



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

2020

ANNUAL REPORT

年報



CHARACTERISTICS OF 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.



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EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Mr. Tang Shing Bor (*Chairman*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

RISK MANAGEMENT AND INTERNAL CONTROL COMMITTEE

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

COMPLIANCE OFFICER

Mr. Yeung Ka Wing

COMPANY SECRETARY

Mr. Suen Fuk Hoi

AUTHORISED REPRESENTATIVES

Mr. Tang Yiu Sing
Mr. Yeung Ka Wing

REGISTERED OFFICE

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Conyers Dill & Pearman
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PRINCIPAL BANKERS

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Corporation Limited
Bank of China (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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WEBSITE

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STOCK CODE

8031

Dear Shareholders,

On behalf of the board of directors (the "Board") of ETS Group Limited (the "Company"), I herewith present the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2020 (the "Year") to all shareholders and investors.

During the financial year under review, the Group recorded a consolidated revenue of approximately HK\$104 million with a 21.3% decrease from HK\$132 million in the year ended 31 December 2019. Net loss attributable to the owners of the Company amounted to approximately HK\$5.1 million with a 167.7% decrease from a profit of HK\$7.6 million in the year ended 31 December 2019. The Board resolved not to declare any final dividend for the Year.

The past Year was full of challenges and definitely the most difficult year the Group has experienced since listed in 2012 and even in the past 30 years of business in Hong Kong. We are grateful for the support of our management team and all staff for their tremendous effort to uphold our business and operation during the difficult period of time.

The social unrest in the second half of 2019 followed by the COVID-19 pandemic throughout the Year, had devastated a lot of big and small businesses in Hong Kong. Our business was also inevitably affected during the period by the slowdown of economy, reduction in social and business activities which resulted in a drop in demand of our services and products. During the period of time, the management team also worked hard to maintain the normal operation of our business by implementing a series of precautionary guidelines and measures to safeguard the safety of our staff and working environment. We are glad that our contact centre operation was basically uninterrupted throughout the Year keeping our clients' services intact and without disruption.

The Group has continued to pursue diversion into financial business through our securities dealing and asset management licensed entities. Despite the pandemic crisis had postponed or put decision on hold for some business deals and negotiations, the Group has started a number of potential new initiatives with other parties to further strengthen our prowess in the financial sector in the near future.

We believe the unfavourable market situation would continue to last for a while and would unavoidably affect our business in the year to come, the Group will keep focus on our core business on provision of contact centre related services as well as sales of our system solutions, while at the same time speed up our progress and venture into the financial business possibly through close collaboration with partners and investment or acquisition of potential entities.

On behalf of the Board, I would like to take this opportunity to express our sincere appreciation to the management team and all staff for their unwavering commitment and dedication to the Group during the difficult Year. And also thanks to our shareholders, customers and business partners for their continuous supports and trust in our business. We are confident that our Group will be able to overcome the future challenges and execute the business strategy as planned for the enhancement of shareholder value.

Tang Shing Bor
Chairman

Hong Kong, 19 March 2021



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS ENVIRONMENT AND BUSINESS REVIEW

The Group is principally engaged in the business of providing comprehensive multi-media contact centre services as well as system solutions. The principle activities of the Group include provisions of outsourcing inbound and outbound contact services, staff insource service, contact centre facilities management service and omni-channel contact centre system. The Group also carries out regulated financial activities including securities trading, advisory as well as asset management services through our Type 1, Type 4 and Type 9 licensed financial entities.

The Hong Kong economy contracted by 6.1% for 2020 as a whole which marked the sharpest annual decline on record. The economy saw a visibly enlarged year-on-year contraction of 9.0% in the first half of 2020 as the COVID-19 pandemic dealt a heavy blow to global and local economic activities. The economy showed some improvement in the second half of the year and recorded narrowed contractions of 3.6% and 3.0% respectively in the third and fourth quarters, partly thanks to an improved external environment.

The year of 2020 was proved to be one of the most difficult and challenging years in the history of the Company. The COVID-19 pandemic had devastated a broad range of industries causing disruption to a lot of businesses directly and indirectly. Although the local government had carried out substantial fiscal as well as monetary measures to support the communities at both business and personal levels, the continual waves of outbreak throughout the year had not only weakened the current economy seriously but also created a lot of uncertainties to any future business investment and strategies.

Besides, the deterioration in business and economic conditions to a certain extent, has eroded the confidence of customers and investors. The sale of the Group's contact centre services and system solutions unavoidably faced a drop in demand or temporary order suspension during the period as a result of a slowdown in business activities and postponed decision making. While at the same time data security concerns and call blocking mobile apps continued to impact unfavourably on our clients' outsourcing sentiment particularly on outsourcing outbound contact centre services. On the whole, a shrinkage in the scale of operation during the period had resulted in a lower profit margin of some of our service segments.

To pave way for a rebound of the economy and maintain the competitiveness of our Marvel Contact Centre System ("Marvel"), the Group has recently undergone a massive revamp of our system solution to support traditional, digital as well as different social media communications for contact centre operation. In addition, the Group has also integrated AI-knowledgebase, AI-chatbot and AI-voicebot capabilities to our system solution to deliver a truly comprehensive and integrated communication platform for our clients. So far, Marvel has received very encouraging feedbacks, and the Group looks forward to a pickup in demand when the economy and business activities take a positive turn in the near future.

The local stock market exhibited considerable volatility in 2020 as market sentiment was swayed by concerns over the global economic outlook amid the COVID-19 pandemic and the development of the China-US relations. Despite the uncertainties, trading in local stock market and loans for use remained active after the first quarter of 2020, and the Group has gradually captured the momentum of business in securities investment and placing as well as secured lending services during the period.

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 Service

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

Outsourcing Outbound Contact Service

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

Staff Insourcing Service

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

Contact Service Centre and Service Centre Facilities Management Service

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

Financial Services

The Group provides financial services under regulated activities licenses issued by the Securities and Futures Commission ("SFC"):

- (a) Securities trading and margin lending services (Type 1 – dealing in securities);
- (b) Securities advisory services (Type 4 – advising on securities); and
- (c) Asset management service (Type 9 – asset management)

The Group also provides commercial and personal money lending or credit financing services under our money lender's license.

Others

The "Others" segment which principally comprises sales of system and software, licence service fee income, system maintenance fee income and personnel services.

PROSPECT

Despite the fact that the global and local economy seems to start to recover at the beginning of this year, its recovery path going forward will hinge crucially on the development of the pandemic. The Group believes if the Government's enhanced efforts to fight the virus and the local vaccination campaign can yield the intended results, there would be a more solid and sustainable revival of domestic economic activities in the second half of year 2021.

With people and corporations remain vigilant on masking and social distancing, it is believed that face-to-face business interaction is unlikely to rebound sharply in the foreseeable future. The management of the Group believes demand of outsourcing and insourcing contact centre services would take up considerably alongside the gradual resumption of business activities, and the new social media and AI chatbot and voicebot capabilities of our contact centre system solution would also attract more sales opportunities for our core business.

In the financial arena, the Group continues to explore securities business opportunities in both retail and institutional segments, with special focus on the latter in equity fund setup and distribution. The business connections and network we built up in the past years allowed us to create a lot of synergies with our partners and potential investors, making it possible for the Group to pursue different financial deals in the near future.

With the Government continued to strengthen Hong Kong's economic links with the Mainland, the Agreement Concerning Amendment to CEPA Agreement on Trade in Services (Amendment Agreement) implemented in June 2020 has further lowered the market access thresholds in the Mainland for Hong Kong financial service providers. It is the intention of the management of the Group to further extend our presence in the Greater Bay Area followed the uplift of COVID-19 travel restriction and border closure with mainland China. By leveraging our practical local experience, knowledge of the market and collaboration with local and global business partners, we believed our unique position will be able to gain traction among investors in the area and expand our business opportunities beyond the border.

In addition to managing our traditional financial business in securities trading and advisory services and asset management services, the Group is also interested in studying the development of virtual assets services. The SFC has issued the first virtual asset trading platform license for Type 1 (dealing in securities) and Type 7 (providing automated trading services) regulated activities in December 2020. The management of the Group believes there is great potential in the development of virtual assets in Hong Kong and can further leverage on the synergies of our traditional financial business and resources to create more value for our clients.

In view of the uncertain local business environment, the Group will stay cautious and prepare to respond to changes and risks in the upcoming economic environment. We will also continue to focus on our core businesses while at the same time explore new opportunities to maximize the potential of our businesses.

Listed financial assets at fair value through profit or loss

Description of the investments	Number of shares held as at 31 December 2020	Carrying amount as at 31 December 2020 HK\$ (approximate)
Tracker Fund (stock code: 2800)	60,000	1,644,000

During the year 2020, the Group had acquired 60,000 Tracker Fund listed shares (stock code: 2800) ("Listed shares"). As at 31 December 2020, the Group held 60,000 Tracker Fund listed shares which amount to carrying amount of approximately HK\$1,644,000. The principal purpose of the Company of the acquisition of the Listed shares is to enhance return by utilising the idle cash of the Company. During the year ended 31 December 2020, the Group had received dividend in the amount of approximately HK\$45,000 from its investment in Tracker Fund listed shares. For the year ended 31 December 2020, the Group had recognised gain approximately HK\$194,000 of its investment in Tracker Fund listed shares.

FINANCIAL REVIEW

The Group recorded a loss attributable to owners of the Company amounted approximately HK\$5.1 million for the year ended 31 December 2020 as compared with the profit attributable to owners of the Company approximately HK\$7.6 million for the year ended 31 December 2019. The loss was mainly due to the decrease in revenue and gross profit margin as a result of the outbreak of Novel Coronavirus Disease epidemic as discussed in the section "Business Environment and Business Review" in this report, one off impairment of the goodwill and increase of the expected credit loss.

The austere local economic conditions caused by the COVID-19 pandemic had disrupted a lot of businesses in 2020, leading to a significant increase in expected credit losses due to weakened financial conditions as well as higher risk provision of certain clients. The expected credit loss increase from amounted approximately HK\$0.5 million for the year ended 31 December 2019 to amounted approximately HK\$13.1 million for the year ended 31 December 2020.

The goodwill, amounted approximately HK\$4.5 million, arose from acquiring Gear Asset Management Limited, License 9 regulated corporation ("Acquired Company") in 2018, was tested to be impaired due to the Acquired Company generated a loss for the year.

REVENUE AND OTHER INCOME

The Group recorded a decrease in total revenue amounted approximately HK\$28.1 million from approximately HK\$132.3 million for the year ended 31 December 2019 to approximately HK\$104.2 million for the year ended 31 December 2020.

The following table sets forth the analysis of revenue in terms of business nature of our Group for the years ended 31 December 2020 and 2019 respectively:

	Year ended 31 December 2020 HK\$'000		Year ended 31 December 2019 HK\$'000	
Outsourcing inbound contact services	11,383	10.9%	11,833	8.9%
Outsourcing outbound contact services	8,253	7.9%	28,180	21.3%
Staff insourcing services	46,260	44.4%	56,291	42.5%
Contact service centre facilities management services	13,946	13.4%	10,913	8.3%
Financial services	19,418	18.6%	21,029	15.9%
Others	4,951	4.8%	4,087	3.1%
Revenue	104,211	100.0%	132,333	100.0%

Outsourcing Inbound Contact Services

The revenue of outsourcing inbound contact services slightly decreased from approximately HK\$11.8 million for the year ended 31 December 2019 to approximately HK\$11.4 million for the year ended 31 December 2020.

Outsourcing Outbound Contact Services

The revenue of outsourcing outbound contact services decreased from approximately HK\$28.2 million for the year ended 31 December 2019 to approximately HK\$8.3 million for the year ended 31 December 2020.

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

Staff Insourcing Services

The revenue of staff insourcing services segment decreased from approximately HK\$56.3 million for the year ended 31 December 2019 to approximately HK\$46.3 million for the year ended 31 December 2020. The decrease of the revenue is mainly due to decrease of the demand of the staff insourcing services.

Contact Service Centre and Service Centre Facilities Management Services

The revenue of the contact service centre and service centre facilities management services increased from approximately HK\$10.9 million for the year ended 31 December 2019 to approximately HK\$13.9 million for the year ended 31 December 2020. The increased of the revenue is mainly due to increase of the demand of the contact service centre and service centre facilities management services.

Financial Services

The overall revenue of financial services decreased from approximately HK\$21 million for the year ended 31 December 2019 to approximately HK\$19.4 million for the year ended 31 December 2020.

The revenue of the financial services related to securities business increased from approximately HK\$4.8 million for the year ended 31 December 2019 to approximately HK\$8.7 million for the year ended 31 December 2020. The increase of the revenue is mainly due to increase in the provision of consultancy services related to security products.

The revenue of the financial services related to asset management business decreased from approximately HK\$15.7 million for the year ended 31 December 2019 to approximately HK\$8 million for the year ended 31 December 2020. The decrease of the revenue is mainly due to decrease in the demand of asset management services.

The revenue of the financial services related to credit finance business increased significantly from approximately HK\$0.5 million for the year ended 31 December 2019 to approximately HK\$2.5 million for the year ended 31 December 2020. The increase of the revenue is mainly due to increase in the demand of credit finance services.

Others

For the year ended 31 December 2020, the Group recorded a revenue in licencing and sales of system and software of approximately HK\$2.9 million (2019: approximately HK\$2.2 million), system maintenance income of approximately HK\$2 million respectively (2019: approximately HK\$1.9 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 2020 and 2019 respectively:

	Year ended 31 December 2020		Year ended 31 December 2019	
	HK\$'000	GP Margin %	HK\$'000	GP Margin %
Outsourcing inbound contact service	1,312	11.5%	1,364	11.5%
Outsourcing outbound contact service	(1,895)	(23.0%)	4,002	14.2%
Staff insourcing service	3,355	7.3%	5,707	10.1%
Contact service centre facilities management service	3,628	26.0%	2,447	22.4%
Financial services	(3,461)	(17.8%)	7,027	33.4%
Others	1,834	37.0%	1,560	38.2%
Total segment result and gross profit margin	4,773	4.6%	22,107	16.7%

The gross profit margin of our Group decreased from approximately 16.7% for the year ended 31 December 2019 to approximately 4.6% for the year ended 31 December 2020.

Outsourcing Inbound Contact Services

The gross profit margin in outsourcing inbound contact services was approximately 11.5% for the year ended 31 December 2019 and was similar to that of approximately 11.5% for the year ended 31 December 2020.

Outsourcing Outbound Contact Services

The gross profit margin in outsourcing outbound contact services decreased from approximately 14.2% for the year ended 31 December 2019 to a gross loss margin approximately 23% for the year ended 31 December 2020. The decrease of segment result and gross profit margin was mainly due to the decrease of revenue and the increase of expected credit loss.

Staff Insourcing Services

The gross profit margin in staff insourcing services decreased from approximately 10.1% for the year ended 31 December 2019 to approximately 7.3% for the year ended 31 December 2020. The decrease in the gross profit margin mainly due to the increase of the employee cost cannot be fully shifted to our customers.

Contact Service Centre and Service Centre Facilities Management Services

The gross profit margin in contact service centre facilities management services increased from approximately 22.4% for the year ended 31 December 2019 to approximately 26% for the year ended 31 December 2020. The increase in gross profit margin in this segment represents the overall improvement in the operation.

Financial Services

The gross profit margin of financial services decreased from the gross profit approximately 33.4% for the year ended 31 December 2019 to the gross loss approximately 17.8% for the year ended 31 December 2020. The decrease of gross margin of financial services is mainly due to the drop on our asset management business and increase of the expected credit loss for provision of asset management services for one of our major customers amounted approximately HK\$11 million.

Others

The gross profit margin of other services slightly decreased from the gross profit approximately 38.2% for the year ended 31 December 2019 to the gross profit approximately 37% for the year ended 31 December 2020.

OTHER INCOME

The other income increased from approximately HK\$0.3 million for the year ended 31 December 2019 to approximately HK\$14.6 million for the year ended 31 December 2020. The other income represents the bank interest income, trading securities dividend income and the government subsidy fund. The other income largely increased due to the Group received the local government subsidy related to employment amounted approximately HK\$14.5 million.

EXPENSES

The Group recorded other operating expenses amounted to approximately HK\$28 million (2019: approximately HK\$20.5 million). The other operating expenses mainly include expected credit loss, auditors' remuneration, insurance, legal and professional expenses, expenses relating to short-term leases and rates, repair and maintenance, subcontracting expenses, telephone expenses, travelling, entertainment and utilities expenses. The increase of the other operating expenses was mainly due to the increase of expected credit losses amounted approximately HK\$13.1 million and the impairment of goodwill amounted approximately HK\$4.5 million.

During the year under review, the employee benefits expenses decreased from approximately HK\$89.1 million for the year ended 31 December 2019 to approximately HK\$76.9 million for the year ended 31 December 2020. The decrease of employee benefit expenses was mainly due to the increase of voluntary resignation of contact centre staffs.

The Group's depreciation and amortization expenses increased from approximately HK\$11.3 million for the year ended 31 December 2019 to approximately HK\$12 million for the year ended 31 December 2020.

(LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group recorded a loss attributable to owners of the Company amounted approximately HK\$5.1 million for the year ended 31 December 2020 as compared with the profit attributable to owners of the Company amounted approximately HK\$7.6 million for the year ended 31 December 2019.

PLEDGE OF ASSETS

As at 31 December 2020, the Group had pledged its bank deposits of approximately HK\$9.1 million (2019: approximately HK\$9.1 million) to secure its banking facilities.

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 2020 (2019: Nil). As at 31 December 2020, there was no capital commitments outstanding but not provided for in the financial statements (2019: Nil).

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

Save for those disclosed in this report, there were no significant investments held as at 31 December 2020, 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 2020.

DIRECTORS

Executive Directors

Mr. Tang Yiu Sing (鄧耀昇), aged 35, 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 49, 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 87, 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 73, 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 58, 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 47, 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 57, 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 56, 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 54, 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 58, 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 50, 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 42, 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 2020, 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 one board meeting 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 2020.

BOARD OF DIRECTORS

Board composition

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

Executive Directors

Mr. Tang Yiu Sing (*Chief Executive Officer*)

Mr. Yeung Ka Wing (*Compliance Officer*)

Non-Executive Director

Mr. Tang Shing Bor (*Chairman*)

Independent Non-Executive Directors

Mr. Wong Sik Kei

Mr. Cheung Kong Ting

Mr. Wong Kam Tai

The particulars of the Directors and other senior management are disclosed in the section headed “Particulars of Directors and Senior Management” on pages 15 to 17 in this report. Save as disclosed in this report, there is no relationship, including financial, business, family or other material/relevant relationship(s) among members of the Board and between the Chairman and the Chief Executive Officer of the Company. The Board formed the view that the composition of the Board is well balanced. Each of the Directors has relevant expertise and extensive corporate and strategic planning experiences that may contribute to the business of the Group.

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

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

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

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

Directors’ training

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

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

Board meeting and procedures

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

Directors' attendance at Board/Board committee/general meetings

The Board held six Board meetings during the year ended 31 December 2020. 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	5/6	1/1
Non-executive Director:		
Mr. Tang Shing Bor	3/6 ⁽²⁾	1/1
Independent Non-executive Directors:		
Mr. Wong Sik Kei	6/6	1/1
Mr. Cheung Kong Ting	5/6	1/1
Mr. Wong Kam Tai	6/6	1/1

Notes:

1. Refers to the number of meetings attended/held while the Board member holds his office.
2. Not entitled to attend one meeting 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 non-executive Directors with no conflict of interest will be present at meetings dealing with such conflict issues.

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1 of the Code, the roles of the Chairman and the Chief Executive Officer should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing. To ensure a balance of power and authority, the roles of the Chairman and the Chief Executive Officer are segregated and performed by Mr. Tang Shing Bor and Mr. Tang Yiu Sing respectively.

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

During the year ended 31 December 2020, 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 2020.

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 2020, and the attendance records of the individual committee members are set out below:

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

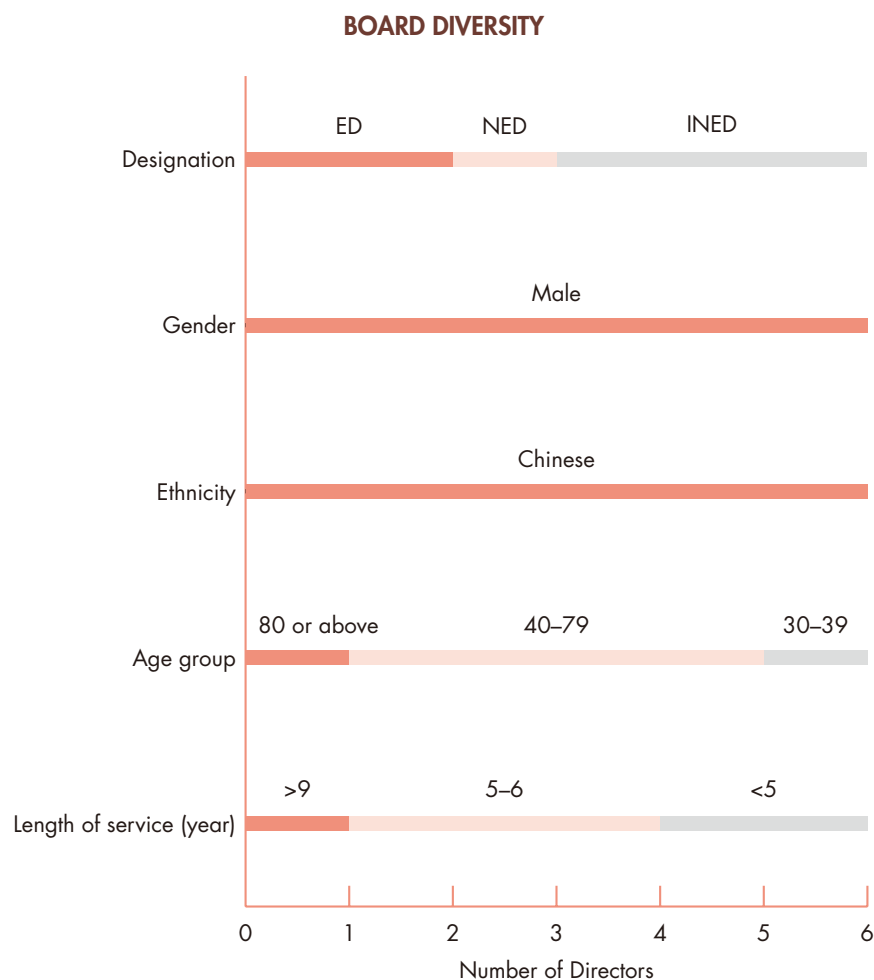
The summary of work of the Nomination Committee during the year is as follows:

- 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 2020, the Board's composition under major diversified perspectives was summarized as follows:



ED: Executive Director

NED: Non-Executive Director

INED: Independent Non-Executive Director

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge 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 2020 is set out in the Independent Auditors' Report on pages 61 to 65. 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 one meeting during the year ended 31 December 2020, and the attendance records of the individual committee members are set out below:

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

Note:

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

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

- reviewed the remuneration 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 2020, and the attendance records of individual committee members are set out below:

	Number of Meetings Attended/Held ⁽¹⁾
Mr. Wong Kam Tai (<i>Chairman</i>)	4/4
Mr. Wong Sik Kei	4/4
Mr. Cheung Kong Ting	3/4

Note:

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

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

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

Risk Management and Internal Control Committee

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

The primary duties of the RMICC are:

- (a) to evaluate the nature and extent of the Group's exposure to the risks in its business and the external environment and to review and ensure that the Group establishes and maintains appropriate and effective risk management and internal control systems;
- (b) to oversee the management in the design, implementation and monitoring of the risk management and internal control systems of the Group and ensure that a review of the effectiveness of such systems has been conducted at least annually; and
- (c) to monitor the effectiveness of the internal audit procedures in the compliance of the non-competition arrangement for controlling shareholders of the Company.

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

The RMICC held two meetings during the year ended 31 December 2020, and the attendance records of the individual committee members are set out below:

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

Note:

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

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

- to review whether there are any conflict of interests or competition of business between the Company and the company owned by an executive director of the Company; and
- to review the credit risk, the liquidity risk and the business risk of the Group.

Auditors and their remuneration

The accounts for the year ended 31 December 2020 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 2020, the remuneration paid or payable to HIC, the auditors of the Company, in respect of the audit services rendered was approximately HK\$1,000,000 (2019: 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 2021 Annual General Meeting of the Company, which will be delivered together with the 2020 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.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance (“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 2020 to 31 December 2020 (“2020”) (“Reporting Period”).

The ESG Report presents our environmental, social and governance initiatives and performances in a transparent manner and demonstrates our ongoing commitment to sustainable development. The management of the Group believes that integrating environmental, social and governance into our corporate vision can create business value and long term sustainability for the Group. To advance our commitment, an ESG Committee was set up to drive ESG practices across all departments within the Group.

PART A: ENVIRONMENTAL

The Group is committed to share the responsibility in protecting the environment, and make our best endeavor to minimize the environmental impact resulted from our business operations. We embrace our responsibilities by promoting energy saving, waste reduction, recycling and other green initiatives in our business decisions and operations. We constantly educate our staff to raise their awareness on environmental protection and apply the practice to our day to day operation of the business.

In order to enhance our environmental governance practice and minimize any adverse impact of our operations to the environment, the Group has implemented and regularly reviewed our Environmental Policy that based on “Reduce, Reuse, Recycle and Replace” principles. The major objective of the Environmental Policy is to ensure our energy consumption, air emission, waste disposal and recycling are conducted in an environmental responsible manner, and always comply with the relevant environmental laws and regulations.

In 2020, 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 and Noise Control Ordinance that would have a significant impact on the Group.

Emission

Exhaust air emissions

The business nature of the Group has limited linkage with air emissions, and the only major source of exhaust gas emissions comes from fuel consumption by the Company's motor vehicle (Scope 1).

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 2020:

	Total (g)
Nitrogen oxides	3,889
Surplus oxides	59
Particulate matter	286

GHG emissions

One of the major sources of the Group's greenhouse gas ("GHG") emissions was generated from fuel consumption of the Company's motor vehicle (Scope 1), and the emission impact is shown as follows:

	Total (g)
Carbon Dioxide ("CO ₂ ")	6,745
Methane ("CH ₄ /N ₂ O")	21
Nitrous Oxide ("N ₂ O")	1,376
Total direct GHG emission (kg)	8,143

Another source of the Group's GHG emission was generated from purchased electricity (Scope 2) and the corresponding carbon dioxide ("CO₂") emission was approximately 417,405 kg in 2020, which has decreased by around 1.5% from 423,846 kg in 2019.

Other indirect emissions due to the electricity used for processing fresh water and sewage by government departments are immaterial and therefore we do not collect any data related to such emissions. During 2020, the Group did not record any indirect emissions generated from air travelling for business.

We aim at reducing our emission impact from local travelling through guidelines in our Environmental Policy, which including but not limited to the followings:

- consume unleaded petrol instead of diesel oil;
- carry out phone or video conference, if possible, to reduce travelling;
- encourage to use public transport as much as possible;
- plan and optimize travelling route for multiple pick-up or drop-off points; and
- schedule regular maintenance of the company vehicle to ensure best possible fuel-efficiency.

Waste management

Hazardous waste handling

Due to our business nature, the Group did not generate a significant amount of hazardous waste in 2020. Our Environmental Policy provides practical guidelines in governing the use, storage and disposal of chemicals in the workplace. In case there is any hazardous waste produced, the Group must engage a qualified chemical waste collector to handle such waste, and comply with the relevant environmental rules and regulations on disposal.

Non-hazardous waste handling

The Group is committed to handling and disposing all wastes generated from the operation responsibly based on “reduce, reuse, recycle and replace” principles. We implemented the Environmental Policy and adopted various wastes reduction measures and initiatives to minimize our environmental impact of non-hazardous waste generated from our business operation. During 2020, the Group consumed approximately 1,193 kg of paper, which has reduced by around 36.9% from 1,890 kg in 2019. All staff are encouraged to adhere to the recommended guidelines in the Environmental Policy in the day-to-day operation which, 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 black-and-white double-side printing as the default mode for printing;
- set up recycling stations to encourage recycling and for collection purpose;
- encourage staff to use own cup/plate to reduce usage of disposable utensils; and
- offer less plastic bottle beverages in the premises.

We continue to promote recycling through regular internal campaigns and employ qualified recycling vendors to collect and recycle used paper, plastic bottles and glass containers in 2020. During the period, 1,445 kg paper was collected for recycling which is equivalent to planting approximately 37 tree seedlings. Less paper was collected for recycling as compared to 1,834 kg in 2019 was mainly due to less paper was consumed during the Reporting Period.



Use of resources

The Group continues to strive to minimize environmental impact of our operations, optimize resources usage efficiency and reduce any unnecessary use of resources and/or materials through the implementation of green and eco-friendly practices as recommended in our Environmental Policy. All staff are encouraged to follow the guidelines in the working environment as a support of the initiatives.

Energy management

The Group has established energy conservation policies and guidelines in our Environmental Policy and all staff are requested to adopt the practice and measures in order to achieve the objective of energy saving and efficient use of resources. The management of the Group has regularly reviewed our energy consumption and its trend in order to take appropriate preventive or corrective action deemed necessary. It is the long term objective of the Group to maintain or minimize the usage of energy at an adequate level for our business operations.

Electricity is the main source of energy consumed for our operations. The management of the Group has introduced various measures and initiatives to achieve the goal of electricity saving and efficient consumption. Such measures and initiatives include but are not limited to the following:

- 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;
- share energy saving tips with employees regularly; and
- use anti-glare blinds and filters to better control the internal office temperature.

Through the implementation of the above measures, the Group's total energy consumption in 2020 was 417,405 kWh, which has decreased by about 38% from approximately 672,772 kWh in 2019.

Water consumption

The Group mainly consumes water for general cleaning and sanitation purposes. We take a practical approach to manage our water consumption on daily basis, and always advocate environmental friendly practices and the importance of water conservation in the workplace. During the Reporting Period, the Group consumed 3,363 cubic meters of water, which has reduced by about 4.8% from 3,531 cubic meters in 2019, and implemented the following measures to encourage reduction in water consumption:

- install self-closing water tap to avoid massive water wastage;
- adjust the water flow to minimize any unnecessary wastage of water;
- post "Water Saving" posters and tips to encourage using water conscientiously; and
- inspect and maintain the water system regularly to avoid any leakage or wastage.

Use of packing materials

Due to the nature of our business, the Group did not involve in any substantial production or consumption of packaging materials during 2020.

PART B: SOCIAL

Employment and labour standard

People are always one of the most valuable assets of the Group, and serve as the foundation for our continuous business development. We strive to adopt a people-oriented management model and committed to provide a fair and sustainable environment for the continuous growth and development of our staff. Our Employee Handbook covers various aspects, including but not limited to recruitment, compensation, working hours, annual leave, dismissal, promotion, equal opportunities and diversity. It is reviewed at least annually by the management of the Group to ensure the compliance with the latest Employment Ordinance, Mandatory Provident Fund Schemes Ordinance, Minimum Wage Ordinance, etc. as well as to incorporate any new changes or improvements as needed.

During the Reporting Period, the Group did not have any material non-compliance with employment related regulations and laws.

Recruitment, promotion and dismissal

The management of the Group recognizes the importance of maintaining a stable workforce as well as attracting new talents to sustain the continuous growth of our business. We have implemented fair and transparent policies on the recruiting process, so as to ensure all hiring are assessed on ability and experience, and is regardless of race, gender, religious, disabilities and sexual orientation, etc. The Group strives to continuously attract, employ, and develop the right talents through effective recruitment channels and procedures.

The Group has developed and maintained an objective and systematic appraisal system for promotion and annual performance evaluation of staff. The annual appraisal exercise offers the management and staff an opportunity to discuss job performance, achievements, career development and also make alignments on goals and expectation on mutual basis. The Group offers promotion and development opportunities for outperforming staff subject to regular review and fulfilling of objective performance indicators in performance evaluation.

We strive to maintain a stable workforce, however, in case of resignation or dismissal, the Group follows all requirements regarding employment termination as stipulated in the Employment Ordinance and prohibits any kind of unfair or unreasonable dismissals. The management performs exit interview with resigned staff to try to understand the cause and identify any area of improvement in the long run. The management of the Group was not aware of any material non-compliance issues related to dismissal during 2020.

Remuneration and benefits

The Group's remuneration policy is based on principles of equality, responsibility, performance and market benchmarks. We offer fair, reasonable and competitive remuneration packages to retain staff and attract new talents, and the management of the Group review and revise the remuneration packages at least annually to maintain its competitiveness and effectiveness.

Other than basic salary, the Group offers a spectrum of fringe benefits, including but not limited to, paid holidays, annual leave, sick leave, maternity and paternity leave, marriage leave, condolence leave, medical coverage, mandatory provident fund, discretionary bonus and training subsidy.

The management of the Group is also dedicated to maintain a pleasant working environment for our staff by keeping the work place clean and tidy at all times. We also organize different types of welfare activities that contributes to a healthy working life. Activities during the Reporting Period included:

put up holiday decoration for different festivals;



offered festive foods (mooncake, radish cake, etc.);



organized fun games and contests;



hosted festive gatherings or meals;



made and shared special treats at office regularly.

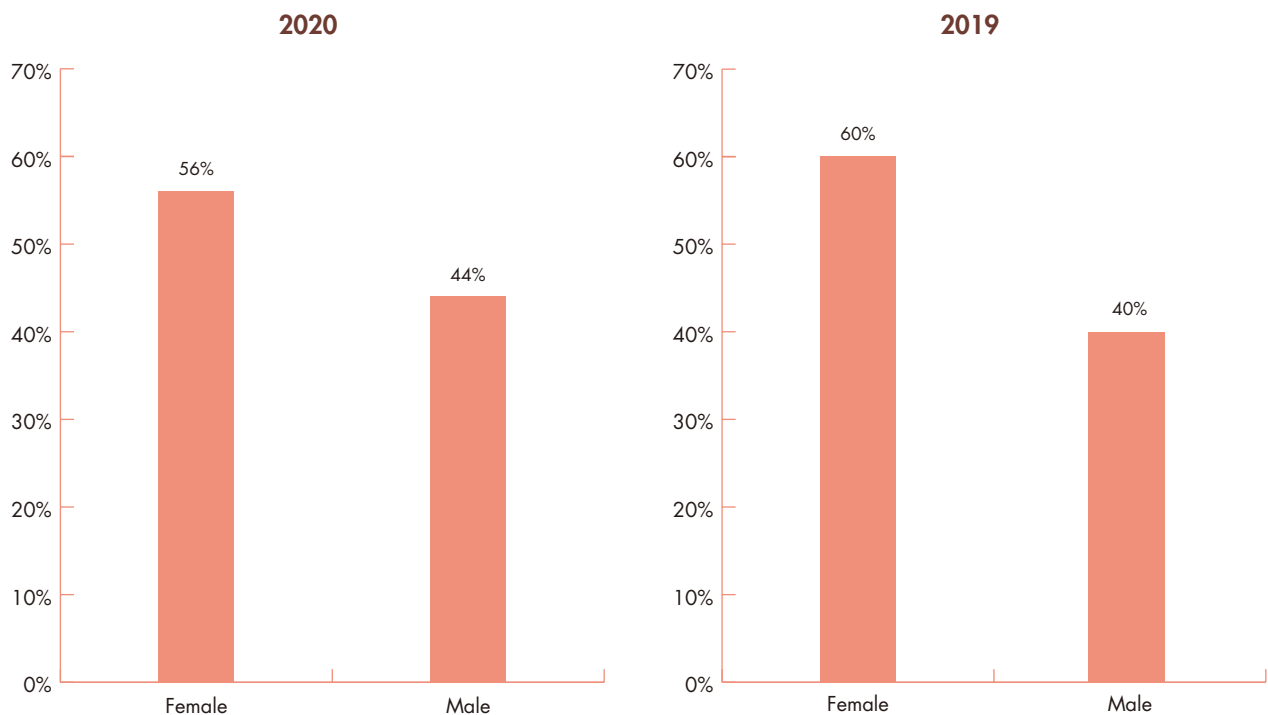


Diversity and equal opportunity

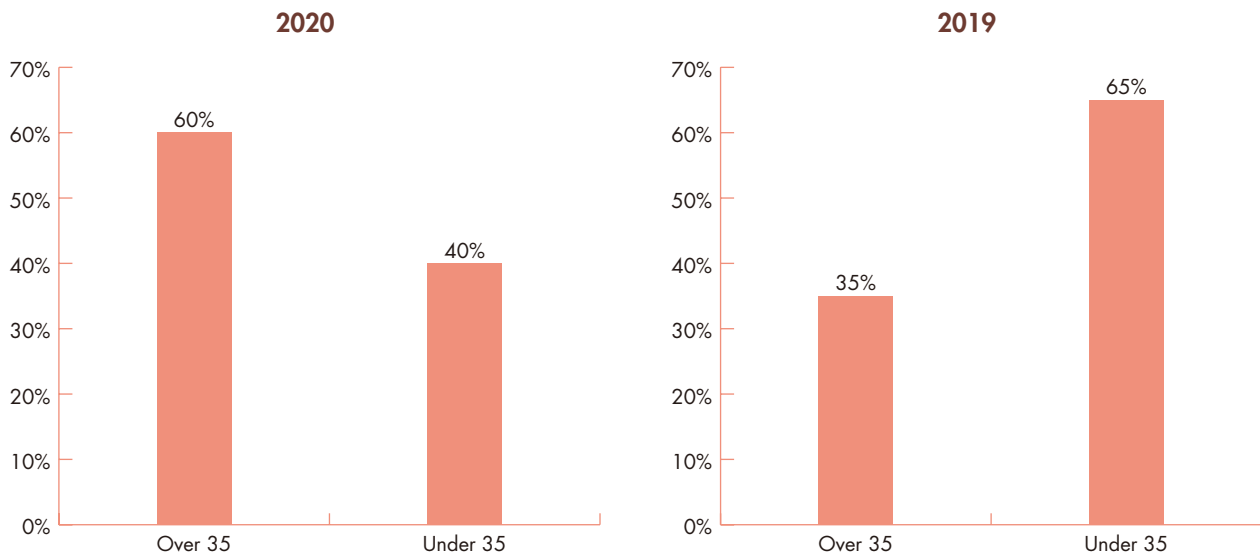
We recognize the benefits of having a diversified workforce and embrace an inclusive working culture at all times. We strive to create a trusting working environment which is able to provide equal opportunity and is free from discrimination against any individual on the basis of race, religion, skin color, gender, physical or mental disability, age, nationality, 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 relevant discrimination law ordinances in Hong Kong.

The Group had a total number of 321 employees as of 31 December 2020 in Hong Kong, and with a large majority of them working on full-time basis. We have maintained a reasonable diversity in our workforce in terms of gender and age groups in 2019 and 2020.

Percentage of employees by gender



Percentage of employees by age group



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. The Safety Policy complies with rules of Occupational Safety and Health Ordinance, Employee Compensation Ordinance and Fire Safety (Building) Ordinance. The Group's Administration Department takes responsibility for regular review of the effectiveness of the Safety Policy and advising the management of the Group on any potential safety hazards and improvements of the health and safety standards. The Group keeps our staff updated on new safety tips and regulations to ensure we all work together to safeguard the safety of our working environment. The relevant measures we had taken including but not limited to the followings:

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

During the Reporting Period, the Group was not aware of any material non-compliance with health and safety-related laws and regulations, including but not limited to the Occupational Safety and Health Ordinance and Employee Compensation Ordinance of Hong Kong that would have a significant impact on the Group. There were three (3) accidents that resulted in a total loss of 6 working days during the Reporting Period.

Health management



Throughout the outbreak of COVID-19 pandemic in 2020, the management of the Group had stayed highly alert and taken a series of precautionary actions to ensure safety of the workplace, health of the staff and continuation of business operations. The Group had increased the frequency of cleansing and sterilization of the workplace, installed air purifiers throughout the premises, applied photocatalytic long-acting disinfectant to populated areas, implemented social distancing as much as possible in the common area, recorded body temperature of staff and visitors at the entrance as well as generously provided hand sanitizers and disinfecting alcohol for staff to maintain their own personal hygiene at work. All staff were required to put on surgical face masks within the premises at all times, and filled out health declaration questionnaire as requested. We also made COVID-19 test kits readily available to staff who sought to take the test voluntarily. During the pandemic crisis, the Group recommended staff to use video and audio conferencing tools to communicate with our clients in order to minimize face-to-face meetings as much as possible.

We continued to address evolving issues and provide guidance to our staff consistent with government regulations and announcements. The Group had strictly followed guidelines made by the Department of Health and Centre for Health Protection in regards to epidemic prevention and strived to provide a safe and healthy working environment for our staff.

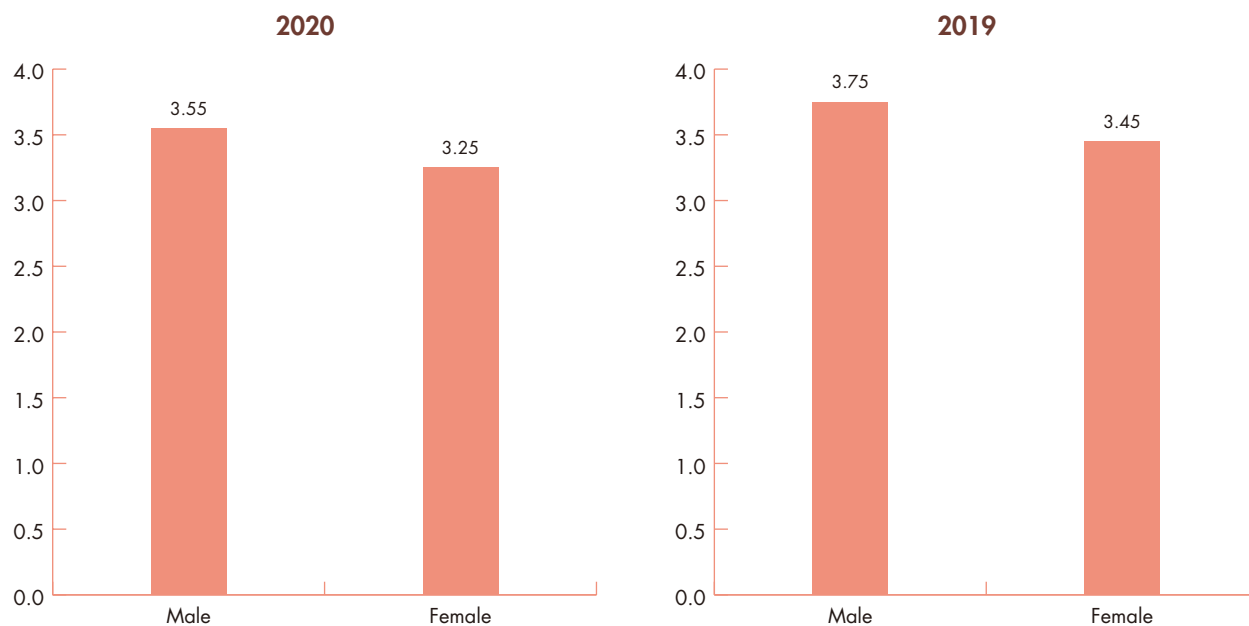
Development and training

The management of the Group strives to create a stimulating working environment where our staff are empowered to perform to their highest potential and continually enhance their skills to meet the needs of their duties.

Other than providing basic job-related training to each staff upon on-boarding, the Group has always encouraged our staff to advance their knowledge and skills in order to create more value for themselves as well as the Company. The Group organized, recommended and/or sponsored different internal and external training programs on various disciplines such as lean management, digital transformation, as well as market intelligence, etc. We believe effective training can help to further develop our talents and increase the competitiveness of the Group in the long run. We encourage department managers to actively assess areas of training and development needs of their subordinates in order to improve their capabilities for future career advancement. Training sponsorships are also available to eligible staff with approval from their superiors.

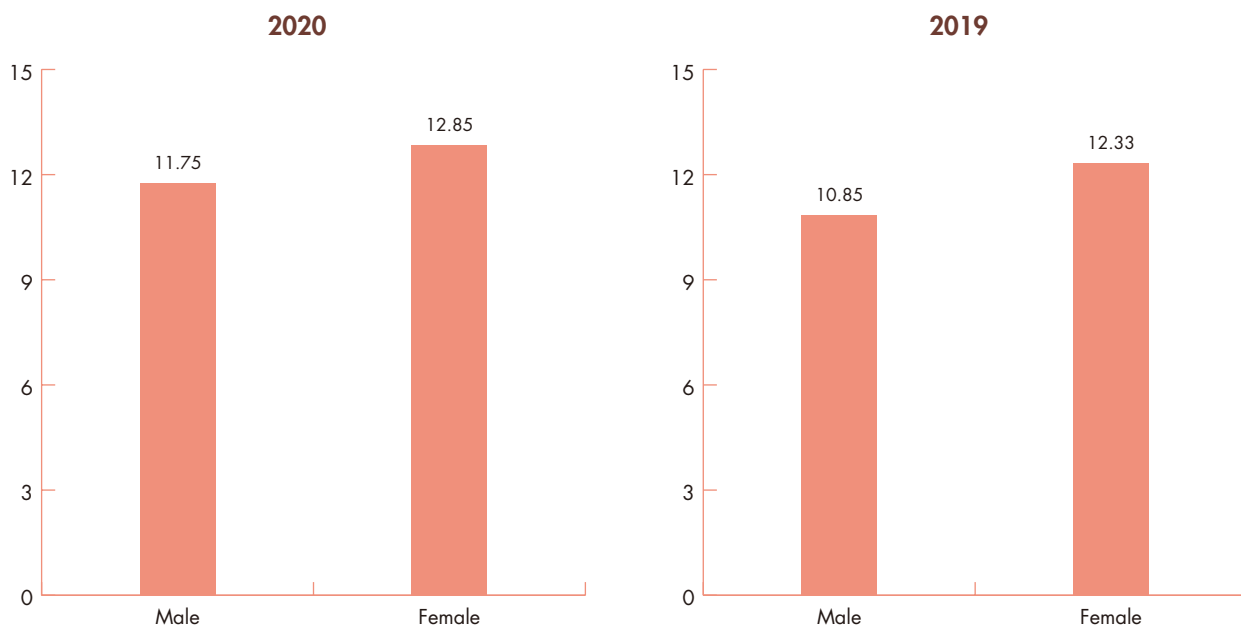
The below charts present the average training hours by gender in 2020 and 2019 respectively.

Average training hours by gender



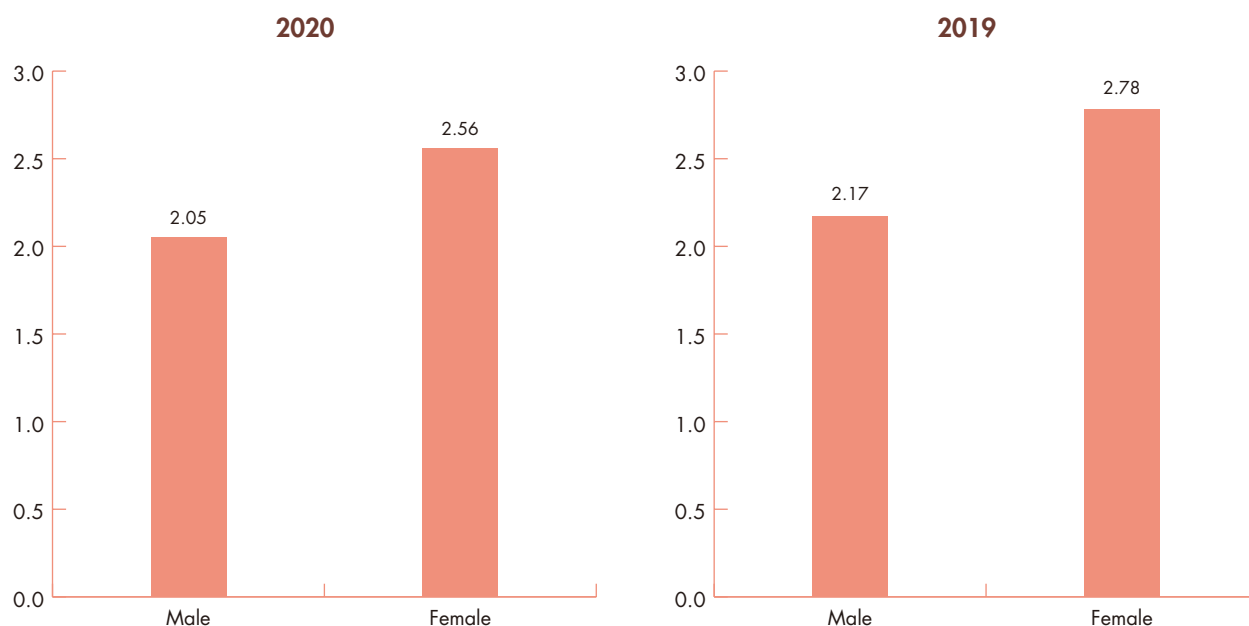
The below charts present the average training hours in supervisory level by gender in 2020 and 2019 respectively.

Average training hours in supervisory level by gender



The below charts present the average training hours in working level by gender in 2020 and 2019 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 laws and regulations. We have established policies to prevent employment of child and forced labour and the HR Department is responsible to verify the identity of the applicants to ensure the Group's recruitment and employment procedures comply with the relevant labour laws and regulations.

During the Reporting Period, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations, including but not limited to the Employment Ordinance of Hong Kong that would have a significant impact on the Group.

Supply chain management

The Group sources and purchases hardware and software for our internal IT infrastructure as well as our Marvel Contact Centre System solution from third-party suppliers or subcontractors. We mainly procure products of well-known brands directly from the manufacturers or through their authorized distributors. The Group has established clear procurement guidelines to manage the entire procurement process which including but not limited to, maintain an updated list of approved vendors with grading, latest product brochures, and their environmental policies for our annual performance evaluations. We actively communicate and share with our suppliers about our environmental and social policies, as well as our preference on procuring from vendors with similar practices. Suppliers or subcontractors with substandard grading or violation of related laws and regulations will be suspended or removed from our approved vendor list.

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 subcontractors.

Product and service responsibilities



The Group is committed to provide services and products with high standards of safety, quality and reliability to our clients. We obtained ISO 9001:2015 Quality System Certificate in design and provision of telemarketing and 24-hour customer service hotline since 1997, and strive to improve the quality of our products and services according to the requests of customers.

The Group continues to establish our reputation in the industry based on the quality of our products and services, and puts great emphasis on quality control and process management. We have standard product recall procedures to handle any product recall professionally and effectively. The management of the Group will based on the information collected to assess the risks involved and decide the action to be taken, which including but not limited to, inform relevant vendors, customers and/or regulatory bodies, make replacement and follow up with all involved parties. A report with details as well as preventive and corrective actions will be submitted to the management of the Group for review and immediate improvement.

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 implemented Information Security Policy and guidelines to protect any third party IP rights by prohibiting our staff from duplicating, installing or using software without appropriate copyright or licenses.

Maintaining good communication with our clients has always been the Group's underlying principle for effective customer management. We have well defined guidelines and procedures for logging and escalating customer complaints, and strive to address each complaint seriously and fairly. The Sales and Marketing Department is responsible to co-ordinate relevant teams and/or departments to solve the problems and then report to the management of the Group for review if necessary.

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

Customer data privacy



Maintaining customer's privacy has always been one of the top priorities of the Group, and we have very strict policy and procedures to safeguard the security of the customer data. The Group has maintained ISO 27001: Information Security Management System certification since 2011, and also tightly adhered to the Personal Data (Privacy) Ordinance of Hong Kong at all times.

Authorized staff who are granted access to sensitive information such as customer and/or business data are required to sign confidentiality agreements with us or the clients in order to acknowledge their responsibilities to uphold the confidentiality of the information. All confidential data in printed or electronic media will be properly deleted or destroyed according to the corresponding procedures or guidelines after the expiry period. The IT Department is responsible to protect the confidential data by, including but not limited to, deploying data encryption, password control, firewalls, anti-virus and anti-spam solutions, and with regular upgrades to ensure their effectiveness.

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

Anti-corruption

The Group is committed to uphold the highest standards of business ethics in our business operations, and has zero tolerance of any forms of bribery, corruption and fraud. The Group has implemented Anti-corruption and Anti-bribery Policy in accordance with the Prevention of Bribery Ordinance to maintain a fair and ethical business and working environment and culture.

All employees are constantly reminded to adhere to the policy 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. All staff are required to decline an offer of advantage if acceptance of which could affect the objectivity and fairness of any decision made by the Group. Staff 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 necessary.

To further maintain the openness, probity and accountability of our business, the Group has also implemented the Whistle-blowing Policy, which allows employees as well as external parties (e.g. customers, suppliers, sub-contractors, creditors and debtors) to report any possible misconducts, malpractices or irregularities in any matters related to our business to the Board anonymously. The Group will handle each case promptly and fairly, and at the same time protect the whistle-blower's identity where possible in order to protect them from any unfair treatments. Any person who is found to have victimized or retaliated against those who have raised concerns under this policy will be subject to disciplinary sanctions. Subject to the nature and severity of the case, the Group may also refer the case to relevant authorities for further investigation or follow up.

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

Community

The Group is committed to build and nurture a sustainable corporate social responsibility culture through active contribution and participation in charitable activities in support of the community. The management of the Group continues to promote corporate citizenship and inspire our staff, their families and friends to contribute to the society through charitable and communities services such as donations, volunteering works, sponsorships, etc. We believe through the collective efforts and influence of the Group and our employees on supporting the corporate social responsibilities, we can maximize our contribution and influence towards a better society.

The Group has been awarded the Caring Company certificate by The Hong Kong Council of Social Services for eight consecutive years in recognition of the Group's outstanding contribution to the society.



This is the fourth year we organized the volunteer call-to-care campaign “有耳思” with the Mental Health Association of Hong Kong by making use of our telephone communication skills to build friendship and bring caring to the less privileged members of the society.



The Group and our staff continued to support the “Walk for Millions” event organized by The Community Chest of Hong Kong.



The Group donated face masks, hand sanitizers together with the greeting cards and fund donation collected from our colleagues to Mental Health Association of Hong Kong.





REPORT OF THE DIRECTORS

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 2020.

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 2020 and the state of affairs of the Group at that date are set out in the Financial Statements on pages 66 to 152 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 2020 (2019: 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 29 April 2021 (Thursday) to 4 May 2021 (Tuesday), both days inclusive, during which period no transfers of Shares shall be registered. In order to be eligible for attending the forthcoming annual general meeting of the Company, all transfers of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:00 p.m. on 28 April 2021 (Wednesday).

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 153 and 154 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 27 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 2020, 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\$69,516,000 (2019: HK\$69,020,000).

MAJOR CLIENTS AND SUPPLIERS

Sales to the Group's five largest clients accounted for approximately 47% of the total sales for the year and sales to the single largest client amounted to approximately 18% of the total sales for the year. The Group's purchases from our five largest suppliers together accounted for approximately 93% of our total purchase for the year. The Group purchases approximately 70% 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. Tang Yiu Shing and Mr. Tang Shing Bor shall retire from office at the 2021 annual general meeting of the Company and, being eligible, offer himself for re-election.

PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

The particulars of Directors of the Company and senior management of the Group are disclosed in the section headed "Particulars of Directors and Senior Management" on pages 15 to 17 of this Report.

DIRECTORS' SERVICE CONTRACTS

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

Mr. Wong Sik Kei, an independent non-executive Director, has entered into a service contract or a appointment letter with the Company for a term of three years commencing on 21 December 2020.

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 2020 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 36 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 2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed above, so far as the Directors are aware of, none of the Directors or the substantial/controlling shareholders of the Company has any interest in a business which compete or is likely to compete, directly or indirectly, with the business of the Group or has any other conflict of interest with the Group for the year ended 31 December 2020.

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 2020, 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 2020, 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 2020, the following persons (not being a Director or Chief Executive) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Long positions in the Shares of the Company

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

Note:

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

Save as disclosed above, as at 31 December 2020, the Directors were not aware of any other persons (other than Directors or Chief Executive) who had interests and/or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 18 to 29 of this Report.

EMOLUMENT POLICY

The Company has established a remuneration committee to make recommendations to the Board with regard to the Group's remuneration policy relating to Directors and senior management of the Company, reviewing and evaluating their performance and recommending remuneration package for each of them as well as other employee benefit arrangements. The emoluments of the Directors are decided with reference to their duties and level of responsibilities and the remuneration policy of the Company and the prevailing market conditions. The Company has adopted the Share Option Scheme as an incentive to Directors and eligible participants, details of such scheme is set out in note 31 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 2020 are set out in note 33 to the Financial Statements. Those related party transactions constitute continuing connected transactions both exempted and non-exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

The Group entered into the following 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.

The 2018 Camelpaint Building Lease expired on 31 May 2020.

(b) Renewed China Paint 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 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 2020, 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 2020 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 2020 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.

(c) Camelpaint Building Lease dated 29 May 2020

Owing to the expiry of the 2018 Camelpaint Building Lease on 31 May 2020, Epro Telecom and Always Beyond entered into the lease dated 29 May 2020 in relation to the leasing by Always Beyond of the Camelpaint Building Property to Epro Telecom for a fixed term of 16 months commencing from 1 June 2020 to 30 September 2021 (both days inclusive) at a monthly rent of HK\$106,272 (exclusive of rates, government rent and management fees) (the "2020 Camelpaint Building Lease").

Epro Telecom has occupied and used the Camelpaint Property leased from Always Beyond for ancillary office use and operation of contact centre since 2007. The terms of the 2020 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 terms (including rent) for the comparable properties in the vicinity of the Camelpaint Property.

The Directors (including the independent non-executive Directors) consider that (i) the entering into of the 2020 Camelpaint Building Lease was in the ordinary and usual course of business of the Group on normal commercial terms; and (ii) the terms of the 2020 Camelpaint Building Lease (including the rent) are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Pursuant to HKFRS 16, the Camelpaint Property leased under the 2020 Camelpaint Building Lease is recognised as right-of-use assets with consideration of approximately HK\$1,397,000, and the transaction contemplated under the 2020 Camelpaint Building Lease is therefore recognised as the acquisition of right-of-use assets which constituted a one-off connected transaction of the Company under the GEM Listing Rules.

As the applicable percentage ratios in respect of the consideration under the 2020 Camelpaint Building Lease for the acquisition of the right-of-use assets recognised by the Group pursuant to HKFRS 16 under the GEM Listing Rules is less than 5% and the total consideration is less than HK\$3,000,000, the entering into of the 2020 Camelpaint Building Lease constituted an exempted connected transaction under the GEM Listing Rules.

Please refer to the announcement made by the Company on 29 May 2020 for more details.

(2) Service Agreement

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 2020, 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 (as defined in page 55 of the Company's Annual Report 2019) and the Investment Advisory Agreement, the Annual Cap for the 2018 Stan Group Service Agreement for the year ending 31 December 2020 are aggregated with the Annual Cap for the Investment Advisory Agreement for the period from 10 June 2019 to 31 December 2020 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 2020 and the Investment Advisory Agreement for the period from 10 June 2019 to 31 December 2020 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 2020 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 2020 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 2020 were audited by HIC whose term of office will expire upon the annual general meeting. A resolution for the re-appointment of HIC as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

On Behalf of the Board

Tang Yiu Sing

Chief Executive Officer and Executive Director

Hong Kong, 19 March 2021



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 66 to 152, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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



Key Audit Matter

Goodwill impairment testing

Refer to Notes 4 and 17 to the consolidated financial statements

Under HKFRSs, the Group is required to annually test the amount of goodwill for impairment annually. In addition, the assessment process is complex and highly judgmental and is based on assumptions which are affected by expected future market or economic conditions.

How our audit addressed the Key Audit Matter

We have assessed the competence, expertise and objectivity of the management expert who calculates the recoverable amount of goodwill. We engaged a valuation expert to assist us in evaluating the assumptions and methodologies used in the calculation. In addition, we assessed whether the projected future cash flows used are within the confines of HKFRSs and are consistent with historical trends in financial performance, market developments and specific business plans.

Impairment of contract assets and trade and other receivables

Refer to Notes 4, 20 and 21 to the consolidated financial statements

We identified the impairment of contract assets and trade and other receivables as significant management's estimations and judgments are involved in assessing the expected credit losses of contract assets and trade and other receivables.

How our audit addressed the Key Audit Matter

We obtained an understanding and evaluated the methodologies and assumption used by the Group in assessing expected credit losses.

We tested the accuracy of aging analysis of the trade receivables as at 31 December 2020, on a sample basis, by comparing the relevant invoices and other supporting documents.

We assessed the reasonableness of recoverability of trade receivables with reference to the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of each individual customer.

We also examined the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information in relation to the model taking into account the possible impact of COVID-19, used to determine the expected credit losses.

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 HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



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

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

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Lo Kin Kei
Practising Certificate Number: P06413

Hong Kong, 19 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	5	104,211	132,333
Other income	6	14,636	251
Other losses – net	7	(6,772)	(2,018)
Employee benefits expenses	8	(76,864)	(89,086)
Depreciation and amortization		(12,010)	(11,296)
Other operating expenses		(27,952)	(20,481)
Operating (loss)/profit		(4,751)	9,703
Finance costs	9	(399)	(326)
(Loss)/Profit before tax	10	(5,150)	9,377
Income tax credit/(expense)	11	13	(1,786)
(Loss)/Profit for the year		(5,137)	7,591
Other comprehensive income for the year		–	–
Total comprehensive (expense)/income for the year		(5,137)	7,591
(Loss)/Profit attributable to owners of the Company		(5,137)	7,591
Total comprehensive (expense)/income for the year attributable to owners of the Company		(5,137)	7,591
(Loss)/Earnings per share attributable to owners of the Company – Basic and diluted (HK cents)	12	(1.8)	2.7

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment	15	1,320	5,509
Right-of-use assets	16	5,246	10,236
Intangible assets	17	5,437	12,379
Financial assets at fair value through profit or loss	18	–	–
Deferred income tax assets	29	1,171	805
Other assets	19	205	205
		13,379	29,134
Current assets			
Contract assets	20	3,287	8,624
Trade and other receivables	21	46,727	47,024
Financial assets at fair value through profit or loss	18	1,644	–
Tax recoverable		704	127
Pledged bank deposits	22	9,108	9,080
Bank trust account balances	23	11,738	9,823
Cash and cash equivalents	24	59,455	57,899
		132,663	132,577
Current liabilities			
Contract liabilities	20	1,888	1,931
Trade and other payables	25	21,855	26,176
Amount due to a related company	26	9	13
Current income tax liabilities		282	1,964
Borrowings	27	3,000	5,000
Lease liabilities	28	2,929	3,381
		29,963	38,465
Net current assets		102,700	94,112
Total assets less current liabilities		116,079	123,246

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Non-current liabilities			
Deferred income tax liabilities	29	46	91
Lease liabilities	28	–	1,985
		46	2,076
Net assets		116,033	121,170
Equity attributable to the owners of the Company			
Share capital	30	2,800	2,800
Share premium	30	25,238	25,238
Reserves	32	87,995	93,132
Total equity		116,033	121,170

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 19 March 2021 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 2020

	Attributable to owners of the Company				
	Share capital HK\$'000 (Note 30)	Share premium HK\$'000 (Note 30)	Merger reserve HK\$'000 (Note 32)	Retained profits HK\$'000 (Note 32)	Total equity HK\$'000
Balance as at 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 and 1 January 2020	2,800	25,238	*25,624	*67,508	121,170
Loss for the year	–	–	–	(5,137)	(5,137)
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive expense for the year	–	–	–	(5,137)	(5,137)
Balance as at 31 December 2020	2,800	25,238	*25,624	*62,371	116,033

* These reserve accounts comprise the consolidated reserves of approximately HK\$87,995,000 (2019: approximately HK\$93,132,000) in the consolidated statement of financial position.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Cash flows from operating activities			
(Loss)/Profit before tax		(5,150)	9,377
Adjustments for:			
Depreciation and amortization		12,010	11,296
Fair value (gain)/loss on financial assets at fair value through profit or loss		(194)	2,000
Loss on disposal of property, plant and equipment		2,444	–
Impairment loss recognized in respect of goodwill		4,526	–
Provision for impairment of financial and contract assets – net		13,164	487
Dividend income		(45)	–
Interest income		(80)	(121)
Interest expense	35	399	326
Operating cash flows before changes in working capital		27,074	23,365
Contract assets		5,363	3,150
Trade and other receivables		(12,893)	7,732
Bank trust account balances		(1,915)	26,699
Contract liabilities		(43)	(304)
Trade and other payables		(4,321)	(23,959)
Amount due to a related company		(4)	2
Cash generated from operations		13,261	36,685
Income tax paid		(2,657)	(380)
Net cash generated from operating activities		10,604	36,305

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Cash flows from investing activities			
Additions of intangible assets		(1,280)	(4,059)
Increase in pledged bank deposits		(28)	(51)
Dividend income from equity investments		45	–
Interest received		80	121
Purchases of financial asset at fair value through profit or loss		(1,450)	(2,000)
Purchases of property, plant and equipment		(182)	(4,157)
Net cash used in investing activities		(2,815)	(10,146)
Cash flows from financing activities			
Interest paid	35	(399)	(208)
Proceeds from borrowings	35	3,000	5,000
Repayments of borrowings	35	(5,000)	(11,500)
Repayments of lease liabilities	35	(3,834)	(9,400)
Net cash used in financing activities		(6,233)	(16,108)
Net increase in cash and cash equivalents		1,556	10,051
Cash and cash equivalents at beginning of the year		57,899	47,848
Cash and cash equivalents at end of the year	24	59,455	57,899

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 services, contact centre system, staff insourcing and financial services in Hong Kong.

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

As at 31 December 2020, the directors of the Company regard Million Top Enterprises Limited, a company incorporated in Hong Kong with limited liability, as the parent and ultimate holding company of the Company. Mr. Tang Shing Bor (“**Mr. SB Tang**”) is the ultimate controlling shareholder of the Group.

The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of the Company’s principal place of business in Hong Kong is 4th Floor, China Paint Building, 1163 Canton Road, Mongkok, Kowloon, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated. These consolidated financial statements have been approved for issued by the Board of Directors on 19 March 2021.

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 Hong Kong Financial Reporting Standard (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited 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 conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the 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.

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 2020 reporting periods and have not been early adopted by the Group:

Standards	Subject	Effective for annual periods beginning on or after
Amendment to HKFRS 16	COVID-19-Related Rent Concessions	1 June 2020
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020	1 January 2022

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Business combinations (continued)

The excess of the:

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

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

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

(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 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.

2.4 Foreign currency translation

(a) Functional and presentation currency

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (continued)

(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".

(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)

2.5 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.

2.6 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets (continued)

(b) Internally generated software development costs

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

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

Directly attributable costs that are capitalized as part of the software include employee costs.

Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use.

(c) Research and development

Research expenditure and development expenditure that do not meet the criteria in (b) above are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

(d) Amortization methods and periods

The group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

- Internally generated software development costs : 4 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 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.

2.8 Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial instruments (Continued)

2.8.1 Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortized cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial instruments (Continued)

2.8.1 Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(a) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost and debt instruments/receivables subsequently measured at FVTOCI. 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 (see below). 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 from the next reporting period. If 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 from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(b) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "Other losses – net" line item.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial instruments (Continued)

2.8.1 Financial assets (Continued)

Impairment of financial assets and contract assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, other receivables and deposits, pledged bank deposits, bank trust account balances and bank balances), and other items (other assets and contract assets) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date 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. In contrast, 12-month ECL ("**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. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables (amounts receivables arising from multi-media contact services, contact centre system and advisory services) and contract assets.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case 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.

(a) 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 credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial instruments (Continued)

2.8.1 Financial assets (Continued)

Impairment of financial assets and contract assets (Continued)

(a) *Significant increase in credit risk (Continued)*

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an 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 has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (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 considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

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)

2.8 Financial instruments (Continued)

2.8.1 Financial assets (Continued)

Impairment of financial assets and contract assets (Continued)

(b) 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, 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.

(c) 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. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial instruments (Continued)

2.8.1 Financial assets (Continued)

Impairment of financial assets and contract assets (Continued)

(d) 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, for example, 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. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

(e) 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 and forward-looking information.

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

Lifetime ECL for certain trade receivables and contract assets to specify are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial instruments (Continued)

2.8.1 Financial assets (Continued)

Impairment of financial assets and contract assets (Continued)

(e) Measurement and recognition of ECL (Continued)

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

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

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 and other receivables and contract assets where the corresponding adjustment is recognized through a loss allowance account.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial instruments (Continued)

2.8.2 Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities

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

Financial liabilities at amortized cost

Financial liabilities including trade and other payables, amount due to a related company, borrowings and lease liabilities are subsequently measured at amortized cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. 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)

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. 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.

2.10 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".

2.11 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.

2.12 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).

2.13 Share capital

Ordinary shares are classified as equity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. 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.

2.15 Borrowings

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

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

Borrowings are 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.

2.16 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.17 Current and deferred income tax (continued)****(c) Offsetting**

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

2.18 Employee benefits**(a) Defined contribution plans**

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

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee 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)

2.18 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.

2.19 Share-based payments

(a) Equity-settled share-based payment transactions

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

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

2.19 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.

2.20 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)

2.21 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)

2.21 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)

2.21 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.

(i) Personnel services

Personnel services fees are recognized at the point that the Group has completed and rendered the services to the customers.

2.22 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.

2.23 Dividend income

Dividends are received from financial assets measured at FVTPL. Dividends are recognized as other income in profit or loss when the right to receive payment is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Leases

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Leases (continued)

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.

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.

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 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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 influenced 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 programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign currency risk

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

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

(ii) Price risk

Equity price risk is the risk that the fair values of investment decrease as a result of changes in the levels of equity indices and the value of individual investment. The Group is exposed to price risk arising from financial assets designated as at FVTPL.

If prices had been 5% (2019: 5%) higher/lower, the Group's loss before taxation (2019: profit before taxation) for the year would decrease/increase (2019: increase/decrease) by approximately HK\$82,000 (2019: Nil) as a result of the changes in fair value of financial assets at FVTPL as at the reporting date.

(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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk (continued)

If interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's loss before taxation (2019: profit before taxation) would have been increased/decreased (2019: decreased/increased) by approximately HK\$30,000 (2019: approximately HK\$50,000). The sensitivity analysis has been determined assuming that the change in interest rates had occurred throughout the year end had been applied to the exposure to interest rate risk for variable-rate bank borrowings in existence at the end of the reporting period. The 100 basis points decreased/increased represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group over the period until the end of next reporting period.

(b) Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, contract assets, other receivables and deposits, other assets, pledged bank deposits, bank trust account balances and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with trade receivables from margin clients and loan receivables are mitigated because they are secured over each individual client's securities in their trading accounts and mainly secured over properties located in Hong Kong respectively.

Pledged bank deposits/bank trust account balances/bank balances

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.

Other receivables and deposits/other assets

For other receivables and deposits 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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk and impairment assessment (continued)

Trade receivables and contract assets arising from contracts with customers

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 2020, the Group has certain concentrations of credit risk as 28% and 72% (2019: 24% and 65%) 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.

Loan receivables

The management estimates the estimated loss rates of loan receivables based on historical credit loss experience of the debtors as well as the fair value of the collateral pledged by the customers to the loan receivables. Based on assessment by the management, the loss given default is low in view of the estimated realized amount of ultimate disposal of the collaterals and the management considers the ECL for loan receivables is insignificant and the amount of impairment is approximately HK\$80,000 (2019: approximately HK\$140,000) as at 31 December 2020.

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 and impairment assessment (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 and impairment assessment (continued)

(i) Trade receivables and contract assets

For trade receivables arising from multi-media contact services, contact centre system and advisory services and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the ECL on these items on a collective basis, grouped by past due status and individual risk assessment.

	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 2020					
Expected loss rate	0.1%	0.6%	0.9%	58.1%	
Gross carrying amount (HK\$'000)	5,650	1,539	1,149	24,322	32,660
Loss allowance provision (HK\$'000)	7	9	10	14,129	14,155
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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk and impairment assessment (continued)

(i) Trade receivables and contract assets (continued)

The following table shows the movement in lifetime ECL that has been recognized for trade receivables arising from multi-media contact services, contact centre system and advisory services under the simplified approach.

	Lifetime ECL (not credit- impaired) HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Total HK\$'000
As at 1 January 2019	595	–	595
Impairment losses recognized	513	–	513
As at 31 December 2019 and 1 January 2020	1,108	–	1,108
Transfer to credit-impaired	(587)	587	–
Impairment losses recognized	–	13,537	13,537
Impairment losses reversed	(490)	–	(490)
As at 31 December 2020	31	14,124	14,155

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk and impairment assessment (continued)

(i) Trade receivables and contract assets (continued)

	<u>Total</u>
Contract assets	
As at 31 December 2020	
Expected loss rate	0.1%
Gross carrying amount (HK\$'000)	3,289
Loss allowance provision (HK\$'000)	2
As at 31 December 2019	
Expected loss rate	0.3%
Gross carrying amount (HK\$'000)	8,652
Loss allowance provision (HK\$'000)	28
The following table shows reconciliation of loss allowances that has been recognized for contract assets.	
	<u>12m ECL</u> HK\$'000
As at 1 January 2019	93
Impairment losses reversed	(65)
As at 31 December 2019 and 1 January 2020	28
Impairment losses reversed	(26)
As at 31 December 2020	2

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk and impairment assessment (continued)

(i) Trade receivables and contract assets (continued)

For trade receivables arising from financial services business and loan receivables, the Group has applied the general approach in HKFRS 9 to measure the loss allowance at 12m ECL.

	Total
Amounts receivables arising from financial services business	
As at 31 December 2020	
Expected loss rate	–
Gross carrying amount (HK\$'000)	705
Loss allowance provision (HK\$'000)	–
As at 31 December 2019	
Expected loss rate	0.1%
Gross carrying amount (HK\$'000)	8,447
Loss allowance provision (HK\$'000)	9
	Total
Loan receivables	
As at 31 December 2020	
Expected loss rate	0.4%
Gross carrying amount (HK\$'000)	21,386
Loss allowance provision (HK\$'000)	80
As at 31 December 2019	
Expected loss rate	2.8%
Gross carrying amount (HK\$'000)	5,038
Loss allowance provision (HK\$'000)	140

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk and impairment assessment (continued)

(i) Trade receivables and contract assets (continued)

The following table shows reconciliation of loss allowances that has been recognized for trade receivables arising from financial services business and loan receivables.

	12m ECL HK\$'000
As at 1 January 2019	–
Impairment losses recognized	149
As at 31 December 2019 and 1 January 2020	149
Impairment losses reversed	(69)
As at 31 December 2020	80

(ii) Other receivables and deposits

For other receivables and deposits, the Group has applied the general approach in HKFRS 9 to measure the loss allowance at 12m ECL.

	Total
Other receivables and deposits	
As at 31 December 2020	
Expected loss rate	3.7%
Gross carrying amount (HK\$'000)	6,452
Loss allowance provision (HK\$'000)	241
As at 31 December 2019	
Expected loss rate	0.4%
Gross carrying amount (HK\$'000)	7,759
Loss allowance provision (HK\$'000)	29

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk and impairment assessment (continued)

(ii) Other receivables and deposits (continued)

The following table shows reconciliation of loss allowance that has been recognized for other receivables and deposits.

	12m ECL HK\$'000
As at 1 January 2019	139
Impairment losses reversed	(110)
As at 31 December 2019 and 1 January 2020	29
Impairment losses recognized	212
As at 31 December 2020	241

(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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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

	On demand or within 1 year HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Total HK\$'000
As at 31 December 2020				
Trade and other payables				
excluding non-financial liabilities	21,855	–	–	21,855
Amount due to a related company	9	–	–	9
Borrowings				
– Term loan subject to a repayable on demand clause	3,016	–	–	3,016
Lease liabilities	2,957	–	–	2,957
	27,837	–	–	27,837
As at 31 December 2019				
Trade and other payables				
excluding non-financial liabilities	26,176	–	–	26,176
Amount due to a related company	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

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 2020				
Borrowings				
– Term loan subject to a repayable on demand clause	3,016	–	–	3,016
As at 31 December 2019				
Borrowings				
– Term loan subject to a repayable on demand clause	5,068	–	–	5,068

As at 31 December 2020, the Group has available unutilized banking facilities of approximately HK\$20,000,000 (2019: approximately HK\$19,000,000) for future operating activities.

3.2 Capital management

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

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management (continued)

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

	2020 HK\$'000	2019 HK\$'000
Total debt	29,681	38,486
Less: cash and cash equivalents (Note 24)	(59,455)	(57,899)
Net debt	(29,774)	(19,413)
Total equity	116,033	121,170
Total capital	86,259	101,757
Gearing ratio	N/A	N/A

3.3 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as at 31 December 2020 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).

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3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

Financial assets	Fair value as at 31 December 2020 HK\$'000	Fair value as at 31 December 2019 HK\$'000	Fair value hierarchy	Valuation technique(s)	Key unobservable inputs	Value of input	Relationship of unobservable inputs to fair value
Financial assets at FVTPL							
– Listed equity securities at FVTPL	1,644	N/A	Level 1	Quoted bid prices	N/A	N/A	N/A
– Unlisted equity securities at FVTPL	–	–	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.

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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

The Group's financial instruments carried at amortized cost are not materially different from their fair values as at 31 December 2020 and 2019.

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

	Unlisted equity at FVTPL HK\$'000
Balance as at 1 January 2019	–
Acquisition	2,000
Losses recognized in profit or loss	(2,000)
Balance as at 31 December 2019, 1 January 2020 and 31 December 2020	–

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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 2020 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)	Gross amounts of recognized financial assets/ (liabilities) set off in the consolidated statement of financial position	Net amounts of financial assets/ (liabilities) presented in the consolidated statement of financial position	Related amount not offset in the consolidated statement of financial position	Amounts subject to master netting arrangements	Financial instrument collateral	Net amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As of 31 December 2020							
<i>Financial assets:</i>							
Amounts receivables arising from financial service business	6,941	(6,236)	705	-	-	-	705
<i>Financial liabilities:</i>							
Amounts payable arising from financial services business	(18,675)	6,236	(12,439)	-	-	-	(12,439)
As of 31 December 2019							
<i>Financial assets:</i>							
Amounts receivables arising from financial service business	8,447	-	8,447	-	-	-	8,447
<i>Financial liabilities:</i>							
Amounts payable arising from financial services business	(16,070)	-	(16,070)	-	-	-	(16,070)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Offsetting financial assets and financial liabilities (continued)

	2020 HK\$'000	2019 HK\$'000
Trade receivables		
Net amount of receivables as stated above	705	8,447
Amount not in scope of offsetting disclosures	46,022	38,577
	46,727	47,024
Trade payables		
Net amount of payables as stated above	12,439	16,070
Amount not in scope of offsetting disclosures	9,416	10,106
	21,855	26,176

3.5 Financial instruments by category

	2020 HK\$'000	2019 HK\$'000
<u>Assets as per consolidated statement of financial position</u>		
Financial assets at FVTPL:		
– Listed equity securities at FVTPL	1,644	–
– Unlisted equity securities at FVTPL	–	–
Financial assets at amortized cost:		
– Other assets	205	205
– Trade and other receivables excluding prepayments	46,223	45,514
– Pledged bank deposits	9,108	9,080
– Bank trust account balances	11,738	9,823
– Cash and cash equivalents	59,455	57,899
	126,729	122,521

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.5 Financial instruments by category (continued)

	2020 HK\$'000	2019 HK\$'000
Liabilities as per consolidated statement of financial position		
Financial liabilities at amortized cost:		
– Trade and other payables excluding non-financial liabilities	21,855	26,176
– Amount due to a related company	9	13
– Borrowings	3,000	5,000
– Lease liabilities	2,929	5,366
	27,793	36,555

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Estimated 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 2020 was nil.

Impairment of contract assets and trade and other receivables

The Group estimates the amount of loss allowance for ECL on contract assets and trade receivables based on the credit risk and past due status of trade receivables. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss. The assessment of the credit risk involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise accordingly.

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 services;
- (b) Outsourcing outbound contact services;
- (c) Staff insourcing services;
- (d) Contact service centre and service centre facilities management services;
- (e) Financial services segment which principally comprises commission income from broker business and asset management services; and
- (f) The "Others" segment which principally comprises sales of system and software, licence service fee income, system maintenance fee income and personnel services.

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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 2020 and 2019 are as follows:

For the year ended 31 December 2020

	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	11,383	8,253	46,260	13,946	19,418	4,951	104,211
Segment results	1,312	(1,895)	3,355	3,628	(3,461)	1,834	4,773
Depreciation and amortization	1,860	1,223	–	3,392	2,877	1,784	11,136
Total segment assets	4,271	1,338	8,481	7,372	41,951	2,845	66,258
Total segment assets includes: Additions to non- current assets (other than financial instruments)	292	192	–	533	18	427	1,462
Total segment liabilities	2,169	346	3,802	1,327	14,652	947	23,243

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

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

There were no inter-segment sales during the years ended 31 December 2020 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.

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5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

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

	2020 HK\$'000	2019 HK\$'000
Segment results for reportable segments	4,773	22,107
Unallocated:		
Other income	14,636	251
Other losses – net	(6,772)	(2,018)
Depreciation and amortization	(861)	(872)
Finance costs	(285)	(326)
Corporate and other unallocated expenses	(16,641)	(9,765)
(Loss)/Profit before tax	(5,150)	9,377

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:

	2020 HK\$'000	2019 HK\$'000
Segment assets for reportable segments	66,258	84,722
Unallocated:		
Property, plant and equipment	10	23
Right-of-use assets	1,357	1,218
Tax recoverable	704	127
Deferred income tax assets	1,171	805
Financial assets at FVTPL	1,644	–
Corporate and other unallocated assets	74,898	74,816
Total assets per consolidated statement of financial position	146,042	161,711

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:

	2020 HK\$'000	2019 HK\$'000
Segment liabilities for reportable segments	23,243	28,742
Unallocated:		
Deferred income tax liabilities	46	91
Current income tax liabilities	282	1,964
Borrowings	3,000	5,000
Lease liabilities	75	1,827
Corporate and other unallocated liabilities	3,363	2,917
Total liabilities per consolidated statement of financial position	30,009	40,541

Breakdown of the revenue from all services is as follows:

Analysis of revenue by category

	2020 HK\$'000	2019 HK\$'000
Service fee income from provision of telecommunication and related services	33,582	50,926
Financial services income	17,023	20,499
Licencing and sales of system and software	2,887	2,223
System maintenance income	1,999	1,864
Staff insourcing services and personnel services	46,325	56,291
Revenue from contracts with customers	101,816	131,803
Interest income arising from		
– Loans	2,332	233
– Margin clients	63	297
Total revenue	104,211	132,333

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5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

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\$103,100,000 (2019: approximately HK\$131,591,000), and the total of revenue from external customers from other country is approximately HK\$1,111,000 (2019: approximately HK\$742,000).

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\$12,003,000 (2019: approximately HK\$28,124,000), and none of these non-current assets is located in other countries (2019: Nil).

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:

	2020 HK\$'000	2019 HK\$'000
Customer A	N/A ¹	31,551
Customer B	N/A ¹	N/A ¹
Customer C	18,496	23,956
Customer D	N/A ¹	15,622

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

Disaggregation of revenue from contracts with customers

	2020 HK\$'000	2019 HK\$'000
By timing of revenue recognition:		
Control transferred over time	98,577	129,050
Control transferred at a point of time	5,634	2,753
	104,211	131,803

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)**Transaction price allocated to the remaining performance obligations****Remaining performance obligations expected to be satisfied during the year ending:**

Within one year

More than one year

2020 HK\$'000	2019 HK\$'000
15,681	19,188
605	11,313
16,286	30,501

6. OTHER INCOME

Dividends from financial assets at FVTPL

Government grants

Interest income from bank deposits

Sundry income

2020 HK\$'000	2019 HK\$'000
45	–
14,494	–
80	121
17	130
14,636	251

During the year ended 31 December 2020, the Group recognized government grants of approximately HK\$14,494,000 in respect of COVID-19-related subsidies, of which approximately HK\$14,384,000, approximately HK\$60,000 and approximately HK\$50,000 relates to Employment Support Scheme, Subsidy Scheme for Employment Agencies and Subsidy Scheme for Securities Industry, respectively, provided by the Hong Kong government.

7. OTHER LOSSES – NET

Financial assets at FVTPL

– Fair value gain/(loss)

Impairment loss recognized in respect of goodwill

Loss on disposal of property, plant and equipment

Net foreign exchange gains/(losses)

2020 HK\$'000	2019 HK\$'000
194	(2,000)
(4,526)	–
(2,444)	–
4	(18)
(6,772)	(2,018)

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8. EMPLOYEE BENEFITS EXPENSES

	2020 HK\$'000	2019 HK\$'000
Salaries and allowances	74,761	89,159
Pension costs – defined contribution plans	3,383	3,986
Total employee benefits expenses, including directors' remuneration	78,144	93,145
Less: Amounts capitalized in deferred development costs	(1,280)	(4,059)
	76,864	89,086

Five highest paid individuals

None (2019: None) of the five highest-paid individuals in the Group for the year ended 31 December 2020 was a director. Directors' emoluments are shown in Note 36. The emoluments paid or payable to the above five individuals (2019: five individuals) for the year ended 31 December 2020 are as follows.

	2020 HK\$'000	2019 HK\$'000
Salaries, allowances and benefits in kind	4,904	5,322
Pension costs – defined contribution plans	162	162
	5,066	5,484

	Number of Individuals	
	2020	2019
Emolument bands (in HK\$)		
Below HK\$1,000,000	3	3
HK\$1,000,001 – HK\$1,500,000	1	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 (2019: Nil). None of the directors of the Company waived any emoluments during the year ended 31 December 2020 (2019: Nil).

9. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on bank borrowings	285	200
Interest on lease liabilities	114	126
	399	326

10. LOSS/PROFIT BEFORE TAX

	2020 HK\$'000	2019 HK\$'000
Loss/Profit before tax is stated after charging:		
<i>Depreciation and amortization</i>		
Depreciation of owned property, plant and equipment	1,927	2,874
Depreciation of right-of-use assets	6,387	4,479
Amortization of intangible assets	3,696	3,943
	12,010	11,296
Total depreciation and amortization		
Auditors' remuneration	1,000	1,100
Provision for impairment of financial and contract assets – net	13,164	487
Expenses relating to short-term leases	110	1,721

11. INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the year.

	2020 HK\$'000	2019 HK\$'000
Current tax:		
Current tax on profits for the year	469	1,698
Adjustment in respect of prior year	(71)	(184)
	398	1,514
Total current tax		
Deferred income tax (Note 29)	(411)	272
	(13)	1,786
Income tax (credit)/expense		

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11. INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

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.

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

	2020 HK\$'000	2019 HK\$'000
(Loss)/Profit before tax	(5,150)	9,377
Tax calculated at Hong Kong profits tax rate of 16.5%	(850)	1,547
Tax effects of:		
– Income not subject to tax	(2,411)	(12)
– Expenses not deductible for tax purposes	770	377
– Temporary differences not recognized	436	(19)
– Tax losses for which no deferred income tax asset was recognized	2,682	1,033
– Utilization of previous unrecognized tax losses	(377)	(741)
– Income tax at concessionary rate	(152)	(165)
– Tax reduction	(40)	(50)
– Adjustments in respect of prior year	(71)	(184)
Tax (credit)/charge	(13)	1,786

12. LOSS/EARNINGS PER SHARE

The calculation of the basic loss/earnings per share attributable to owners of the Company is based on (i) the loss/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 (2019: 280,000,000 ordinary shares).

The diluted loss/earnings per share is equal to the basic loss/earnings per share as there were no dilutive potential ordinary shares in issue during the years ended 31 December 2020 and 2019.

13. DIVIDENDS

No dividend was paid or proposed by the board of directors of the Company for the year ended 31 December 2020 (2019: Nil).

14. SUBSIDIARIES

The following is a list of the subsidiaries at 31 December 2020 and 2019:

Name	Place of incorporation and kind of legal entity	Principal activities	Particulars of issued share capital	Interest held	
				2020	2019
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)

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14. SUBSIDIARIES (CONTINUED)

Name	Place of incorporation and kind of legal entity	Principal activities	Particulars of issued share capital	Interest held	
				2020	2019
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)	100% (indirect)
ETS VC Limited (Note)	British Virgin Islands, limited liability company	Investment holding	2 ordinary shares of US\$1 each	100% (indirect)	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 2020 and 2019.

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 2019						
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
Year ended 31 December 2020						
Opening net book amount	1,024	168	4,059	258	–	5,509
Additions	120	41	13	8	–	182
Disposals	(13)	(1)	(2,400)	(30)	–	(2,444)
Depreciation charge	(762)	(136)	(925)	(104)	–	(1,927)
Closing net book amount	369	72	747	132	–	1,320
As at 31 December 2020						
Cost	11,555	1,842	3,305	453	–	17,155
Accumulated depreciation	(11,186)	(1,770)	(2,558)	(321)	–	(15,835)
Net book amount	369	72	747	132	–	1,320

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16. RIGHT-OF-USE ASSETS

	Premises HK\$'000	Motor vehicle HK\$'000	Total HK\$'000
As at 31 December 2020			
Carrying amount	5,178	68	5,246
As at 31 December 2019			
Carrying amount	10,028	208	10,236
For the year ended 31 December 2020			
Depreciation charge (Note 10)	6,247	140	6,387
For the year ended 31 December 2019			
Depreciation charge (Note 10)	4,339	140	4,479

	2020 HK\$'000	2019 HK\$'000
Interest expense (Note 9)	114	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	110	1,721
Total cash outflow for leases	4,060	11,294
Additions to right-of-use assets	1,397	5,502

The Group leases certain motor vehicle and premises for its operations. Leases contracts are entered into for fixed terms of 16 months to 4.5 years (2019: 2 years to 4.5 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The Group regularly entered into short-term leases for premises. As at 31 December 2020 and 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 2019			
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
Year ended 31 December 2020			
Opening net book amount	4,526	7,853	12,379
Additions	–	1,280	1,280
Impairment charge	(4,526)	–	(4,526)
Amortization charge	–	(3,696)	(3,696)
Closing net book amount	–	5,437	5,437
As at 31 December 2020			
Cost	4,526	57,288	61,814
Accumulated amortization and impairment	(4,526)	(51,851)	(56,377)
Net book amount	–	5,437	5,437

17. INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill

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.

The recoverable amount of Asset Management CGU has been determined on the basis of value in use calculations using cash flow projections based on financial budgets approved by management covering a five-year period at pre-tax discount rate of 20.1% (2019: 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.

This Asset Management CGU contributed revenue of approximately HK\$10,666,000 and net loss of approximately HK\$4,117,000 to the Group for the year ended 31 December 2020. Considering the current adverse market conditions and their adverse impacts on the Asset Management CGU's operations, management estimated that the future net cash flows that could be generated from the operations of this Asset Management CGU in the future years would unlikely be significant. The directors of the Company have consequently determined the carrying amount of goodwill allocated to this CGU amounting to approximately HK\$4,526,000 has been fully impaired as at 31 December 2020.

(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

	2020 HK\$'000	2019 HK\$'000
Equity securities listed in Hong Kong	1,644	–
Unlisted equity securities	–	–
	1,644	–
Analyzed for reporting purposes as:		
Current assets	1,644	–
Non-current assets	–	–
	1,644	–

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

19. OTHER ASSETS

	2020 HK\$'000	2019 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

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20. CONTRACT ASSETS AND LIABILITIES

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

	2020 HK\$'000	2019 HK\$'000
Contract assets	3,289	8,652
Less: loss allowance	(2)	(28)
Contract assets – net	3,287	8,624
Contract liabilities	(1,888)	(1,931)
	1,399	6,693

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 rendering 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.

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.

	2020 HK\$'000	2019 HK\$'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	626	1,002
Transfers from the contract assets recognized at the beginning of the year to trade receivables	(8,652)	(11,802)

Details of impairment assessment of contract assets are set out in Note 3.1.

21. TRADE AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade receivables		
Amounts receivables arising from multi-media contact services, contact centre system and advisory services	32,660	27,066
Amounts receivables arising from financial services business		
– Client-margin	–	2,197
– Clearing house	705	6,250
Loan receivables	21,386	5,038
Less: loss allowance	(14,235)	(1,257)
Trade receivables – net	40,516	39,294
Other receivables, deposits and prepayments	6,452	7,759
Less: loss allowance	(241)	(29)
Other receivables, deposits and prepayments – net	6,211	7,730
	46,727	47,024

The average credit period on the Group's sales is 30 days (2019: 30 days). The aging analysis of the trade receivables net of loss allowance based on invoice date is as follows:

	2020 HK\$'000	2019 HK\$'000
0–30 days	5,643	10,500
31–60 days	1,530	3,021
61–90 days	1,139	2,800
Over 90 days	10,193	9,637
	18,505	25,958

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. 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 bear variable interest at commercial rates and denominated in HK\$.

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

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 2020. All the loan receivables are entered with contractual maturity within 1 year. Loan receivables are interest-bearing at a rate range from 11% to 20% (2019: 12% to 20%) per annum.

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$46,809,000 (2019: approximately HK\$14,491,000) which are past due as at the reporting date. Out of the past due balances, approximately HK\$30,418,000 (2019: approximately HK\$9,171,000) has been past due 90 days or more and is not considered as in default.

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

	2020 HK\$'000	2019 HK\$'000
HK\$	46,727	46,441
Renminbi ("RMB")	–	583
	46,727	47,024

As at 31 December 2020 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 2020, the carrying amounts of the Group's trade receivables included approximately HK\$1,959,000 (2019: approximately HK\$2,036,000) is due from Stan Group (Holdings) Limited. This receivable arises mainly from sale transactions and are due 30 days from the date of invoices. The receivable is unsecured in nature and bear no interest.

As at 31 December 2020, the carrying amounts of the Group's trade receivables included approximately HK\$11,186,000 (2019: approximately HK\$3,151,000) is due from Jiayuan Stangroup Development Company Limited. This receivable arises mainly from sale transactions and are due 10 days from the date of invoices. The receivable is unsecured in nature and bear no interest.

As at 31 December 2020, the carrying amounts of the Group's trade receivables included approximately HK\$6,000,000 (2019: approximately HK\$3,350,000) 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 2020, the carrying amount of the Group's deposits included approximately HK\$654,000 (2019: approximately HK\$654,000) is premise rental deposits paid to Stan Group (Holdings) Limited.

As at 31 December 2020, the carrying amount of the Group's deposits included approximately HK\$223,000 (2019: approximately HK\$213,000) is premise rental deposits paid to Always Beyond Limited.

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2020, the carrying amount of the Group's deposits included approximately HK\$25,000 (2019: approximately HK\$25,000) is premise rental deposits paid to Supreme Leader Limited.

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.

Details of impairment assessment of trade and other receivables are set out in Note 3.1.

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 0.15% to 0.35% per annum at 31 December 2020 (2019: from 0.25% to 0.8% per annum). The maturity of these deposits ranged from 31 to 92 days (2019: 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.

	2020 HK\$'000	2019 HK\$'000
Cash at banks and on hand	55,737	29,216
Short-term bank deposits	3,718	28,683
Cash and cash equivalents	59,455	57,899

As at 31 December 2020, the cash and cash equivalents of the Group denominated in RMB amounted to approximately HK\$76,000 (2019: approximately HK\$72,000). 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.

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25. TRADE AND OTHER PAYABLES

	2020 HK\$'000	2019 HK\$'000
Trade payables	887	2,486
Amounts payable arising from financial services business		
– Clients-cash	11,147	6,992
– Clients-margin	1,032	3,582
– Clearing house	260	5,496
Other payables and accruals	8,529	7,620
	21,855	26,176

At 31 December 2020, the aging analysis of the trade payables based on invoice date is as follows:

	2020 HK\$'000	2019 HK\$'000
0–30 days	374	1,260
31–60 days	221	761
61–90 days	152	227
Over 90 days	140	238
	887	2,486

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. AMOUNT DUE TO A RELATED COMPANY

Name of related company	2020 HK\$'000	2019 HK\$'000
Supreme Leader Limited	9	13

The related party relationship is disclosed in Note 33.

27. BORROWINGS**Current**

Secured bank borrowings

2020 HK\$'000	2019 HK\$'000
3,000	5,000

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

Within 1 year

2020 HK\$'000	2019 HK\$'000
3,000	5,000

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 3.18% per annum as at 31 December 2020 (2019: 5.37% per annum) and mature until 2021.

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

The banking 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\$9,108,000 (2019: approximately HK\$9,080,000);
- (iii) Assignment of all book debts and receivables by the subsidiaries of the Company.

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28. LEASE LIABILITIES

	2020 HK\$'000	2019 HK\$'000
Lease liabilities payable:		
Within one year	2,929	3,381
More than one year but not exceeding two years	–	1,985
	2,929	5,366
Less: Amount due for settlement with 12 months shown under current liabilities	(2,929)	(3,381)
Amount due for settlement after 12 months shown under non-current liabilities	–	1,985

The incremental borrowing rates applied to lease liabilities range from 1.98% to 3.94% (2019: from 1.98% to 3%).

29. DEFERRED INCOME TAX

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

	2020 HK\$'000	2019 HK\$'000
As at 1 January	(714)	(986)
Consolidated statement of profit or loss (credited)/charged (Note 11)	(411)	272
As at 31 December	(1,125)	(714)

29. DEFERRED INCOME TAX (CONTINUED)

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

Deferred tax liabilities:	Accelerated tax depreciation HK\$'000	ECL provision HK\$'000	Total HK\$'000
As at 1 January 2019	199	(4)	195
(Credited)/Charged to the consolidated statement of profit or loss	(107)	3	(104)
As at 31 December 2019 and 1 January 2020	92	(1)	91
Credited to the consolidated statement of profit or loss	(45)	–	(45)
As at 31 December 2020	47	(1)	46
Deferred tax assets:	Decelerated tax depreciation HK\$'000	ECL provision HK\$'000	Total HK\$'000
As at 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 and 1 January 2020	(592)	(213)	(805)
(Credited)/Charged to the consolidated statement of profit or loss	(521)	155	(366)
As at 31 December 2020	(1,113)	(58)	(1,171)

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 2020, the Group has unused tax losses of approximately HK\$35,787,000 (2019: approximately HK\$21,817,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

30. SHARE CAPITAL AND PREMIUM

	Number of Ordinary shares	Ordinary shares of HK0.01 each HK\$'000	Share premium HK\$'000
Ordinary shares, issued and fully paid up: As at 31 December 2020 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.

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

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

31. SHARE OPTION SCHEME (CONTINUED)

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

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

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

No share options were granted since the adoption of the Scheme and there were no share option outstanding as at 31 December 2020 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

33. RELATED PARTY TRANSACTIONS

Save as disclosed in Notes 21, 26, 27 and 36 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	2020 HK\$'000	2019 HK\$'000
Always Beyond Limited	Repayments of lease liabilities	(i), (viii) & (xv)	1,011	1,063
East Ocean Food (Hong Kong) Limited	Seasonal event expenses	(ii) & (vii)	13	14
H.K. Sources Finance Limited	System maintenance income	(iv) & (vii)	(78)	(78)
	System installation and provide relevant services	(iv) & (vii)	(6)	(11)
	Advisory service income	(iv) & (ix)	–	(67)
Jiayuan Stangroup Development Company Limited	Asset management services income	(iii) & (x)	(8,035)	(15,622)
Stan Group (Holdings) Limited	Repayment of lease liabilities	(ii), (xi) & (xv)	–	7,398
	Insourcing service income	(ii), (xii) & (xv)	–	(865)
	Facilities management services income	(ii), (xii) & (xv)	–	(449)
	Outsourcing inbound contact service income	(ii) & (vii)	(74)	(386)
	Seasonal event expenses	(ii) & (vii)	17	41
Pacific Paradise Development Limited	Investment advisory services income	(iv), (xiii) & (xv)	(6,000)	(3,350)
Trueguard Management Limited	Cleaning expenses	(v) & (vii)	8	4
Supreme Leader Limited	Short-term lease payments	(vi), (vii) & (xiv)	113	63
Mr. Tang Yiu Sing ("Mr. YS Tang")	Brokerage commission income	(xvi)	1,452	–

33. 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 and Stan Group (Holdings) Limited, are controlled by Mr. YS Tang.
- (iii) Jiayuan Stangroup Development Company Limited is partially owned by Mr. SB Tang.
- (iv) H.K. Sources Finance Limited and Pacific Paradise Development Limited are controlled by Mr. SB Tang and Mr. YS Tang.
- (v) Mr. YS Tang has significant influence over Trueguard Management Limited.
- (vi) Supreme Leader Limited is controlled by Mr. SB Tang.
- (vii) Seasonal event expenses, system maintenance income, outsourcing inbound contact service income, system installation and provide relevant services, short-term lease payments and cleaning expenses are based on terms mutually agreed between the parties involved.
- (viii) Pursuant to rental agreements entered into between Always Beyond Limited and ETS, ETS agreed to lease the premises commenced from 1 June 2018 to 31 May 2020 and from 1 June 2020 to 30 September 2021.
- (ix) 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.
- (x) 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".
- (xi) Pursuant to rental agreement entered into between Stan Group (Holdings) Limited and ETS on 27 December 2018. ETS agreed to lease the premises for a term from 1 January 2019 to 31 December 2021. 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.
- (xii) 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.
- (xiii) 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.
- (xiv) Pursuant to rental agreement entered into between Supreme Leader Limited and GCL on 27 March 2019 and 18 May 2020. GCL agreed to lease the premises for a term from 1 April 2019 to 31 March 2020 and from 1 April 2020 to 31 March 2021 respectively.
- (xv) These related party transactions will constitute connected transactions or continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules.
- (xvi) Mr. YS Tang is an executive director of the Company.

Key management personnel compensation

Salaries and short-term employee benefits
Post-employment benefits

2020 HK\$'000	2019 HK\$'000
540	540
6	6
546	546

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

	As at 31 December	
	2020 HK\$'000	2019 HK\$'000
Non-current assets		
Investment in a subsidiary	40,151	40,151
Current assets		
Other receivables	6,722	6,855
Amounts due from subsidiaries	91,151	88,999
Tax recoverable	70	–
Cash and cash equivalents	803	831
	98,746	96,685
Current liabilities		
Other payables	640	771
Amounts due to subsidiaries	25,790	23,947
Current income tax liabilities	–	147
	26,430	24,865
Net current assets	72,316	71,820
Net assets	112,467	111,971
Equity attributable to the owners of the Company		
Share capital	2,800	2,800
Share premium	25,238	25,238
Reserves (Note (a))	84,429	83,933
Total equity	112,467	111,971

Approved and authorized for issue by the Board of Directors on 19 March 2021.

Tang Yiu Sing
Director

Yeung Ka Wing
Director

34. 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 2019	40,151	43,389	83,540
Profit for the year	–	393	393
As at 31 December 2019 and 1 January 2020	40,151	43,782	83,933
Profit for the year	–	496	496
As at 31 December 2020	40,151	44,278	84,429

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

35. 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	Lease liabilities HK\$'000	Total HK\$'000
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 and 1 January 2020	5,000	5,366	10,366
Changes from financing cash flows:			
Proceeds from borrowings	3,000	–	3,000
Repayments of borrowings	(5,000)	–	(5,000)
New leases entered	–	1,397	1,397
Repayment of lease liabilities	–	(3,834)	(3,834)
Interest paid	(286)	(113)	(399)
Other changes			
Interest expenses	286	113	399
As at 31 December 2020	3,000	2,929	5,929

36. 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 2020 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

36. 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 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

Note:

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.

	2020 HK\$'000	For the year ended 31 December			
		2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Results					
Revenue	104,211	132,333	141,741	146,591	146,164
Operating (loss)/profit	(4,751)	9,703	5,706	3,143	6,901
Finance costs	(399)	(326)	(323)	(469)	(515)
(Loss)/Profit before tax	(5,150)	9,377	5,383	2,674	6,386
Income tax credit/(expense)	13	(1,786)	(1,437)	(1,559)	(1,572)
(Loss)/Profit for the year	(5,137)	7,591	3,946	1,115	4,814

	At 31 December				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Asset and liabilities					
Property, plant and equipment	1,320	5,509	4,574	6,330	10,041
Right-of-use assets	5,246	10,236	–	–	–
Intangible assets	5,437	12,379	12,263	7,801	7,864
Financial assets at fair value through profit or loss	–	–	–	–	–
Available-for-sale financial asset	–	–	–	10,900	–
Derivative financial instrument	–	–	–	700	–
Deferred income tax assets	1,171	805	1,181	690	686
Other assets	205	205	205	205	–
Net current assets	102,700	94,112	95,700	84,975	92,816
Total assets less current liabilities	116,079	123,246	113,923	111,601	111,407
Deferred income tax liabilities	(46)	(91)	(195)	(180)	(353)
Borrowings – non current	–	–	(149)	(281)	(409)
Lease liabilities	–	(1,985)	–	–	–
Net assets	116,033	121,170	113,579	111,140	110,645
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	87,995	93,132	85,541	83,102	82,607
Total equity	116,033	121,170	113,579	111,140	110,645
(Loss)/Earnings per share attributable to owners of the Company – Basic and diluted (HK cents)	(1.8)	2.7	1.4	0.4	1.7

Notes:

1. The results of the Group for the year ended 31 December 2020 and 2019 are those set out on page 66 of this annual report.
2. The consolidated statement of financial position as at 31 December 2020 and 2019 are those set out on pages 67 to 68 in this annual report.



ETS GROUP LIMITED

易通訊集團有限公司