote blood transfusion.

The Group organized and participated in home visit to elderly during Dragon Boat Festival and Mid-Autumn Festival, bringing festive food for their enjoyment during the holidays.

This is the third year we organized the volunteer calling campaign "有耳思" with the Mental Health Association of Hong Kong. Our staff volunteers call and talk to their corresponding association members to show our caring and support to them on monthly basis, in addition to regular gatherings throughout the year.

The Group encourages and supports our employees to join charity events to help raising fund for supporting those less privileged in the society. Employees have joined the "Walk for Millions" as well as stair climbing challenge in support of The Hong Kong Community Chest.

Walk for Millions

Stair climbing challenge

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 2019.

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 2019 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 2019 (2018: 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 4 May 2020 (Monday) to 7 May 2020 (Thursday), both days inclusive, during which period no transfers of Shares shall be registered. In order to be eligible for attending the forthcoming annual general meeting of the Company, all transfers of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 29 April 2020 (Wednesday). 30 April and 1 May 2020 are public holidays in Hong Kong. 2 May and 3 May 2020 are Saturday and Sunday respectively.

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 15 to the Financial Statements.

BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at the balance sheet date are set out in note 28 to the Financial Statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 30 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 32 to the Financial Statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2019, 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$69,020,000 (2018: HK$68,629,000).

MAJOR CLIENTS AND SUPPLIERS

Sales to the Group's five largest clients accounted for approximately 65% of the total sales for the year and sales to the single largest client amounted to approximately 24% 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 76% 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. Yeung Ka Wing and Mr. Wong Sik Kei shall retire from office at the 2020 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 14 to 16 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, has entered into a renewed service contract with the Company for a term of three years commencing on 30 June 2019 and 12 January 2020 respectively.

The appointments of all Directors are subject to the provisions of the Articles of Association with regard to vacation of office of Directors, removal and retirement by rotation of Directors.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting of the Company has a service contract or an appointment letter with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from the Share Option Scheme, at no time during the year ended 31 December 2019 was any of the Company or any associated corporation a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercised any such rights.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 35 to the Financial Statements, none of the Directors had material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries, fellow subsidiaries or its parent company was a party during the year under review.

PERMITTED INDEMNITY PROVISION

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

NON-COMPETITION UNDERTAKING

As disclosed in the announcement of the Company dated 24 October 2019, Gear Credit Limited, which is an indirect wholly-owned subsidiary of the Company, has obtained a money lender's licence under the Money Lenders Ordinance ("MLO") and commenced its money lending business.

Prior to the commencement of business of Gear Credit, on 21 October 2019, Mr. Tang Shing Bor ("Mr. Tang") (our Chairman and non-executive Director), Mr. Tang Yiu Sing ("Mr. YS Tang") (our Chief Executive Officer and executive Director), H.K. Sources Finance Limited ("HK Sources") and Kong Way Credit Company Limited ("Kong Way", together with Mr. Tang, Mr. YS Tang and HK Sources, the "Covenantors") entered into a deed of non-competition (the "Deed of Non-competition") in favour of the Company (for itself and as trustee of the members of the Group) with a view to safeguard the interest of the Company and the Shareholders as a whole.

As at the date of the Deed of Non-competition, (i) Mr. Tang is the controlling shareholder of HK Sources, which is a company incorporated in Hong Kong with limited liability and a holder of a money lender's licence under the MLO and is principally engaged in the provision of mortgage loan; and (ii) Mr. YS Tang is the sole shareholder of Kong Way, which is a company incorporated in Hong Kong with limited liability and a holder of a money lender's licence under the MLO and is principally engaged in the provision of loans for individuals and small and medium enterprises.

Subject to the terms and conditions of the Deed of Non-competition, each of the Covenantors irrevocably and unconditionally, jointly and severally, undertakes to and covenants with the Company (for itself and as trustee for the benefit of the members of the Group) that during the continuation of the Deed of Non-competition, other than the aforementioned shareholding interests held by Mr. Tang and Mr. YS Tang in HK Sources and Kong Way respectively, each of the Covenantors shall not, and shall procure each of his/its close associates (other than any members of the Group) not to, whether on his/its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly, carry on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by the Group (including but not limited to the provision of comprehensive multi-media contact services, contact centre system, staff insourcing and financial services engaged by the Group and the money lending business engaged by the Group through Gear Credit and/or other member(s) of the Group in Hong Kong and any other country or jurisdiction to which the Group markets, supplies or otherwise provides such service and/or in which any members of the Group carries on business mentioned above from time to time (the "Restricted Business").

Each of the Covenantors further undertakes that if he/it and/or any of his/its close associates is offered or becomes aware of any project or new business opportunity ("New Business Opportunity") that relates to the Restricted Business, whether directly or indirectly, he/it shall: (i) promptly in any event not later than three (3) Business Days notify the Company in writing of such opportunity and provide such information as is reasonably required by the Company in order to enable the Company to come to an informed assessment of such opportunity; and (ii) use his/its best endeavours to procure that such opportunity is offered to the Company on terms no less favourable than the terms on which such opportunity is offered to him/it and/or his/its close associates. If the Group has not given written notice of its desire to invest in such New Business Opportunity or has given written notice denying the New Business Opportunity within five (5) Business Days (the "5-day Offering Period") of receipt of notice from the Covenantors, the Covenantors and/or his/its close associates shall be permitted to invest in or participate in the New Business Opportunity on his/its own accord. The Covenantors agree to extend the five (5) Business Days to a maximum of ten (10) Business Days if the Company requires so by giving a written notice to the Covenantors within the 5-day Offering Period.

As at the date of this report, the Company had received written notices from all of the Covenantors in respect of any New Business Opportunity which competed or was likely to compete with the existing business of the Group which was offered or came to the knowledge of the Covenantors or their close associates (other than any member of the Group). Each of the Covenantors has made an annual declaration to the Company in respect of his/its compliance with his/its obligations under the Deed of Non-competition for the year ended 31 December 2019.

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 2019.

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 2019, 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 2019, 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 2019, 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 2019, 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 17 to 28 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 2019 are set out in note 35 to the Financial Statements. Those related party transactions constitute continuing connected transactions both exempted and non-exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

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

(1) Lease Agreements

(a) Camelpaint Building Lease dated 28 May 2018

On 28 May 2018, Epro Telecom Services Limited ("Epro Telecom"), an indirect wholly-owned subsidiary of the Company and Always Beyond Limited ("Always Beyond") 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 amounts 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 ending 31 December 2018, 2019 and 2020 are approximately HK$744,000, HK$1,275,000 and HK$531,000 respectively.

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 entering into of the 2018 Camelpaint Building Lease was 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 and the Annual Cap for the 2018 Camelpaint Building Lease are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

(b) Renewed China Plaint Building Lease dated 27 December 2018

References are made to the Company's announcement dated 21 December 2015 regarding the lease entered into between Epro Telecom and Stan Group (Holdings) Limited ("Stan Group") in relation to the leasing of 3/F, part of 4/F and 6/F, China Paint Building, 1163 Canton Road, Kowloon, Hong Kong (the "Old China Paint Building Lease"). The Old China Paint Building Lease expired on 31 December 2018 (the "Expiry"). According to the Company's announcement dated 27 December 2018, the relevant parties entered a lease dated 27 December 2018 before the Expiry for renewing the lease of 3/F and 4/F of China Paint Building, 1163 Canton Road, Kowloon, Hong Kong ("China Paint Building Property") with a total saleable area of 16,000 square feet 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").

Stan Group is wholly-owned by Mr. Tang Yiu Sing, an executive Director, Stan Group is therefore a connected person of the Company and the transactions contemplated under the Renewed China Paint Building Lease constitute continuing connected transactions under Chapter 20 of the GEM Listing Rules.

Epro Telecom has used the China Paint Building Property as a business centre and main office of the Group since December 2015. As the China Paint Building Property would continue to 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) consider that the entering into the Renewed China Paint Building Lease is in the interests of the Company and its Shareholders as a whole.

The historical amounts paid by the Group under the Old China Paint Building Lease for the each of the years ended 31 December 2016, 2017 and 2018 are HK$2,162,000, HK$2,526,000 and HK$2,756,000 respectively. The maximum annual aggregate amounts payable by Epro Telecom to Stan Group for each of the three years ending 31 December 2019, 2020 and 2021 (the "Annual Cap for the Renewed China Paint Building Lease") are HK$2,398,000, HK$2,616,000 and HK$2,616,000 respectively.

As disclosed in the announcement of the Company dated 28 May 2018, 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 ending 31 December 2018, 2019 and 2020 are approximately HK$744,000, HK$1,275,000 and HK$531,000 respectively.

Given the similar nature of the transactions under, and the contracting parties to, the 2018 Camelpaint Building Lease and the Renewed China Paint Building Lease, the Annual Cap for the Renewed China Paint Building Lease is aggregated with the Annual Cap for the 2018 Camelpaint Building Lease for the year ending 31 December 2019 for the compliance with the requirements under the GEM Listing Rules. As such, the aggregate proposed annual cap for the Renewed China Paint Building Lease and the 2018 Camelpaint Building Lease for each of the years ending 31 December 2019 and 2020 are HK$3,673,264 and HK$3,147,360 respectively (the respective "Aggregate Proposed Annual Cap").

The terms of the Renewed China Paint Building Lease (including the monthly rent) were determined after arm's length negotiations between the Group and Stan Group 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 Renewed China Paint Building Lease was entered into in the ordinary and usual course of business of the Group on normal commercial terms; and (ii) the terms of Renewed China Paint Building Lease, the Annual Cap for the Renewed China Paint 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 28 May 2018 and 27 December 2018 regarding to these transactions for further details.

(2) Service Agreements

(a) Stan Group Service Agreement dated 29 August 2018

On 29 August 2018, Epro Online Services Limited ("Epro Online") and Stan Group (Holdings) Limited ("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.

Stan Group is wholly-owned and beneficially owned by Mr. Tang Yiu Sing, an executive Director since 29 July 2015 and the son by Mr. Tang Shing Bor, a non-executive Director and a controlling shareholder of the Company, Stan Group is therefore a connected person of the Company and 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.

The 2018 Stan Group Service Agreement expired on 31 August 2019.

(b) Investment Advisory Agreement dated 10 June 2019

On 10 June 2019, Gear Securities Investment Limited ("Gear Securities"), an indirect wholly-owned subsidiary of the Company, entered into an investment advisory agreement dated 10 June 2019 (the "Investment Advisory Agreement") with Pacific Paradise Development Limited ("Pacific Paradise"), pursuant to which Pacific Paradise has agreed to appoint and Gear Securities has agreed to be appointed as an investment advisor of Pacific Paradise at a monthly advisory fee of HK$500,000 (the "Advisory Fee") for a period of three years commencing on 10 June 2019 and ending on 9 June 2022 (both days inclusive).

Gear Securities shall provide the following services to Pacific Paradise on a non-exclusive basis:

– discretionary trading or advisory services on investment products through various banks and brokerage firms in Hong Kong. These investment products include, but are not limited to, Hong Kong and global stocks, bonds, and equity-linked derivatives;

– advice and supervision on individual investments and portfolio management;

– preparation of investment portfolio composite weekly or monthly report as so requested by Pacific Paradise from time to time; and

– risk assessments, analysis and management of the overall risk of the portfolio,

(collectively, the "Services").

The Advisory Fee was determined after arm's length negotiations between the parties with reference to, among other things, (i) the labour costs of the relevant employees of the Group taking into account their respective salaries level ranging from approximately HK$20,000 to approximately HK$60,000 and the discretionary bonus payable to them, apportioned by the actual time spent on providing the Services; and (ii) the prevailing market rates of comparable Services in Hong Kong.

The maximum annual aggregate amounts payable by Pacific Paradise to Gear Securities under the Investment Advisory Agreement during the term (the "Advisory Fee Annual Caps") are HK$3,350,000 for the period from 10 June 2019 to 31 December 2019, HK$6,000,000 for each of the year ending 31 December 2020 and 2021, and HK$2,650,000 for the period from 1 January 2022 to 9 June 2022.

The principal activities of the Group include outsourcing inbound contact service, outsourcing outbound contact service, staff insourcing service and contact service centre facilities management service and other services such as licencing, system maintenance, sale of systems and software and provision of financial services including securities broking and asset management.

Gear Securities is a company incorporated in Hong Kong with limited liability and a corporation licensed to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities as defined under the Securities and Futures Ordinance. It is principally engaged in the provision of discretionary portfolio management and portfolio management advisory services and dealing services for securities.

Taking into consideration that (i) the provision of Services to Pacific Paradise by Gear Securities pursuant to the Investment Advisory Agreement is in the ordinary and usual course of business of the Group and will generate stable revenue to the Group; and (ii) the terms of the Investment Advisory Agreement (including the Advisory Fee) were determined at after arm's length negotiations between the Group and Pacific Paradise with reference to the labour costs of the relevant employees of the Group and the prevailing market rates of comparable Services in Hong Kong, the Board (including the independent non-executive Directors) considers that (a) the Investment Advisory 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 Investment Advisory Agreement and the Advisory Fee Annual Caps are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Pacific Paradise is owned as to 50% by Mr. Tang Shing Bor and 50% by Mr. Tang Yiu Sing respectively. Pacific Paradise is therefore a connected person of the Company and the transactions contemplated under the Investment Advisory Agreement constitutes continuing connected transactions under Chapter 20 of the GEM Listing Rules.

Given the similar nature of the transactions under, and the relationship between the contracting parties to, the 2018 Stan Group Service Agreement and the Investment Advisory Agreement, the Annual Cap for the 2018 Stan Group Service Agreement for the year ending 31 December 2019 are aggregated with the Annual Cap for the Investment Advisory Agreement for the period from 10 June 2019 to 31 December 2019 for the compliance with the requirements under the GEM Listing Rules. As such, the aggregate proposed annual cap for the 2018 Stan Group Service Agreement for the year ending 31 December 2019 and the Investment Advisory Agreement for the period from 10 June 2019 to 31 December 2019 is HK$4,750,000 (the "Aggregate Annual Cap"), while the annual cap for the Investment Advisory Agreement for the period from 10 June 2019 to 31 December 2019 is HK$3,350,000.

Please also refer to the announcements made by the Company on 29 August 2018 and 10 June 2019 regarding to the above transactions for further details.

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 2019 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 2019 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, 20 March 2020

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 MEMBERS 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 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and 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 2019, 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 of 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 Matters

Capitalization of software development costs	How our audit addressed the Key Audit Matter
Refer to Notes 4 and 17 to the consolidated financial statements	
The Group capitalizes a material level of software development costs on an annual basis. We focused on this area because the decision as to the amounts of development costs to be capitalized required management's judgement.	We considered the key areas of 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	How our audit addressed the Key Audit Matter
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.	We have assessed the competence, expertise and objectivity of the management expert who calculates the recoverable amount of cash generating unit. 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 the information included in the annual report other than the consolidated financial statements and our auditors' report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. This report is made 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 to 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 of 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 Lo Kin Kei.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Lo Kin Kei
Practising Certificate Number: P06413

Hong Kong, 20 March 2020

	Notes	2019 HK$'000	2018 HK$'000
Revenue	5	**132,333**	141,741
Other income	6	**251**	440
Other losses – net	7	**(2,018)**	(407)
Employee benefits expenses	8	**(89,086)**	(82,611)
Depreciation and amortization		**(11,296)**	(9,048)
Other operating expenses		**(20,481)**	(44,409)
Operating profit		**9,703**	5,706
Finance costs	9	**(326)**	(323)
Profit before tax	10	**9,377**	5,383
Income tax expense	11	**(1,786)**	(1,437)
Profit for the year		**7,591**	3,946
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year		**7,591**	3,946
Profit attributable to owners of the Company		**7,591**	3,946
Total comprehensive income for the year attributable to owners of the Company		**7,591**	3,946
Earnings per share attributable to owners of the Company – Basic and diluted (HK cents)	12	**2.7**	1.4

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	15	**5,509**	4,574
Right-of-use assets	16	**10,236**	–
Intangible assets	17	**12,379**	12,263
Financial assets at fair value through profit or loss	18	**–**	–
Deferred income tax assets	27	**805**	1,181
Other assets	19	**205**	205
		29,134	18,223
Current assets			
Contract assets	20	**8,624**	11,709
Trade and other receivables	21	**47,024**	55,308
Tax recoverable		**127**	–
Pledged bank deposits	22	**9,080**	9,029
Bank trust account balances	23	**9,823**	36,522
Cash and cash equivalents	24	**57,899**	47,848
		132,577	160,416
Current liabilities			
Contract liabilities	20	**1,931**	2,235
Trade and other payables	25	**26,176**	50,135
Amounts due to related companies	26	**13**	11
Current income tax liabilities		**1,964**	703
Borrowings	28	**5,000**	11,632
Lease liabilities	29	**3,381**	–
		38,465	64,716
Net current assets		**94,112**	95,700
Total assets less current liabilities		**123,246**	113,923
Non-current liabilities			
Deferred income tax liabilities	27	**91**	195
Borrowings	28	**–**	149
Lease liabilities	29	**1,985**	–
		2,076	344

	Notes	2019 HK$'000	2018 HK$'000
Net assets		**121,170**	113,579
Equity attributable to the owners of the Company			
Share capital	*30*	**2,800**	2,800
Share premium	*30*	**25,238**	25,238
Reserves	*32*	**93,132**	85,541
Total equity		**121,170**	113,579

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 20 March 2020 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 2019

	Attributable to owners of the Company					
	Share capital HK$'000 (Note 30)	Share premium HK$'000 (Note 30)	Merger reserve HK$'000 (Note 32)	Available-for-sale financial asset revaluation reserve HK$'000 (Note i)	Retained profits HK$'000 (Note 32) (Note ii)	Total equity HK$'000
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 and 1 January 2019	2,800	25,238	*25,624	–	*59,917	113,579
Profit for the year	–	–	–	–	7,591	7,591
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	7,591	7,591
Balance as at 31 December 2019	**2,800**	**25,238**	***25,624**	**–**	***67,508**	**121,170**

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 securities are classified as financial asset at fair value through profit or loss ("**FVPL**") 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 FVPL 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 FVPL 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.

* These reserve accounts comprise the consolidated reserves of approximately HK$93,132,000 (2018: approximately HK$85,541,000) in the consolidated statement of financial position.

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

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Profit before tax		**9,377**	5,383
Adjustments for:			
Depreciation and amortization		**11,296**	9,048
Fair value loss on financial assets at fair value through profit or loss		**2,000**	410
Gain on disposal of an associate		**–**	(3)
Gain on disposal of financial assets at fair value through profit or loss		**–**	(100)
Provision for/(Reversal of) impairment of financial and contract assets – net		**487**	(379)
Interest income		**(121)**	(416)
Interest expense	*37*	**326**	323
Operating cash flows before changes in working capital		**23,365**	14,266
Contract assets		**3,150**	3,771
Trade and other receivables		**7,732**	404
Amount due from an associate		**–**	10,609
Amount due from a related company		**–**	197
Bank trust account balances		**26,699**	(28,287)
Contract liabilities		**(304)**	(210)
Trade and other payables		**(23,959)**	28,867
Amounts due to related companies		**2**	–
Cash generated from operations		**36,685**	29,617
Income tax paid		**(380)**	(1,645)
Net cash generated from operating activities		**36,305**	27,972

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired		–	(3,971)
Additions of intangible assets		(4,059)	(3,781)
Increase in pledged bank deposits		(51)	(3,764)
Interest received		121	416
Purchases of financial asset at fair value through profit or loss		(2,000)	–
Proceeds from disposal of financial assets at fair value through profit or loss		–	6,616
Purchases of property, plant and equipment		(4,157)	(2,832)
Net cash used in investing activities		(10,146)	(7,316)
Cash flows from financing activities			
Interest paid	37	(208)	(323)
Proceeds from borrowings	37	5,000	49,849
Repayments of borrowings	37	(11,500)	(50,886)
Repayments of lease liabilities	37	(9,400)	–
Net cash used in financing activities		(16,108)	(1,360)
Net increase in cash and cash equivalents		10,051	19,296
Cash and cash equivalents at beginning of the year		47,848	28,552
Cash and cash equivalents at end of the year	24	57,899	47,848

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 as to the "**Group**") are principally engaged in providing comprehensive multi-media contact service, 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 2019, 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 20 March 2020.

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 the financial assets at fair value through profit or loss 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 amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 *Leases*

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("**HKAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- elected not to recognize right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 16 *Leases* (continued)

As a lessee (continued)

When recognizing the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 3%.

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	10,780
Less: Practical expedient – leases with lease term ending within 12 months from the date of initial application	(1,645)
	9,135
Lease liabilities discounted at relevant incremental borrowing rates	(270)
Lease liabilities relating to operating leases recognized upon application of HKFRS 16	8,865
Add: Finance lease liability recognized at 31 December 2018	281
Lease liabilities as at 1 January 2019	9,146
Analysed as	
Current	3,381
Non-current	5,765
	9,146

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognized upon application of HKFRS 16	8,865
Amounts included in property, plant and equipment under HKAS 17 – Assets previously under finance leases	348
	9,213

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 16 *Leases* (continued)

As a lessee (continued)

In relation to assets previously under finance leases, the Group recategorized the carrying amounts of the relevant assets which were still under lease as at 1 January 2019 amounting to approximately HK$348,000 as right-of-use assets. In addition, the Group reclassified the finance leases of approximately HK$132,000 and HK$149,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

The following adjustments were made to the amounts recognized in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 HK$'000	**Adjustments** HK$'000	**Carrying amounts under HKFRS 16 at 1 January 2019** HK$'000
Non-current assets			
Property, plant and equipment	4,574	(348)	4,226
Right-of-use assets	–	9,213	9,213
Current liabilities			
Borrowings	11,632	(132)	11,500
Lease liabilities	–	3,381	3,381
Non-current liabilities			
Borrowings	149	(149)	–
Lease liabilities	–	5,765	5,765

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.2 New standards and amendments to existing standards not yet adopted

Certain new accounting standards and amendments to existing standards have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group:

Standards	Subject of amendment	Effective for annual periods beginning on or after
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform	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 periods on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The director of the Company anticipates that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements of the Group in the future.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Business combinations (continued)

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.

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

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

(c) Disposal of subsidiaries

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.2 Separate financial statements

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

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

2.3 Associates

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Associates (continued)

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

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

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (continued)

(b) Transactions and balances (continued)

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

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

(c) Group companies

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets

(a) Goodwill

Goodwill on acquisitions of subsidiaries 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

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.

2.9.1 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 amortized 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)

2.9 Financial instruments (continued)

2.9.1 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 asset. 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)

2.9 Financial instruments (continued)

2.9.1 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). Assessment 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 recognize lifetime ECL for trade receivables and contract assets and assesses the lifetime ECL for trade receivables and contract assets on a collective basis. The estimate 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 equal 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)

2.9 Financial instruments (continued)

2.9.1 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 change 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 aforegoing, 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)

2.9 Financial instruments (continued)

2.9.1 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)

2.9 Financial instruments (continued)

2.9.1 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 equal 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)

2.9 Financial instruments (continued)

2.9.2 Financial liabilities and equity instruments

(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)

2.10 Offsetting financial instruments

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

2.11 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 – net".

2.12 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed and loans granted to customers 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.

2.13 Cash and cash equivalents

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

2.14 Share capital

Ordinary shares are classified as equity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Trade payables

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

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

2.16 Borrowings

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

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

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

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

2.17 Borrowing costs

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Outside basis differences (continued)

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

(c) Offsetting

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

2.19 Employee benefits

(a) Defined contribution plans

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

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

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of HKAS 37 "*Provisions, Contingent Liabilities and Contingent Assets*" and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits (continued)

(c) Profit-sharing and bonus plans

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

(d) Employee leave entitlements

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

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

2.20 Share-based payments

(a) Equity-settled share-based payment transactions

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Share-based payments (continued)

(a) Equity-settled share-based payment transactions (continued)

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

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

(b) Share-based payment transactions among group entities

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

2.21 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue from contracts with customers

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 Groups 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)

2.22 Revenue from contracts with customers (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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue from contracts with customers (continued)

(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.

(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.

2.23 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Leases (after adoption of HKFRS 16 on 1 January 2019)

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Leases (after adoption of HKFRS 16 on 1 January 2019) (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of premises are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.25 Leases (before adoption of HKFRS 16 on 1 January 2019)

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influence by, that person in their dealings with the entity.

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 program 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 at fair value through profit or loss.

If prices had been 5% (2018: 5%) higher/lower, the Group's profit before taxation for the year would increase/decrease by Nil (2018: Nil) as a result of the changes in fair value of financial assets at fair value through profit or loss 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 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$50,000 (2018: approximately HK$115,000). The sensitivity analysis has been determined assuming that the change in interest rates had occurred throughout the year end had been applied to the exposure to interest rate risk for variable-rate bank borrowings in existence at the end of the reporting period. The 100 basis points decreased/increased represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group over the period until the end of next reporting period.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk

The credit risk of the Group's financial assets, which comprise trade and other receivables, other assets, financial assets at fair value through profit or loss, 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 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 2019, the Group has certain concentrations of credit risk as 24% and 65% (2018: 19% and 76%) of the Group's trade receivables were due from the Group's largest customer and the Group's five largest customers, respectively. Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in Note 21.

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 each 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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

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 2019 is determined as follows, with the aging analysis determined based on 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
Amounts receivables arising from multi-media contact services and contact centre system, and advisory services					
As at 31 December 2019					
Expected loss rate	**0.6%**	**1.0%**	**2.8%**	**8.9%**	
Gross carrying amount (HK$'000)	**10,561**	**3,050**	**2,880**	**10,575**	**27,066**
Loss allowance provision (HK$'000)	**61**	**29**	**80**	**938**	**1,108**
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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Trade receivables and contract assets (continued)

	Total
Amounts receivables arising from financial services business	
As at 31 December 2019	
Expected loss rate	**0.1%**
Gross carrying amount (HK$'000)	**8,447**
Loss allowance provision (HK$'000)	**9**
As at 31 December 2018	
Expected loss rate	–
Gross carrying amount (HK$'000)	50
Loss allowance provision (HK$'000)	–

	Total
Loan receivables	
As at 31 December 2019	
Expected loss rate	**2.8%**
Gross carrying amount (HK$'000)	**5,038**
Loss allowance provision (HK$'000)	**140**
As at 31 December 2018	
Expected loss rate	–
Gross carrying amount (HK$'000)	–
Loss allowance provision (HK$'000)	–

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Trade receivables and contract assets (continued)

	Total
Contract assets	
As at 31 December 2019	
Expected loss rate	**0.3%**
Gross carrying amount (HK$'000)	**8,652**
Loss allowance provision (HK$'000)	**28**
As at 31 December 2018	
Expected loss rate	0.8%
Gross carrying amount (HK$'000)	11,802
Loss allowance provision (HK$'000)	93

The loss allowance provision for trade receivables and contract assets as at 31 December 2019 and 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 and 1 January 2019	595	93
Provision for/(Reversal of) loss allowance recognized in profit or loss	662	(65)
As at 31 December 2019	**1,257**	**28**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Trade receivables and contract assets (continued)

For the years ended 31 December 2019 and 2018, the provision for/(reversal of) 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 and amount due from a related company

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 2019 and 2018 is determined as follows:

	Total
Deposits and other receivables	
As at 31 December 2019	
Expected loss rate	**0.4%**
Gross carrying amount (HK$'000)	**7,759**
Loss allowance provision (HK$'000)	**29**
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 2019 and 2018.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Deposits and other receivables and amount due from a related company (continued)

The loss allowance for deposits and other receivables and amount due from a related company as at 31 December 2019 and 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 and 1 January 2019	139	–
Reversal of loss allowance recognized in profit or loss	(110)	–
As at 31 December 2019	**29**	**–**

For the year ended 31 December 2019 and 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 2019 and 2018.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk

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

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

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

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 2019				
Trade and other payables excluding non-financial liabilities	**26,176**	**–**	**–**	**26,176**
Amounts due to related companies	**13**	**–**	**–**	**13**
Borrowings				
– Term loan subject to a repayable on demand clause	**5,068**	**–**	**–**	**5,068**
Lease liabilities	**3,467**	**2,000**	**–**	**5,467**
	34,724	**2,000**	**–**	**36,724**
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

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 2019				
Borrowings				
– Term loan subject to a repayable on demand clause	**5,068**	**–**	**–**	**5,068**
As at 31 December 2018				
Borrowings				
– Term loan subject to a repayable on demand clause	11,573	–	–	11,573

As at 31 December 2019, the Group has available unutilized banking facilities of approximately HK$19,000,000 (2018: approximately HK$22,000,000) 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 contract liabilities, trade and other payables, amounts due to related companies, borrowings and lease liabilities 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:

	2019 **HK$'000**	2018 HK$'000
Total debt	**38,486**	64,162
Less: cash and cash equivalents *(Note 24)*	**(57,899)**	(47,848)
Net debt	**(19,413)**	16,314
Total equity	**121,170**	113,579
Total capital	**101,757**	129,893
Gearing ratio	**N/A**	12.6%

3.3 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as at 31 December 2019 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 2019 HK$'000	Fair value as at 31 December 2018 HK$'000	Fair value hierarchy	Valuation technique	Key unobservable inputs	Value of input	Relationship of unobservable inputs to fair value
Financial assets at fair value through profit or loss – Unlisted equity investments designated as at fair value through profit or loss	-	N/A	Level 3	Adjusted net assets value method	N/A	N/A	N/A

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 adjusted net assets value method calls for a summation of the fair values of all assets belonging to an entity and a reduction of that aggregate by the fair values of that entity's total liabilities. The fair value is represented by the adjusted book value of total assets net of total liabilities, after adjusting for any necessary discounts or premiums to the book values of the assets and liabilities to reflect their market values.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

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 2019 and 2018.

The movements in fair value measurements in Level 3 during the year are as follows:

	Unlisted equity at FVPL HK$'000
Opening balance as at 1 January 2019	–
Acquisition	2,000
Losses recognized in profit or loss	(2,000)
Closing balance as at 31 December 2019	–

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Offsetting financial assets and financial liabilities

The Group has a legally enforceable right to set off the amounts 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 2018 and 2019. 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 HK$'000	Net amount HK$'000
As of 31 December 2019						
Financial assets:						
Amounts receivables arising from financial services business	**2,197**	**–**	**2,197**	**–**	**–**	**2,197**
Financial liabilities:						
Amounts payables arising from financial services business	**(10,574)**	**–**	**(10,574)**	**–**	**–**	**(10,574)**
As of 31 December 2018						
Financial assets:						
Amounts receivables arising from financial services business	146	(146)	–	–	–	–
Financial liabilities:						
Amounts payables arising from financial services business	(36,522)	146	(36,376)	–	36,376	–

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Offsetting financial assets and financial liabilities (continued)

	2019 HK$'000	2018 HK$'000
Trade receivables		
Net amount of receivables as stated above	**2,197**	–
Amount not in scope of offsetting disclosures	**44,827**	55,308
Amount of total trade and other receivables as stated in Note 21	**47,024**	55,308
Trade payables		
Net amount of payables as stated above	**10,574**	36,376
Amount not in scope of offsetting disclosures	**15,602**	13,759
Amount of total trade and other payables as stated in Note 25	**26,176**	50,135

3.5 Financial instruments by category

	2019 HK$'000	2018 HK$'000
Assets as per consolidated statement of financial position		
Financial assets at fair value through profit or loss		
– Unlisted equity investments at fair value through profit or loss	**–**	–
Financial assets at amortized cost		
– Other assets	**205**	205
– Trade and other receivables excluding prepayments	**45,514**	50,451
– Pledged bank deposits	**9,080**	9,029
– Bank trust account balances	**9,823**	36,522
– Cash and cash equivalents	**57,899**	47,848
	122,521	144,055

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.5 Financial instruments by category (continued)

	2019 HK$'000	2018 HK$'000
Liabilities as per consolidated statement of financial position		
At amortized cost:		
– Trade and other payables excluding non-financial liabilities	**26,176**	50,135
– Amount due to a related company	**13**	11
– Borrowings	**5,000**	11,781
– Lease liabilities	**5,366**	–
	36,555	61,927

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.

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history existing market conditions as well as forward-looking estimates at the end of each 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 cash-generating unit 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 cash-generating unit 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 2019 was approximately HK$4,526,000.

Estimation of the fair value of certain financial assets

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

5. SEGMENT INFORMATION AND REVENUE

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

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

(a) Outsourcing inbound contact service;

(b) Outsourcing outbound contact service;

(c) Staff insourcing service;

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

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

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

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

The segment information provided to the board of directors for the reportable segments for the years ended 31 December 2018 and 2019 are as follows:

For the year ended 31 December 2019

	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	11,833	28,180	56,291	10,913	21,029	4,087	132,333
Segment results	1,364	4,002	5,707	2,447	7,027	1,560	22,107
Depreciation and amortization	1,186	2,877	–	2,870	1,737	1,754	10,424
Total segment assets	5,398	14,859	10,328	10,713	39,688	3,736	84,722
Total segment assets includes: Additions to non-current assets (other than financial instruments)	1,173	2,847	–	2,840	4	1,353	8,217
Total segment liabilities	1,574	2,518	2,444	1,561	19,590	1,055	28,742

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

The segment information provided to the board of the directors for the reportable segments for the years ended 31 December 2018 and 2019 are as follows: (continued)

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

There were no inter-segment sales during the years ended 31 December 2018 and 2019. The revenue from external parties reported to the directors of the Company is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

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

	2019 HK$'000	2018 HK$'000
Segment results for reportable segments	22,107	16,191
Unallocated:		
Other income	251	440
Other losses – net	(2,018)	(407)
Depreciation and amortization	(872)	(181)
Finance costs	(326)	(323)
Corporate and other unallocated expenses	(9,765)	(10,337)
Profit before tax	9,377	5,383

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:

	2019 HK$'000	2018 HK$'000
Segment assets for reportable segments	84,722	99,937
Unallocated:		
Property, plant and equipment	23	391
Right-of-use assets	1,218	–
Tax recoverable	127	–
Deferred income tax assets	805	1,181
Financial assets at fair value through profit or loss	–	–
Corporate and other unallocated assets	74,816	77,130
Total assets per consolidated statement of financial position	161,711	178,639

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

The amounts provided to the directors of the Company with respect to total liabilities are measured in a manner consistent with that of the consolidated financial statements. These liabilities are allocated based on the operations of the segment.

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

	2019 HK$'000	2018 HK$'000
Segment liabilities for reportable segments	**28,742**	48,425
Unallocated:		
Deferred income tax liabilities	**91**	195
Current income tax liabilities	**1,964**	703
Borrowings	**5,000**	11,781
Lease liabilities	**1,827**	–
Corporate and other unallocated liabilities	**2,917**	3,956
Total liabilities per consolidated statement of financial position	**40,541**	65,060

Breakdown of the revenue from all services is as follows:

Analysis of revenue by category

	2019 HK$'000	2018 HK$'000
Service fee income from provision of telecommunication and related services	**50,926**	71,097
Financial services income	**20,499**	6,772
Licencing and sales of system and software	**2,223**	2,579
System maintenance income	**1,864**	1,609
Staff insourcing services	**56,291**	59,684
Revenue from contracts with customers	**131,803**	141,741
Interest income arising from		
– Loans	**233**	–
– Margin clients	**297**	–
Total revenue	**132,333**	141,741

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$131,591,000 (2018: approximately HK$141,200,000), and the total of revenue from external customers from other country is approximately HK$742,000 (2018: approximately HK$541,000).

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$28,124,000 (2018: approximately HK$16,837,000), and none of these non-current assets is located in other countries (2018: Nil).

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

Information about major customers

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

	2019 HK$'000	2018 HK$'000
Customer A	31,551	32,179
Customer B	N/A[1]	17,347
Customer C	23,956	14,560
Customer D	15,622	N/A[1]

1 The corresponding revenue did not contribute to 10% or more of the total revenues of the Group in the respective year.

Disaggregation of revenue from contracts with customers

	2019 HK$'000	2018 HK$'000
By timing of revenue recognition:		
Control transferred over time	129,050	139,162
Control transferred at a point of time	2,753	2,579
	131,803	141,741

Transaction price allocated to the remaining performance obligations

	2019 HK$'000	2018 HK$'000
Remaining performance obligations expected to be satisfied during the year ending:		
Within one year	19,188	22,063
More than one year	11,313	21,440
	30,501	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.

6. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Interest income from bank deposits	**121**	416
Sundry income	**130**	24
	251	440

7. OTHER LOSSES – NET

	2019 HK$'000	2018 HK$'000
Financial assets at fair value through profit or loss		
– Fair value loss	**(2,000)**	(410)
Gain on disposal of financial assets at fair value through profit or loss	**–**	100
Gain on disposal of an associate	**–**	3
Net foreign exchange losses	**(18)**	(100)
	(2,018)	(407)

8. EMPLOYEE BENEFITS EXPENSES

	2019 HK$'000	2018 HK$'000
Salaries and allowances	**89,159**	82,647
Pension costs – defined contribution plans	**3,986**	3,745
Total employee benefits expenses, including directors' remuneration	**93,145**	86,392
Less: Amounts capitalized in deferred development costs	**(4,059)**	(3,781)
	89,086	82,611

Five highest paid individuals

None (2018: None) of the five highest-paid individuals in the Group for the year ended 31 December 2019 was a director. Directors' emoluments are shown in Note 38. The emoluments paid or payable to the above five individuals (2018: five individuals) for the year ended 31 December 2019 are as follows.

	2019 HK$'000	2018 HK$'000
Salaries, allowances and benefits in kind	**5,322**	4,585
Pension costs – defined contribution plans	**162**	171
	5,484	4,756

	Number of individuals	
	2019	2018
Emolument bands (in HK$)		
Below HK$1,000,000	**3**	4
HK$1,000,001 – HK$1,500,000	**1**	–
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 (2018: Nil). None of the directors of the Company waived any emoluments during the year ended 31 December 2019 (2018: Nil).

9. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on bank borrowings	200	310
Interest on finance lease liability	–	13
Interest on lease liabilities	126	–
	326	323

10. PROFIT BEFORE TAX

	2019 HK$'000	2018 HK$'000
Profit before tax is stated after charging/(crediting):		
Depreciation and amortization		
Depreciation of owned property, plant and equipment	2,874	5,063
Depreciation of assets under finance lease	–	140
Depreciation of right-of-use assets	4,479	–
Amortization of intangible assets	3,943	3,845
Total depreciation and amortization	11,296	9,048
Auditors' remuneration	1,100	1,100
Provision for/(Reversal of) impairment of financial and contract assets – net	487	(379)
Operating lease payments in respect of rented premises	–	6,619
Expenses relating to short-term leases	1,721	–

11. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the year.

	2019 **HK$'000**	2018 HK$'000
Current tax:		
Current tax on profits for the year	**1,698**	1,894
Adjustment in respect of prior year	**(184)**	(180)
Total current tax	**1,514**	1,714
Deferred income tax *(Note 27)*	**272**	(277)
Income tax expense	**1,786**	1,437

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

11. INCOME TAX EXPENSE (CONTINUED)

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

	2019 **HK$'000**	2018 HK$'000
Profit before tax	**9,377**	5,383
Tax calculated at Hong Kong profits tax rate of 16.5%	**1,547**	888
Tax effects of:		
– Income not subject to tax	**(12)**	(4)
– Expenses not deductible for tax purposes	**377**	78
– Temporary differences not recognized	**(19)**	112
– Tax losses for which no deferred income tax asset was recognized	**1,033**	768
– Utilization of previous unrecognized tax losses	**(741)**	(225)
– Income tax at concessionary rate	**(165)**	–
– Tax reduction	**(50)**	–
– Adjustments in respect of prior year	**(184)**	(180)
Tax charge	**1,786**	1,437

12. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on (i) the profit attributable to owners of the Company for the year; and (ii) the weighted average number of 280,000,000 ordinary shares issued during the year (2018: 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 2018 and 2019.

13. DIVIDENDS

No dividend was paid or proposed by the board of directors of the Company for the year ended 31 December 2019 (2018: Nil).

14. SUBSIDIARIES

The following is a list of the subsidiaries at 31 December 2018 and 2019:

Name	Place of incorporation and kind of legal entity	Principal activities	Particulars of issued share capital	Interest held 2019	Interest held 2018
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	HK$25,000,000 divided into 25,000,000 ordinary shares	**100% (indirect)**	100% (indirect)
Epro Telecom Holdings Limited ("**ETH**")	Hong Kong, limited liability company	Investment holding	HK$20,533,987 divided into 20,533,987 ordinary shares	**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	HK$23,000,001 divided into 23,000,001 ordinary shares	**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	HK$3,000,000 divided into 3,000,000 ordinary shares	**100% (indirect)**	100% (indirect)
Commas Limited	Hong Kong, Limited liability company	Research and development of telecommunication systems software and provision of related consulting services	HK$10,000 divided into 10,000 ordinary shares	**100% (indirect)**	100% (indirect)
Interactive Business Services Limited	Hong Kong, limited liability company	Provision of telecommunication and related services	HK$3,000,000 divided into 3,000,000 ordinary shares	**100% (indirect)**	100% (indirect)
Epro Marketing Limited	Hong Kong, limited liability company	Provision of telecommunication and related services	HK$3,000,000 divided into 3,000,000 ordinary shares	**100% (indirect)**	100% (indirect)

14. SUBSIDIARIES (CONTINUED)

Name	Place of incorporation and kind of legal entity	Principal activities	Particulars of issued share capital	Interest held 2019	Interest held 2018
Epro Online Services Limited ("**EOS**")	Hong Kong, limited liability company	Provision of rental services and provision of telecommunication and related services	HK$1 divided into 1 ordinary share	**100% (indirect)**	100% (indirect)
One Call Fix Services Limited	Hong Kong, limited liability company	Provision of home maintenance services	HK$10,000 divided into 10,000 ordinary shares	**100% (indirect)**	100% (indirect)
Gear Holdings Limited	Hong Kong, limited liability company	Investment holding and research and development of telecommunication systems software	HK$10,000 divided into 10,000 ordinary shares	**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**")	Hong Kong, limited liability company	Provision of asset management services	HK$9,625,800 divided into 4,107,400 ordinary shares	**100% (indirect)**	100% (indirect)
Gear Management Services Limited ("**GMS**")	Hong Kong, limited liability company	Provision of asset management services	HK$10,000 divided into 10,000 ordinary shares	**100% (indirect)**	100% (indirect)
Gear Credit Limited ("**GCL**")	Hong Kong, limited liability company	Provision of corporate financial management	HK$10,000 divided into 10,000 ordinary shares	**100% (indirect)**	100% (indirect)
Kumo Personnel Services Limited *(Note)*	Hong Kong, limited liability company	Provision of personnel services	HK$10,000 divided into 10,000 ordinary shares	**100% (indirect)**	–
ETS VC Limited *(Note)*	British Virgin Islands, limited liability company	Investment holding	2 ordinary shares of US$1 each	**100% (indirect)**	–

Note: Incorporated during the year ended 31 December 2019

None of the subsidiaries had issued any listed securities at the end of the reporting period. The Group had no subsidiaries which have material non-controlling interest for the years ended 31 December 2019 and 2018.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements, furniture and fixtures HK$'000	Computer equipment HK$'000	Computer software HK$'000	Electronic and office equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
As at 1 January 2018						
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 34)*	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
Year ended 31 December 2019						
Opening net book amount	**2,439**	**795**	**715**	**277**	**348**	**4,574**
Adjustment upon application of HKFRS 16	**–**	**–**	**–**	**–**	**(348)**	**(348)**
Restated opening net book amount	**2,439**	**795**	**715**	**277**	**–**	**4,226**
Additions	**11**	**63**	**4,001**	**82**	**–**	**4,157**
Depreciation charge	**(1,426)**	**(690)**	**(657)**	**(101)**	**–**	**(2,874)**
Closing net book amount	**1,024**	**168**	**4,059**	**258**	**–**	**5,509**
As at 31 December 2019						
Cost	**11,878**	**3,300**	**8,704**	**683**	**–**	**24,565**
Accumulated depreciation	**(10,854)**	**(3,132)**	**(4,645)**	**(425)**	**–**	**(19,056)**
Net book amount	**1,024**	**168**	**4,059**	**258**	**–**	**5,509**

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Fixed asset held under finance leases

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

	2018 HK$'000
Cost – capitalized finance lease	698
Accumulated depreciation	(350)
Net book value *(Note 28)*	348

16. RIGHT-OF-USE ASSETS

The Group leases certain motor vehicle and premises for its operations. Leases contracts are entered into for fixed terms of 2 to 4.5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

	Premises HK$'000	Motor vehicle HK$'000	Total HK$'000
As at 1 January 2019			
Carrying amount	8,865	348	9,213
As at 31 December 2019			
Carrying amount	10,028	208	10,236
For the year ended 31 December 2019			
Depreciation charge *(Note 10)*	4,339	140	4,479
Interest expense *(Note 9)*			126
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16			1,721
Total cash outflow for leases			11,294
Additions to right-of-use assets			5,502

The Group entered into short-term leases for premises. As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in Note 10.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

17. INTANGIBLE ASSETS

	Goodwill HK$'000	Internally generated software development costs HK$'000	Total HK$'000
As at 1 January 2018			
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 34)*	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
Year ended 31 December 2019			
Opening net book amount	**4,526**	**7,737**	**12,263**
Additions	**–**	**4,059**	**4,059**
Amortization charge	**–**	**(3,943)**	**(3,943)**
Closing net book amount	**4,526**	**7,853**	**12,379**
As at 31 December 2019			
Cost	**4,526**	**56,008**	**60,534**
Accumulated amortization	**–**	**(48,155)**	**(48,155)**
Net book amount	**4,526**	**7,853**	**12,379**

17. INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill

Goodwill is measured as described in Note 34. Goodwill on acquisitions of 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 for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units 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 Gear Asset Management Limited ("**Asset Management CGU**") which is engaged in the carry 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 and 2019.

The recoverable amount of Asset Management CGU has been determined on the basis of value in use calculations using calculations use cash flow projections based on financial budgets approved by management covering a five-year period at pre-tax discount rate of 26.7% 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. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Unlisted equity investment:		
At fair value through profit or loss	–	–

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

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

19. OTHER ASSETS

	2019 HK$'000	2018 HK$'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

20. CONTRACT ASSETS AND LIABILITIES

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

	2019 HK$'000	2018 HK$'000
Contract assets	8,652	11,802
Less: loss allowance	(28)	(93)
Contract assets – net	8,624	11,709
Contract liabilities	(1,931)	(2,235)
	6,693	9,474

20. CONTRACT ASSETS AND LIABILITIES (CONTINUED)

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 2019, reversal of impairment of approximately HK$65,000 (2018: provision for impairment 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.

	2019 **HK$'000**	2018 HK$'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	**1,002**	1,268
Transfers from the contract assets recognized at the beginning of the year to trade receivables	**(11,802)**	(15,573)

21. TRADE AND OTHER RECEIVABLES

	2019 **HK$'000**	2018 HK$'000
Trade receivables		
Amounts receivables arising from multi-media contact services, contact centre system and advisory services	**27,066**	29,220
Amounts receivables arising from financial services business		
– Client-margin	**2,197**	–
– Clearing house	**6,250**	50
Loan receivables	**5,038**	–
Less: loss allowance	**(1,257)**	(595)
Trade receivables – net	**39,294**	28,675
Other receivables, deposits and prepayments	**7,759**	26,772
Less: loss allowance	**(29)**	(139)
Other receivables, deposits and prepayments – net	**7,730**	26,633
	47,024	55,308

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

The average credit period on the Group's sales is 30 days (2018: 30 days). The aging analysis of the trade receivables net of loss allowance based on invoice date is as follows:

	2019 HK$'000	2018 HK$'000
0 – 30 days	**10,500**	9,296
31 – 60 days	**3,021**	8,676
61 – 90 days	**2,800**	5,153
Over 90 days	**9,637**	5,500
	25,958	28,625

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.

Margin clients are required to pledge securities collateral to the Group in order to obtain the margin facilities for securities trading. As at 31 December 2019, loan to margin client is secured by client's securities pledged as collateral with market value of approximately HK$15,428,000 (2018: Nil). Management has assessed the market value of the pledged securities of each individual client who has margin shortfall at the end of each reporting period. The margin loan is repayable on demand and bear variable interest at commercial rates and denominated in HK$.

The Group's loan receivables, which arise from the money lending business, are denominated in HK$. The loan receivables are mainly secured by property located in Hong Kong and receivables and are not past due based on contractual maturity date as at 31 December 2019. All the loan receivables are entered with contractual maturity within 1 year. Loan receivables are interest-bearing at a rate range from 12% to 20% per annum (2018: Nil).

As at 31 December 2019, trade receivables of approximately HK$14,491,000 (2018: approximately HK$19,488,000) were past due. Based on past experience and forward-looking estimates, the amounts are considered as recoverable.

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

	2019 HK$'000	2018 HK$'000
HK$	**46,441**	54,050
Renminbi ("**RMB**")	**583**	1,258
	47,024	55,308

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2018 and 2019, the carrying amounts of the Group's trade and other receivables approximated their fair values due to short duration.

As at 31 December 2019, the carrying amount of the Group's trade receivables included approximately HK$2,036,000 (2018: approximately HK$1,206,000) is due from Stan Group (Holdings) Limited. This receivable arises mainly from sale transactions and are due upon presentation of invoices. The receivable is unsecured in nature and bear no interest.

As at 31 December 2019, the carrying amount of the Group's trade receivables included approximately HK$3,151,000 (2018: Nil) is due from Jiayuan Stangroup Development Company Limited. This receivable arises mainly from sale transactions and are due upon presentation of invoices. The receivable is unsecured in nature and bear no interest.

As at 31 December 2019, the carrying amount of the Group's trade receivables included approximately HK$3,350,000 (2018: Nil) is due from Pacific Paradise Development Limited. This receivable arises mainly from sale transactions and are due upon presentation of invoices. The receivable is unsecured in nature and bear no interest.

As at 31 December 2019, the carrying amount of the Group's deposits included approximately HK$654,000 (2018: Nil) is premise rental deposits paid to Stan Group (Holdings) Limited.

As at 31 December 2019, the carrying amount of the Group's deposits included approximately HK$213,000 (2018: approximately HK$213,000) is premise rental deposits paid to Always Beyond Limited.

As at 31 December 2019, the carrying amount of the Group's deposits included approximately HK$25,000 (2018: Nil) is premise rental deposits paid to Supreme Leader Limited.

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 2019, provision for impairment losses of approximately HK$662,000 was made against the gross amounts of trade receivables. 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 2019, reversal of approximately HK$110,000 was made against the gross amounts of deposits and other receivables. 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.

22. PLEDGED BANK DEPOSITS

Pledged bank deposits represent deposits pledged to banks to secure the banking facilities and factoring facilities of the Group. The effective interest rates on pledged bank deposits ranged from 0.25% to 0.8% per annum at 31 December 2019 (2018: from 0.25% to 0.5% per annum). The maturity of these deposits ranged from 7 to 31 days (2018: from 7 to 31 days). The carrying amounts of pledged bank deposits are denominated in HK$.

23. 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.

24. 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.

	2019 **HK$'000**	2018 HK$'000
Cash at banks and on hand	**29,216**	40,209
Short-term bank deposits	**28,683**	7,639
Cash and cash equivalents	**57,899**	47,848

As at 31 December 2019, the cash and cash equivalents of the Group denominated in RMB amounted to approximately HK$72,000 (2018: approximately HK$73,000). 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.

25. TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	**2,486**	4,177
Amounts payable arising from financial services business		
– Clients-cash	**6,992**	636
– Clients-margin	**3,582**	35,740
– Clearing house	**5,496**	195
Other payables and accruals	**7,620**	9,387
	26,176	50,135

At 31 December 2019, the aging analysis of the trade payables based on invoice date is as follows:

	2019 HK$'000	2018 HK$'000
0 – 30 days	**1,260**	2,565
31 – 60 days	**761**	684
61 – 90 days	**227**	219
Over 90 days	**238**	709
	2,486	4,177

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.

26. AMOUNTS DUE TO RELATED COMPANIES

Name of related company	2019 HK$'000	2018 HK$'000
Supreme Leader Limited	**13**	–
Stan Group (Holdings) Limited	**–**	11
As at 31 December	**13**	11

The related party relationships are disclosed in Note 35.

27. DEFERRED INCOME TAX

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

	2019 HK$'000	2018 HK$'000
As at 1 January	(986)	(510)
Effective arising from application on HKFRS 9	–	(199)
Adjusted as at 1 January	(986)	(709)
Consolidated statement of profit or loss charged/(credited) *(Note 11)*	272	(277)
As at 31 December	(714)	(986)

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$'000	**ECL provision** HK$'000	**Total** HK$'000
Adjusted as at 1 January 2018	180	(107)	73
Charged to the consolidated statement of profit or loss	19	103	122
As at 31 December 2018 and 1 January 2019	199	(4)	195
(Credited)/Charged to the consolidated statement of profit or loss	(107)	3	(104)
As at 31 December 2019	**92**	**(1)**	**91**

Deferred tax assets:	**Decelerated tax depreciation** HK$'000	**ECL provision** HK$'000	**Total** HK$'000
Adjusted as at 1 January 2018	(690)	(92)	(782)
Credited to the consolidated statement of profit or loss	(361)	(38)	(399)
As at 31 December 2018 and 1 January 2019	(1,051)	(130)	(1,181)
Charged/(Credited) to the consolidated statement of profit or loss	459	(83)	376
As at 31 December 2019	**(592)**	**(213)**	**(805)**

27. DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets in respect of the tax losses at the end of reporting period as the directors of the Company consider that it is uncertain as to the extent that future profits will be available against which tax losses can be utilized in the foreseeable future.

As at 31 December 2019, the Group has unused tax losses of approximately HK$21,749,000 (2018: approximately HK$19,977,000) 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.

28. BORROWINGS

	2019 HK$'000	2018 HK$'000
Current		
Secured bank borrowings	**5,000**	11,500
Finance lease liability	**–**	132
	5,000	11,632
Non-current		
Finance lease liability	**–**	149
Total borrowings	**5,000**	11,781

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

	2019 HK$'000	2018 HK$'000
Within 1 year	**5,000**	11,500

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

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

The effective interest rates of the bank borrowings is from 5.37% per annum as at 31 December 2019 (2018: 5.24% per annum) and mature until 2019.

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

28. BORROWINGS (CONTINUED)

(a) (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 bank deposits with carrying amount of approximately HK$9,080,000 (2018: approximately HK$9,029,000);

(iii) Assignment of all book debts and receivables by the subsidiaries of the Company.

(b) Finance lease liability:

	As at 31 December 2018	
	Present value of the minimum lease payment HK$'000	**Total minimum lease payments** HK$'000
Within one year	132	140
More than one year but not more than two years	137	140
More than two years but not more than five years	12	12
	281	292
Less: total future interest expenses		(11)
Present value of lease obligations		281

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 (Note 15).

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

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

29. LEASE LIABILITIES

	2019 HK$'000
Lease liabilities payable:	
Within one year	3,381
More than one year but not exceeding two years	1,985
	5,366
Less: Amount due for settlement with 12 months shown under current liabilities	(3,381)
Amount due for settlement after 12 months shown under non-current liabilities	1,985

30. 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 2018 and 2019	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.

31. 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.

31. SHARE OPTION SCHEME (CONTINUED)

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

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

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

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

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

No share options were granted since the adoption of the Scheme and there were no share option outstanding as at 31 December 2018 and 2019.

32. 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.

33. COMMITMENTS

(a) Capital commitments

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

	2019 **HK$'000**	2018 HK$'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
No later than 1 year	5,251
Later than 1 year and no later than 5 years	5,529
	10,780

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

34. BUSINESS COMBINATION

On 14 May 2018, the Group acquired a 100% interest in Gear Asset Management Limited from Great Forum Investment Limited ("**Vendor**") which is wholly-owned by Mr. Tang Yiu Sing ("**Mr. YS Tang**"), an executive director of the Company. Each of Mr. YS Tang and Mr. SB Tang, a non-executive director of the Company is a director of the Vendor. Each of 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 service and contact center 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 Securities and Futures Ordinance ("**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 licenses 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.

34. BUSINESS COMBINATION (CONTINUED)

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	*15*	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

The Group incurred transaction costs of 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.

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 profit 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.

35. RELATED PARTY TRANSACTIONS

Save as disclosed in Notes 21, 26, 28 and 38 to 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*	2019 HK$'000	2018 HK$'000
Always Beyond Limited	Repayments of lease liabilities	*(i), (ix) & (xvii)*	**1,063**	–
	Premise rental expenses	*(i), (ix) & (xvii)*	**–**	1,811
East Ocean Food (Hong Kong) Limited	Seasonal event expenses	*(ii) & (viii)*	**14**	14
Epro Career Limited	Insourcing fee expenses	*(v) & (viii)*	**–**	17,453
GAM	System centre facilities management service income	*(iv) & (x)*	**–**	(356)
H.K. Sources Finance Limited	System maintenance income	*(iv) & (viii)*	**(78)**	(73)
	System installation and provide relevant services	*(iv) & (viii)*	**(11)**	(35)
	Advisory service income	*(iv) & (xi)*	**(67)**	(83)
Jiayuan Stangroup Development Company Limited	Asset management services income	*(iii) & (xii)*	**(15,622)**	(2,856)
SG Marketing Limited	Website development and related services expenses	*(ii) & (viii)*	**–**	93
Stan Group (Holdings) Limited	Repayments of lease liabilities	*(ii), (xiii) & (xvii)*	**7,398**	–
	Premise rental expenses	*(ii), (xiii) & (xvii)*	**–**	2,496
	Insourcing service income	*(ii), (xiv) & (xvii)*	**(865)**	(800)
	Facilities management services income	*(ii), (xiv) & (xvii)*	**(449)**	(406)
	Outsourcing inbound contact service income	*(ii) & (viii)*	**(386)**	–
	Seasonal event expenses	*(ii) & (viii)*	**41**	90
Pacific Paradise Development Limited	Investment advisory services income	*(iv), (xv) & (xvii)*	**(3,350)**	–
Trueguard Management Limited	Cleaning expenses	*(vi) & (viii)*	**4**	–
Supreme Leader Limited	Short-term lease payments	*(vii), (viii) & (xvi)*	**63**	–
The Wave (Hing Yip Street) Corporation Limited	Seasonal event expenses	*(ii) & (viii)*	**–**	1

35. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

(i) Always Beyond Limited is controlled by the family members of Mr. SB Tang.

(ii) East Ocean Food (Hong Kong) 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 owned by Mr. SB Tang.

(iv) GAM, H.K. Sources Finance Limited and Pacific Paradise Development Limited are controlled by Mr. SB Tang and Mr. YS Tang. The Group has acquired GAM on 14 May 2018.

(v) Epro Career Limited was an associate of ETH. During the year ended 31 December 2018, the Group disposed 25% of its shareholding in Epro Career Limited.

(vi) Mr. YS Tang has significant influence over Trueguard Management Limited.

(vii) Supreme Leader Limited is controlled by Mr. SB Tang.

(viii) Seasonal event expenses, system maintenance income, outsourcing inbound contact service income, outsourcing outbound contact service income, insourcing fee expenses, system installation and provide relevant services, premise lease payments, website development and related services expenses and cleaning expenses are based on terms mutually agreed between the parties involved.

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

(x) Pursuant to 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.

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

(xii) Pursuant to agreement entered into between Jiayuan Stangroup Development Company Limited and GMS, GMS agreed to provide asset management service to Jiayuan Stangroup Development Company 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".

(xiii) Pursuant to rental agreements entered into between Stan Group (Holdings) Limited and ETS 21 December 2015 on 27 December 2018. ETS agreed to lease the premises for a term from 1 January 2016 to 31 December 2018 and from 1 January 2019 to 31 December 2021 respectively. Upon initial application of HKFRS 16, the Group recognized a right-of-use asset and a lease liability of approximately HK$7,301,000. During the year ended 31 December 2019, the Group made repayments of lease liabilities of approximately HK$7,398,000 including interest expense of approximately HK$47,000.

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

(xv) Pursuant to agreement entered into between Pacific Paradise Development Limited and GSI on 10 June 2019, GSI agreed to provide investment advisory service to Pacific Paradise Development Limited for a term of 3 years commencing on 10 June 2019.

(xvi) Pursuant to rental agreement entered into between Supreme Leader Limited and GCL on 27 March 2019. GCL agreed to lease the premises for a term from 1 April 2019 to 31 March 2020.

(xvii) 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

	2019 HK$'000	2018 HK$'000
Salaries and short-term employee benefits	**540**	540
Post-employment benefits	**6**	6
	546	546

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

	As at 31 December	
	2019 **HK$'000**	2018 HK$'000
Non-current assets		
Investments in subsidiaries	**40,151**	40,151
Current assets		
Other receivables	**6,855**	6,534
Amounts due from subsidiaries	**88,999**	72,144
Cash and cash equivalents	**831**	4,638
	96,685	83,316
Current liabilities		
Other payables	**771**	1,327
Amounts due to subsidiaries	**23,947**	10,471
Current income tax liabilities	**147**	92
	24,865	11,890
Net current assets	**71,820**	71,426
Net assets	**111,971**	111,577
Equity attributable to the owners of the Company		
Share capital	**2,800**	2,800
Share premium	**25,238**	25,238
Reserves *(Note (a))*	**83,933**	83,539
Total equity	**111,971**	111,577

Approved and authorized for issue by the Board of Directors on 20 March 2020.

Tang Yiu Sing
Director

Yeung Ka Wing
Director

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

Note (a): **Reserve movement of the Company**

	Special reserve HK$'000	Retained profits HK$'000	Total HK$'000
As at 1 January 2018	40,151	42,345	82,496
Profit for the year	–	1,044	1,044
As at 31 December 2018 and 1 January 2019	40,151	43,389	83,540
Profit for the year	–	393	393
As at 31 December 2019	**40,151**	**43,782**	**83,933**

Special reserve

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

37. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities:

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

	Bank loans HK$'000	Finance lease liability HK$'000	Lease liabilities HK$'000	Total HK$'000
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
Adjustment upon application of HKFRS 16	–	(281)	9,146	8,865
As at 1 January 2019	**11,500**	**–**	**9,146**	**20,646**
Changes from financing cash flows:				
Proceeds from borrowings	**5,000**	**–**	**–**	**5,000**
Repayments of borrowings	**(11,500)**	**–**	**–**	**(11,500)**
New leases entered/lease modified	**–**	**–**	**5,502**	**5,502**
Repayment of lease liabilities	**–**	**–**	**(9,400)**	**(9,400)**
Interest paid	**(200)**	**–**	**(8)**	**(208)**
Other changes				
Interest expenses	**200**	**–**	**126**	**326**
As at 31 December 2019	**5,000**	**–**	**5,366**	**10,366**

38. BENEFITS AND INTEREST OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive for the year ended 31 December 2019 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[1]	–	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	120	–	–	–	–	120
	360	180	–	–	6	546

38. BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

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

The remuneration of every director and the chief executive for the year ended 31 December 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[1]	–	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	120	–	–	–	–	120
	360	180	–	–	6	546

Notes:

1 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.

39. EVENTS AFTER THE REPORTING PERIOD

Since January 2020, the outbreak of COVID-19 has impact on the business environment. Up to the date of these consolidated financial statements, COVID-19 has not resulted in material impact to the Group. Pending the development and spread of COVID-19 subsequent to the date of these consolidated financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these financial statements. The Group will keep continuous attention on the situation of the COVID-19 and react to its impact on the financial position and operating results of the Group.

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**132,333**	141,741	146,591	146,164	143,612
Operating profit	**9,703**	5,706	3,143	6,901	11,921
Finance costs	**(326)**	(323)	(469)	(515)	(582)
Share of loss of associate accounted for using the equity method	**–**	–	–	–	–
Profit before tax	**9,377**	5,383	2,674	6,386	11,339
Income tax expense	**(1,786)**	(1,437)	(1,559)	(1,572)	(2,149)
Profit for the year	**7,591**	3,946	1,115	4,814	9,190

	At 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Asset and liabilities					
Property, plant and equipment	**5,509**	4,574	6,330	10,041	4,961
Right-of-use assets	**12,379**	–	–	–	–
Intangible assets	**10,236**	12,263	7,801	7,864	7,889
Investment in an associate	**–**	–	–	–	–
Financial assets at fair value through profit or loss	**–**	–	–	–	–
Available-for-sale financial asset	**–**	–	10,900	–	–
Derivative financial instrument	**–**	–	700	–	–
Deferred income tax assets	**805**	1,181	690	686	1,011
Other assets	**205**	205	205	–	–
Net current assets	**94,112**	95,700	84,975	92,816	94,991
Total assets less current liabilities	**123,246**	113,923	111,601	111,407	108,852
Deferred income tax liabilities	**(91)**	(195)	(180)	(353)	(333)
Borrowings – non current	**–**	(149)	(281)	(409)	–
Lease liabilities	**(1,985)**	–	–	–	–
Net assets	**121,170**	113,579	111,140	110,645	108,519
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	**93,132**	85,541	83,102	82,607	80,481
Total equity	**121,170**	113,579	111,140	110,645	108,519
Earnings per share attributable to owners of the Company – Basic and diluted (HK cents)	**2.7**	1.4	0.4	1.7	3.3

Notes:

1. The results of the Group for the year ended 31 December 2019 and 2018 are those set out on page 63 of this annual report.

2. The consolidated statement of financial position as at 31 December 2019 and 2018 are those set out on pages 64 to 65 in this annual report.

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易通訊集團有限公司