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

年報
Annual Report 2021

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.

CONTENTS

EXECUTIVE DIRECTORS

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

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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Grand Cayman KY1-1111
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PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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WEBSITE

www.etsgroup.com.hk

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 2021 (the "Year") to all shareholders and investors.

During the Year, the Group recorded a consolidated revenue of approximately HK$99 million with a 5.2% decrease from HK$104 million in the year ended 31 December 2020. Net loss attributable to the owners of the Company amounted to approximately HK$18.6 million with a 263% increase from a loss of HK$5.1 million in the year ended 31 December 2020. The Board resolved not to declare any final dividend for the Year.

The recorded loss in the Year was mainly attributed to a prudent accounting treatment of our HK$12.9 million investment in Hong Kong Virtual Asset Exchange Limited ("VAX") made in April 2021. VAX is a company which is currently applying to The Securities and Futures Commission of Hong Kong (SFC) for obtaining licenses to carry out Type 1 (dealing in securities) and Type 7 (providing automatic trading services) regulated virtual asset trading platform under the Securities and Futures Ordinance (SFO). Up to this period of time, the Group is still cautiously optimistic on the expectation of return of the investment.

Year 2021 has proved to be another difficult year for the Group as well as many other businesses. The continued COVID-19 crisis has inevitably slowed down regular business activities and transactions, leading to prolonged approval process and sluggish demand. To counter balance the negative impact, the Group has implemented a series of cost saving measures during the year including relocating some of our offices to less expensive premises. Thanks to the dedication of our management and staff, our stable service operation during the pandemic crisis has won us patronage of our existing customers as well as business of new customers.

In spite of the current financial market sentiment and global economic uncertainties, the Group still has strong belief and is actively exploring further investment and collaboration opportunities in virtual assets development services. It is our intention to form partnership with other financial and professional entities to pave way for capturing the potential of this new trend of business as well as maximizing the synergy with our financial arms and investment.

On behalf of the Group, I would like to take this opportunity to express again our profound gratitude to late Chairman, Mr. Tang Shing Bor, for his remarkable leadership and guidance to the Group over the years. Besides, I would like to express our sincere appreciation to the management team and staff for their invaluable contribution and tireless efforts throughout the difficult year. Thanks also go to our shareholders, customers and business partners for their continued support and trust in us.

Tang Yiu Sing
CEO

Hong Kong, 17 March 2022

BUSINESS ENVIRONMENT AND BUSINESS REVIEW

The social unrest in the second half of 2019 followed closely by the outbreak of COVID-19 pandemic in early 2020, Hong Kong's economy experienced a sharp downturn throughout the period. Stepping into the second year of the pandemic crisis, a gradual increase in business activities backed by less infections together with the stimulation of the Consumption Voucher Scheme introduced by the Hong Kong Government in mid-2021, has put the local economy on track to recovery.

Owing to the more and more stringent control on information security and data privacy, together with tightened credit control, the outsourcing outbound contact service have diminished during the year under review. On the other hand, the gradual pick up in business activities starting early 2021 as a result of a then receding pandemic, has stimulated the manpower demand and a better employment environment. Coupled with the intensified brain drain particularly among the young working generation has resulted in the Group recording a substantial growth in staff insourcing service during the period. The Group will continue to enhance the capabilities of the recruitment team in terms of technology and manpower in order to fully capture the business opportunities.

In the year of 2021, both number of property sales as well as total sales value surged as compared to that of 2020. Although the Group remains optimistic of the future of local real estate market, the on-going COVID-19 pandemic, yet to be opened border together with the uncertainties of the local economic recovery, all prompted the Group to take a prudent approach of our money lending business. The management of the Group has actively reviewed our loan portfolio, receivable status, and has taken a more conservative assessment of collaterals to manage any potential credit risk during the reporting period.

Prolonged pandemic crisis worldwide, growing political and financial tensions between China and the U.S., fluctuation in the stock markets as well as policy headwinds targeted at sectors such as technology and education dented investor sentiment in the capital market. The performance of the Group's financial segment was greatly impacted by such deteriorating financial environment, and the Group has mitigated some of the effect by exercising tighter control over the cost of operation.

In addition to engaging in traditional Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities & Futures Ordinance ("SFO"), the management of the Group expanded investment in the financial sector related to virtual asset aiming to capture the opportunity arising from tokenization of assets using blockchain technology. As stated in the announcements dated 30 April 2021 and 25 June 2021, the Group has invested in Hong Kong Virtual Asset Exchange Limited ("VAX"), a company which is currently applying to The Securities and Futures Commission of Hong Kong ("SFC") for obtaining licenses to carry out Type 1 (dealing in securities) and Type 7 (providing automated trading services) regulated activities of virtual assets trading platforms in Hong Kong. The Group believes the acquisition does not only represent a good potential investment opportunity, but more importantly, is able to leverage on the synergies with our traditional financial business, experience and resources to expand our financial service scopes and create more value for our customers. With respect to the synergy between VAX and our existing licensed businesses, the management of the Group believes that we will be able to broaden our range of financial products and services to include security token offerings ("STO"), to cross-sell our existing financial products or services to VAX's existing and future customers, and also expand our services under Type 1 licence to distribution of STOs, thereby potentially increasing the Group's customer base as a whole.

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 help desk 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, help desk assistance and other back-end 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 financial services related to securities include securities brokerage, margin lending and consultancy services related to securities.

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

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

Others

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

PROSPECT

Given the prevailing Omicron outbreak since the start of the year, crisis created by the war between Russia and Ukraine, yet to be opened border together with the continued brain drain of local as well as expat workforce, the economy of Hong Kong is not expected to return to pre-pandemic levels any time soon. The gloomy economic outlook and market instability are expected to remain in the near term.

Having said that, the Group is still cautiously optimistic that the situation will turn around in the second half of the year with higher vaccination rate and after the completion of the compulsory universal testing which is planned to be implemented in the near future.

With the continual risk of COVID-19 resurgence, compulsory quarantine policies or even a contemplated lockdown, business continuity plan ("BCP") has been the forefront issue of a lot of businesses in Hong Kong lately. The management of the Group believes our multi-media Marvel Contact Centre System equipped with home-agent capability as well as AI-knowledgebase, AI-chatbot and AI-voicebot functionalities is a practical solution for addressing the risks and thus anticipates a greater demand of our system and/or service to come.

With the brain drain dilemma likely to continue in the foreseeable future, the management of the Group believes the subsequent shortage of manpower will continue to drive up the demand of our insourcing service, while at the same time increase the recruitment difficulty and cost. Nevertheless, the Group will keep investing in our recruiting resources in terms of manpower as well technology so as to best capture the potential business.

VAX, the company which the Group invested in 2021, has made encouraging progress in their license application for regulated virtual asset exchange platform, and the Group remains cautiously optimistic of the corresponding potential investment return. In addition, the Group also continues to seek suitable investment or collaboration opportunities in STO projects with other financial and professional parties in order to further maximize our strength in the virtual asset eco-system.

Looking forward, the Group will stay vigilant and adopt more comprehensive measures to mitigate any risk of an economic downturn, while at the same time try to explore more opportunities in our contact centre and financial services as well as investment into virtual asset related business in the future.

FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

Description of the Investments

	HK$'000
Equity securities listed in Hong Kong ("FAFVTPL I")	235
Unlisted equity securities ("FAFVTPL II")	–
Unlisted equity securities ("FAFVTPL III")	2,200
Total	2,435
Analysed for reporting purposes as:	
Current asset (FAFVTPL I)	235
Non-current asset (FAFVTPL II and FAFVTPL III)	2,200
	2,435

FAFVTPL I

The Group had acquired 60,000 shares of the Tracker Fund listed shares (stock code: 2800)("Listed Shares"). Listed Shares in the year 2020 amounted approximately HK$1,449,641.

During the year 2021, the Group had disposed 50,000 shares of the Listed Shares recognising a gain of disposal of FAFVTPL amounted approximately HK$181,460.

As at 31 December 2021, the Group held 10,000 Listed Shares which amounted to approximately HK$235,000.

FAFVTPL II

During 2019, the Group acquired an aggregate amount of 2,470 Shares of an unlisted company incorporated in Hong Kong, Oneshop limited ("Oneshop"), at approximately HK$2 million representing approximately 18% of the total issued share capital of Oneshop. As at 31 December 2021, the Group held 2,470 Shares with no carrying value.

FAFVTPL III

As stated in the announcements dated 30 April 2021 and 25 June 2021, the Group has invested 165,385 shares ("Subscription Shares"), representing approximately 10.85% of the issued share capital of Hong Kong Virtual Asset Exchange Limited ("VAX"), as enlarged by the allotment and issue of the Subscription Shares, at HK$12.9 million in VAX. VAX is an unlisted company currently applying to the SFC for obtaining licenses to carry out Type 1 (dealing in securities) and Type 7 (providing automated trading services) regulated activities under the SFO for the regulation of virtual asset trading platforms in Hong Kong.

As at 31 December 2021, the Group held 165,385 shares which amounted to approximately HK$2,200,000.

CONVERTIBLE BONDS

During the year 2021, the Group raised the issue of the Convertible Bonds in the principal amount of HK$9.5 million with reference to the announcements dated 10 May 2021, 5 August 2021 and the circular of the Company dated 15 July 2021. The fund net proceeds after deducting all the relevant costs and expenses from the issue of convertible bonds mainly used for expanding the financial services business of the Group for business development purposes of the Group's securities and asset management business. As at 31 December 2021, the convertible bonds is approximately HK$8.1 million.

FINANCIAL REVIEW

The Group recorded a loss attributable to owners of the Company amounted approximately HK$18.6 million for the year ended 31 December 2021 as compared with the loss attributable to owners of the Company approximately HK$5.1 million for the year ended 31 December 2020. The loss was mainly due to the decrease in revenue as a result of the outbreak of Novel Coronavirus Disease epidemic as discussed in the section "Business Environment and Business Review" in this report, revaluation downward of the financial assets and increase of the expected credit loss.

The Group recorded the expected credit loss amounted approximately HK$7.1 million for the year ended 31 December 2021 (2020: approximately HK$13.1 million).

Fair value changes in the financial asset at fair value through profit or loss amounted approximately HK$10.7 million, arose from acquiring the unlisted Hong Kong shares in this year, was recorded for the year.

REVENUE

The Group recorded a decrease in total revenue to approximately HK$5.5 million from approximately HK$104.2 million for the year ended 31 December 2020 to approximately HK$98.8 million for the year ended 31 December 2021.

The following table sets forth the analysis of revenue in terms of business nature of our Group for the years ended 31 December 2021 and 2020 respectively:

	Year ended 31 December 2021 HK$'000	%	Year ended 31 December 2020 HK$'000	%
Outsourcing inbound contact service	12,486	12.7%	11,383	10.9%
Outsourcing outbound contact service	–	–	8,253	7.9%
Staff insourcing service	53,844	54.5%	46,260	44.4%
Contact service centre facilities management service	14,101	14.3%	13,946	13.4%
Financial services	13,060	13.2%	19,418	18.6%
Others	5,266	5.3%	4,951	4.8%
Revenue	98,757	100.0%	104,211	100.0%

Outsourcing Inbound Contact Services

The revenue of outsourcing inbound contact services slightly increased from approximately HK$11.4 million for the year ended 31 December 2020 to approximately HK$12.5 million for the year ended 31 December 2021.

Outsourcing Outbound Contact Services

The Group did not record any revenue of outsourcing outbound contact services for the year (2020: approximately HK$8.3 million).

The decrease of the revenue of outsourcing outbound contact services mainly contributable to the unfavorable environment for outbound telephone selling business.

Staff Insourcing Services

The revenue of staff insourcing services segment increased from approximately HK$46.3 million for the year ended 31 December 2020 to approximately HK$53.8 million for the year ended 31 December 2021. The increase of the revenue is mainly due to increase 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$13.9 million for the year ended 31 December 2020 to approximately HK$14.1 million for the year ended 31 December 2021. 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$19.4 million for the year ended 31 December 2020 to approximately HK$13.1 million for the year ended 31 December 2021.

The revenue of the financial services related to securities business decreased from approximately HK$8.7 million for the year ended 31 December 2020 to approximately HK$4.3 million for the year ended 31 December 2021. The decrease of the revenue is mainly due to decrease 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$8 million for the year ended 31 December 2020 to approximately HK$5.2 million for the year ended 31 December 2021. 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 from approximately HK$2.5 million for the year ended 31 December 2020 to approximately HK$3.5 million for the year ended 31 December 2021. The increase of the revenue is mainly due to increase in the demand of credit finance services.

Others

For the year ended 31 December 2021, the Group recorded a revenue in licencing and sales of system and software of approximately HK$3.2 million (2020: approximately HK$2.9 million), system maintenance income of approximately HK$2.1 million respectively (2020: approximately HK$2 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 2021 and 2020 respectively:

	Year ended 31 December 2021		Year ended 31 December 2020	
	HK$'000	GP Margin %	HK$'000	GP Margin %
Outsourcing inbound contact services	924	7.4%	1,312	11.5%
Outsourcing outbound contact service *(note 1)*	(194)	N/A	(1,895)	(23.0%)
Staff insourcing services	4,409	8.2%	3,355	7.3%
Contact service centre facilities management services	3,791	26.9%	3,628	26.0%
Financial services	(2,148)	(16.4%)	(3,461)	(17.8%)
Others	2,066	39.2%	1,834	37.0%
Revenue	8,848	9%	4,773	4.6%

Note:

1. No revenue was generated for the year 2021.

The gross profit percentage of our Group increased from approximately 4.6% for the year ended 31 December 2020 to approximately 9% for the year ended 31 December 2021. The overall increase in segment result and the gross profit margin is mainly due to the improvement of financial performance of our staff insourcing service segment and the suspension of the operation of outsourcing outbound contact service segment which recorded a gross loss margin approximately 23% for the year ended 31 December 2020.

Outsourcing Inbound Contact Services

The gross profit margin in outsourcing inbound contact services decreased from approximately 11.5% for the year ended 31 December 2020 to approximately 7.4% for the year ended 31 December 2021. The decrease in the segment result is mainly attributable to the increase of the employee benefits and decrease of revenue.

Outsourcing Outbound Contact Services

The Group did not record any revenue of outsourcing outbound contact services due to the suspension of the operation of outsourcing outbound contact services. The gross loss margin mainly generated from the additional provision of expected credit loss of outstanding receivables.

Staff Insourcing Services

The gross profit margin in staff insourcing services increased from approximately 7.3% for the year ended 31 December 2020 to approximately 8.2% for the year ended 31 December 2021. The increase in the gross profit margin mainly due to the increase of the demand of services.

Contact Service Centre and Service Centre Facilities Management Services

The gross profit margin in contact service centre facilities management services increased from approximately 26% for the year ended 31 December 2020 to approximately 26.9% for the year ended 31 December 2021.

Financial Services

The gross loss margin percentage of financial services decreased from approximately 17.8% for the year ended 31 December 2020 to approximately 16.4% for the year ended 31 December 2021. The gross loss margin was recorded mainly due to additional provision of expected credit loss.

Others

The "Others" segment principally comprises sale of system and software, licence service fee income and maintenance fee of WISE-xb Contact Centre System. The gross profit margin was slightly increased mainly because increase of revenue of sales and software and system.

OTHER LOSSES

The Group recorded other losses amounted approximately HK$11.3 million (2020: HK$6.8 million). The other losses mainly comprise the fair value changes of FAFVTPL III amounted approximately HK$10.7 million and the loss of disposal of the fixed asset amounted approximately HK$0.6 million.

EXPENSES

During the year under review, the employee benefits expenses decreased from approximately HK$76.9 million for the year ended 31 December 2020 to approximately HK$73.5 million for the year ended 31 December 2021. The decreases of employee benefit expenses are mainly due to less employees were employed.

The Group recorded other operating expenses amounted to approximately HK$22.2 million (2020: approximately HK$28 million). The other operating expenses mainly include auditors' remuneration, insourcing expenses, insurance, legal and professional expenses, rent and rates, repair and maintenance, subcontracting expenses, telephone expenses, travelling, entertainment, utilities expenses and expected credit loss. The other operating expenses to sales ratio decreased from approximately 27% for the year ended 31 December 2020 to approximately 22% for the year ended 31 December 2021. The expected credit loss of the financial asset decreased from approximately HK$13.2 million for the year ended 31 December 2020 to approximately HK$7.1 million for the year ended 31 December 2021. The decreases of the other operating expenses are mainly due to lesser provision was provided for the expected credit loss.

The Group's depreciation and amortization expenses increased from approximately HK$12 million for the year ended 31 December 2020 to approximately HK$9.3 million for the year ended 31 December 2021. The decrease of depreciation and amortization expenses is mainly due to the decrease of depreciation of property, print and equipment and right-of-use asset.

LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group's loss attributable to owners of the Company increased from approximately HK$5.2 million for the year ended 31 December 2020 to approximately HK$18.6 million for the year ended 31 December 2021. The loss attributable to owners of the Company was mainly attributable to the revaluation loss of financial asset, addition of expected credit loss and decrease of revenue.

PLEDGE OF ASSETS

As at 31 December 2021, the Group had pledged its bank deposits of approximately HK$6.1 million (2020: 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 2021 (2020: Nil). As at 31 December 2021, there was no capital commitments outstanding but not provided for in the financial statements (2020: 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 2021 (2020: Nil), 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 2021 (2020: Nil).

PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Tang Yiu Sing (鄧耀昇), aged 36, 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, the late non-executive Director of the Company who passed away on 14 May 2021.

Mr. Yeung Ka Wing (楊家榮), aged 50, 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.

Independent Non-Executive Directors

Mr. Wong Sik Kei (王錫基), aged 74, 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. He was also appointed as an independent non-executive director of China Creative Global Holdings Limited (Stock Code: 1678), a listed company under the Main Board of Hong Kong Exchange and Clearing Limited with effect from 28 October 2021.

Mr. Cheung Kong Ting (張江亭), aged 59, 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 48, 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.

SENIOR MANAGEMENT

Ms. Chang Men Yee Carol (張敏儀), aged 58, 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 57, 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 55, 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 59, 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 51, 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 43, 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 2021, the Company has complied with all the code provisions as set out in the Code.

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 2021.

BOARD OF DIRECTORS

Board composition

The Board currently comprises two executive Directors 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)*

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 16 to 18 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. The Board formed the view that the composition of the Board is well balanced. Each of the Directors has relevant expertise and extensive corporate and strategic planning experiences that may contribute to the business of the Group.

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

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

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

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

Directors' training

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

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

Board meeting and procedures

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

Directors' attendance at Board/Board committee/general meetings

The Board held six Board meetings during the year ended 31 December 2021. 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	6/6	1/1
Mr. Yeung Ka Wing	6/6	1/1
The Late Non-executive Director:		
Mr. Tang Shing Bor (passed away on 14 May 2021)	2/4	0/1
Independent Non-executive Directors:		
Mr. Wong Sik Kei	6/6	1/1
Mr. Cheung Kong Ting	6/6	1/1
Mr. Wong Kam Tai	6/6	1/1

Notes:

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

The Company Secretary is responsible for assisting the Chairman or the Chief Executive Officer 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 the late Mr. Tang Shing Bor (until 13 May 2021) 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 2021, the Chairman (until 13 May 2021) had met with the independent non-executive Directors without the presence of the executive Directors to discuss the matters of the Company.

No Chairman has been appointed since Mr. Tang Shing Bor passed away on 14 May 2021.

DIRECTORS' APPOINTMENT, RE-ELECTION AND REMOVAL

Each of the executive Directors has entered into a renewed service contract with the Company for a term of three years commencing on 29 July 2021.

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 one meeting during the year ended 31 December 2021, and the attendance records of the individual committee members are set out below:

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

Note:

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

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

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

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

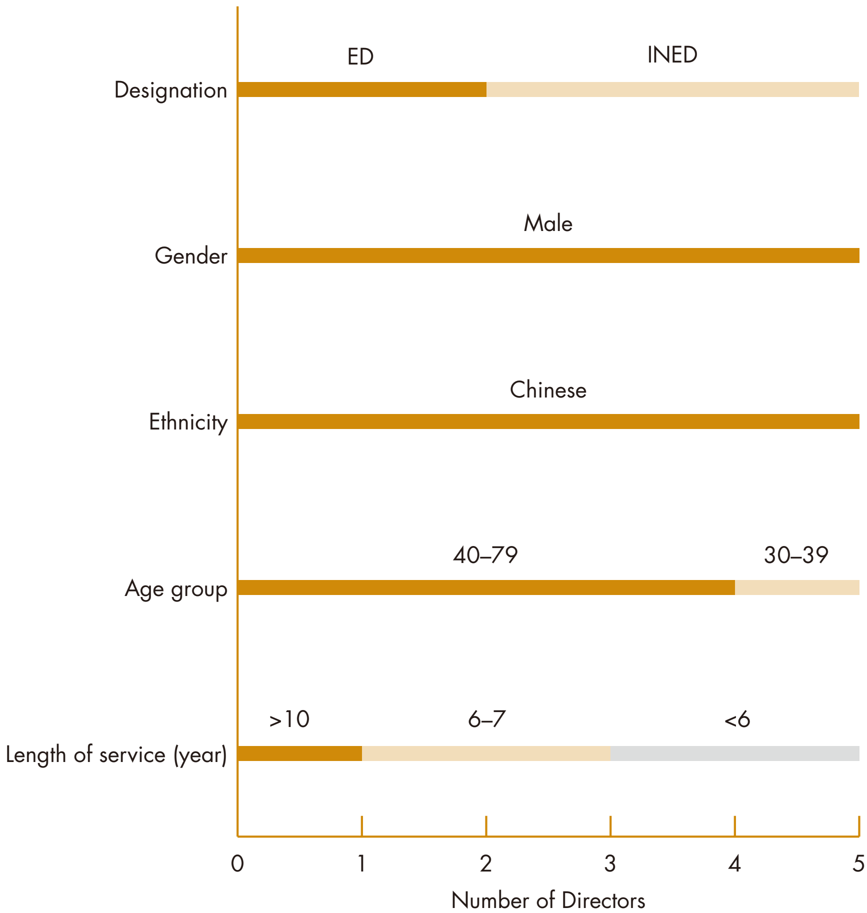
– made recommendation on the retiring Directors at the Annual General Meeting of the Company.

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

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

As at 31 December 2021, the Board's composition under major diversified perspectives was summarized as follows:

BOARD DIVERSITY



ED: Executive Director
INED: Independent Non-Executive Director

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledges their responsibility to prepare the Company's financial statements for each financial period and to ensure that the financial statements are prepared in accordance with the statutory requirements and applicable accounting standards. The statement prepared by the external auditors of the Company about their responsibilities on the financial statements of the Company for the year ended 31 December 2021 is set out in the Independent Auditors' Report on pages 68 to 72. The Board also ensures the timely publication of the financial statements. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The management provides sufficient explanation and information to the Board to enable it to make an informed assessment of financial and other information before approval.

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

Remuneration Committee

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

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

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

The Remuneration Committee held two meetings during the year ended 31 December 2021, and the attendance records of the individual committee members are set out below:

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

Note:

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

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

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

– reviewed the revenue of the respective employment contract of the executive and non-executive Directors and recommended to the Board for approval.

Audit Committee

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

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

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

The Audit Committee held four meetings during the year ended 31 December 2021, and the attendance records of individual committee members are set out below:

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

Note:

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

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

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

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

– reviewed and approved audit fee; and

– recommended the re-appointment of auditors.

Risk Management and Internal Control Committee

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

The primary duties of the RMICC are:

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

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

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

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

The RMICC held two meetings during the year ended 31 December 2021, and the attendance records of the individual committee members are set out below:

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

Note:

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

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

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

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

Auditors and their remuneration

The accounts for the year ended 31 December 2021 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 2021, 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 (2020: HK$1,000,000).

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 2022 Annual General Meeting of the Company, which will be delivered together with the 2021 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 or the Chief Executive Officer of the Company attends the annual general meeting. The chairmen of the Audit, Remuneration and Nomination Committees and the RMICC are invited to attend the annual general meeting to answer questions at the annual general meeting. The external auditors are invited to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

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

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

THE BOARD'S ESG STATEMENT

ETS Group Limited (the "Company") and its subsidiaries (collectively the "Group" or "we" or "us") is pleased to present the Environmental, Social and Governance Report (the "ESG Report") for the period from 1 January 2021 to 31 December 2021 ("2021" or "Reporting Period") which summarizes the Group's environmental, social and governance ("ESG") initiatives and performances for long term sustainable development.

The Group stays steadfast to put sustainability as our long-term business development goals and incorporate environmental, social and governance elements into our operation strategies and planning. In this respect, the board of directors ("Directors") of the Group (the "Board") is responsible to oversee ESG-related issues, approve the major directions of the Group's ESG strategy, evaluate effectiveness of related policies, risk management, internal control mechanism as well as review and approve the ESG Report on annual basis.

To support the Board's oversight and systematic management of the ESG issues, the Group has established an ESG Committee (the "Committee") which comprises senior management and core members from different departments of the Group. The Committee meets regularly to review and analyze relevant ESG information collected by the core members, assess and identify any ESG risks, and provide recommendations on relevant ESG matters to the Board for further assessment and endorsement.

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

The Group continues to strengthen communication with stakeholders and improve the corporate social responsibility management system to further enhance the Group's performance in environmental and social aspects, thereby meeting the requirements of regulators and investors for sustainable development and creating long-term and sustainable value for the stakeholders of the Group.

Reporting Scope

The Group is principally engaged in the business of providing contact centre services and system solutions in Hong Kong. This ESG Report mainly covers the Group's business and operation activities in Hong Kong. The Group will continue to assess the relevant ESG aspects of difference businesses and update the scope of disclosure accordingly.

Reporting Basis

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix 20 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited.

The Group has complied with all "comply or explain" provisions set out in the ESG Reporting Guide and followed the four reporting principles – materiality, quantitative, balance and consistency, in the preparation of the ESG Report.

Review and Approval

The Board has taken the responsibility to ensure the integrity of this ESG Report, and to their best knowledge, the ESG Report covers all relevant ESG issues and performance of the Group during the Reporting Period.

Stakeholder Engagement

The Group values opinions from stakeholders on our business and ESG issues. We stay in close communications with key stakeholders including shareholders, staff, customers, business partners, regulatory bodies, government authorities, suppliers, non-governmental organisations (NGO) and public. Following communication with our senior management and operational staff, we assessed ESG issues relevant to the Group by considering their importance to our stakeholders as well as the Group, which were finalized by the ESG Committee and further discussed by the Board.

The Group's communication channels with key stakeholders are summarized as follows:

Key Stakeholders	Communication Channels
Shareholders	• Annual general meetings and extraordinary general meetings • Quarterly reports • Announcements and circulars • Company website and email
Staff	• Performance review • Bulletin Board • Internal meetings and emails
Customers and business partners	• Meetings, telephone communications and emails • Sales and operation teams • Customer satisfaction surveys
Regulatory bodies and government authorities	• Representative Officers • Reporting
Suppliers	• Procurement team • Operation teams • Supplier meetings
NGO and public	• Community activities • ESG reports • Marketing team

The Group is committed to collaborate with our stakeholders to improve our ESG performance and continue to contribute to the community positively.

MATERIALITY ASSESSMENT

The ESG Committee has prepared the ESG Report to assist the Group to review its operation, identify relevant key ESG issues, and assess the importance of those relevant issues to our business and stakeholders.

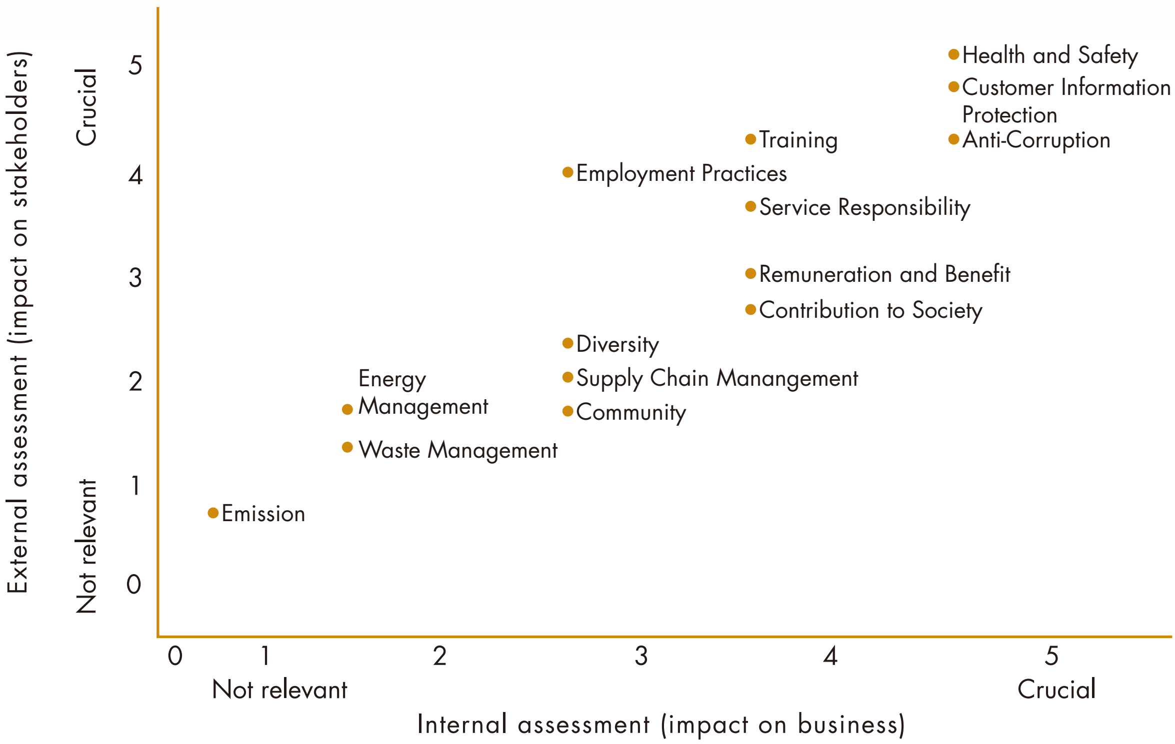
The Group has taken a systemic approach in evaluating our materiality issues which basically involved the following phases of action:

Phase I	–	Material ESG issues were identified and confirmed by senior management to ensure the validity and relevancy of the issues to the Group as well as to different stakeholders. To keep abreast of material ESG issues, the management of the Group will continuously review our relevant material ESG issues against the changing business landscape, emerging domestic conditions, new regulatory development and stakeholder opinions.
Phase II	–	According to the influence of the Group's stakeholders and internal resources, the ESG Committee has identified key stakeholders including, customers, suppliers, NGO, business partners as well as senior management staff of different departments, and conducted communication activities and surveys to collect their opinions on the sustainability issues in the fields of environmental protection, employment and labour policies, operational practices and community investment, so as to understand how much the stakeholders are concerned about each issue.
Phase III	–	The ESG Committee reviewed and performed materiality assessment on the information and statistics collected from the activities. The result was then confirmed by the Board to ensure the Group's material topics remain valid.

Based on the result of the assessment, the following issues are identified of high importance to the Group:

- Health and Safety
- Customer Information Protection
- Employment Practices
- Contribution to Society

MATERIALITY MATRIX



The Group regards the results of the materiality assessment to be an important indicator for its future planning and policy formation in the ESG aspects. The Group is committed to enhance our ESG strategies and strive to drive continuous improvement in sustainable development.

Feedbacks

The Group values comments and suggestions from our stakeholders, and welcome to receive your valuable feedback on this ESG Report. Please feel free to share your view by email at info@eprotel.com.hk.

PART A: ENVIRONMENTAL

The Group is committed to share the responsibility in protecting the environment, and make our best endeavour 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.

Owing to the Group's business operations are mainly office-based, our most significant emissions were mainly generated from electricity consumption. Other emission sources include petrol consumption for the Group-owned vehicle, freshwater processing, sewage treatment and paper disposal. Despite the insignificant emission impact the Group has made to the environment, we strive to adopt environmental friendly measures and sustainable consumption to combat climate change.

During the Reporting Period, 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, Water Disposal Ordinance and Noise Control Ordinance that would have a significant impact on the Group.

Emissions

Air Pollutants

The Group mainly provides services to our customers and relevant air emission generated is not significant. The major source of air emission was generated from fuel consumption by the Company's motor vehicle (Scope 1).

The Group achieved its target for 2021, which is to maintain the total exhaust air emissions to less than 4,000 g per year. During the Reporting Period, the Group's total exhaust air emissions has decreased by approximately 14% from approximately 4,234 g in 2020 to approximately 3,714 g in 2021. The drop in exhaust emission was mainly achieved by encouraging the use of public transportation and reducing the use of the motor vehicle during the Reporting Period. To achieve the target, we will continue to upkeep the initiatives aimed at reducing exhaust air emissions.

The following table shows the air emissions of NO_x, SO_x and PM produced by the usage of the motor vehicle:

Exhaust air emission	**Unit**	**2021**	2020	%
Nitrogen Oxides (NO_x)	g	**3,411**	3,889	-12.3%
Sulphur Oxides (SO_x)	g	**52**	59	-11.9%
Particulate matter (PM)	g	**251**	286	-12.2%
Total emission:		**3,714**	4,234	-12.3%

GHG Emission

The Group is committed to low-carbon generation and promote corporate green transformation. The Group's GHG emissions were mainly from direct fuel consumption of the Company's motor vehicle (Scope 1) as well as indirect greenhouse gas emissions from electricity consumed (Scope 2) for the Group's operation. During the Reporting Period, the Group's total greenhouse gas emissions are listed as below:

	Unit	**2021**	2020	%
Direct GHG emission (Scope 1)	kg	**7,218**	8,143	-11.4%
Indirect GHG emission (Scope 2)	kg	**361,755**	417,405	-13.3%
Total GHG emission	kg	**368,973**	425,548	-13.3%
GHG emission intensity per floor area[1]	kg/ft^2	**19.4**	21.3	-8.9%

Note:

1 The Group's total average floor area in 2020 and 2021 was approximately 20,000 ft^2 and 19,000 ft^2 respectively.

Other indirect emissions released 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 2021, the Group did not record any indirect emissions generated from air travelling for business.

The Group achieved its target for 2021, which is to maintain the total GHG emission to less than 400,000 kg per year. During the Reporting Period, the Group's total GHG emissions has decreased by approximately 13.3% from approximately 425,548 kg in 2020 to approximately 368,973 kg in 2021, which reflected the effectiveness of our Environmental Policy and its implementation during the Reporting Period. To achieve the target, we will continue to undertake a variety of green practices aimed at reducing GHG emissions.

Hazardous Waste Handling

Due to our business nature, the Group did not generate any hazardous waste in 2021. Our Environmental Policy provides practical guidelines in governing the use, storage and disposal of chemicals generated from the operation. In case there is any hazardous waste produced, the Group must engage a qualified chemical waste management company to take care of such waste and adhere to the relevant environmental rules and regulations accordingly.

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.

Relevant guidelines to promote responsible utilization of resources are provided in our Environmental Policy, including but not limited to the followings:

- reuse one side printed paper;
- print with smaller font size and/or multiple pages on one page to reduce the use of paper;
- reduce blank space in document;
- reuse paper envelope and packaging;
- read electronically instead of printing out hard copies as much as possible;
- set double-side printing as the default mode for photocopier; and
- encourage staff to bring his/her own cup/plate to reduce usage of disposable utensils.

Through the implementation of the above measures, the Group has reduced paper usage during the Reporting Period from approximately 1,193 kg in 2020 to 971 kg in 2021, representing a drop of approximately 18.6%. The Group's non-hazardous waste intensity has also decreased by approximately 14.3% from 0.06 kg in 2020 to approximately 0.05 kg per square feet of floor area in 2021.

Paper Recycling

Recycle Paper Tray

Plastic Bottle Recycling

Aluminium Can Recycling

Red Packet Recycling

Mooncake Box Recycling

The Group continues to promote recycling through regular internal campaigns and employ qualified recycling vendors to collect and recycle used paper, plastic bottles and glass containers in 2021.

Moreover, owing to a re-organization of our storage inventory, a total of approximately 5,179 kg of paper (2020: 1,445 kg) has been collected for recycling which is equivalent to planting approximately 133 tree seedlings to the environment.

The Group achieved our annual target of consuming less than 1,200 kg of paper per year in 2021, and we strive to continue to maintain the trend through the implementation of our Environmental Policy unless there is a substantial change in our operation scale or model.

Use of Resources

Energy Management

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 requested to adopt the practices 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 even minimize the usage of energy at an adequate level for our business operations.

The Group's energy consumption is mainly made up of electricity consumed in our business activities as stated in section "GHG Emission" above. The management of the Group has introduced various measures and initiatives to achieve the goal of electricity saving and efficient consumption, which include but not limited to the followings:

- use energy efficient LED lighting wherever is possible;
- turn off all the lights, air conditioning and copying machines after work;
- 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;
- encourage staff to host telephone or video conferences to cut down the use of vehicles;
- share energy saving tips with employees regularly; and
- use anti-glare blinds and filters to better control indoor temperature.

During 2021, the Group's consumption of electricity was 553,904 kWh, which has reduced by approximately 14.9% from approximately 650,758 kWh in 2020. The Group's total energy consumption intensity has also decreased by approximately 10.4% from 32.5 kWh in 2020 to approximately 29.2 kWh per square foot of floor area in 2021. It is the goal of the Group to continue to maintain electricity consumption to below 600,000 kWh per year through the implementation of our Environmental Policy provided there is no material change in our operation scale and model.

Water Consumption

The Group mainly consumes water for general cleaning and sanitation purposes. We take a practical approach to manger our water consumptions on daily basis, and always advocate environmental friendly practices and the importance of water conservation in the workplace. In 2021, the Group consumed 3,931 cubic meters of water, which has increased by approximately 16.9% from 3,363 cubic meters in 2020 due to higher contact centre usage by third party clients. The Group's total water consumption intensity has also increased by approximately 23% from 0.17 cubic meters in 2020 to approximately 0.21 cubic meters per square feet of floor area in 2021. During the Reporting Period, the Group has carried out the following measures and promotions to encourage reduction in water consumption:

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

The Group achieved our annual target of water consumption under 4,000 cubic meters, and we strive to continue to maintain the trend through our practical measures unless there is a substantial change in our operation scale and model.

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 2021.

The Environment and Natural Resources

Although the business nature of the Group has negligible impacts on the environment and natural resources, the Group endeavours to minimize the negative environmental impact of our business operations as an on-going commitment to good corporate citizenship through the implementation of our Environmental Policy as highlighted in the above sections.

Climate Change

The climate change crisis, which continues to worsen, is expected to have a greater impact on the operations and policies of companies and organizations all over the world. It creates a series of new business risks. Besides obvious physical risks (for example, the operational impacts under extreme weather events, or supply chain disruption caused by weather related disasters), companies are exposed to transition risks which arise from society's response to climate change, such as changes in technologies, markets and regulations that can increase business costs, as well as the potential liability for emitting greenhouse gases (GHG).

In recent years, extreme weather, such as strong typhoons, heavy rainfall as well as record-high temperatures, have affected business operation of various industries in different extent, including but not limited to, productivity loss from operational manpower resulting in negative impact on financial performance. Although such incidents are few and far between, the Group believes that, as a responsible citizen of the earth, all stakeholders should work together to address climate change at all times.

The Group is aware of the potential risks to our operations related to climate change, and we have included climate change as one of our material ESG topics. In order to minimise the risk, the Group has established business contingency measures such as work from home and remote agent infrastructure to minimize any disruption to our operations. The management of the Group will ensure the risks can be continuously monitored and evaluated in order to mitigate the impact on our business.

In response to the Paris Climate Accords, the Hong Kong Government issued the "Hong Kong's Climate Action Plan" on 8 October 2021, formulated various plans and actions based on the vision of "Zero-carbon Emissions · Liveable City · Sustainable Development". The Government has determined to set medium-term goal as halving Hong Kong's total carbon emissions from 2005 levels before 2035. Although the Group has relatively low impact on carbon emissions due to office-based operation of our business, the Group has implemented Environmental Policy to try our best to minimize our carbon footprints on an on-going basis.

We have incorporated the climate-related risks and opportunities into our strategic plan by continuing to identify and report risks to the management and the Board. Although the identified risks have no immediate impacts to our business growth, we will continue to monitor and evaluate the risks to ensure they can be mitigated or transferred.

PART B: SOCIAL

Employment

The Group considers people as one of our most valuable assets and are key to our success. We adopt 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, rest period, annual leave, dismissal, promotion, equal opportunities and diversity.

The management of the Group constantly review our Employee Handbook to ensure it complies with the latest Employment Ordinance, Mandatory Provident Fund Schemes Ordinance and Minimum Wage Ordinance, as well as to incorporate any new government guidelines on managing the pandemic of COVID-19.

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

Recruitment, Promotion and Dismissal

The Group is committed to providing stable, equal, harmonious and diversified working environment to our employees in order to attract and retain suitable talents in the competitive labour market for the purpose of maintaining our competitiveness in the industry. 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 continue to 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. We support open communication between the management and staff during the appraisal exercises 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.

During the Reporting Period, the Group was not aware of any material non-compliance or breach of relevant laws and regulations regarding employment.

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:

"Epro Kitchen" Treats

Festive Activities

"Culture Wall"

Diversity and equal opportunity

The Group recognizes the benefits of having a diversified workforce and embraces 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, religious belief, skin colour, gender, physical or mental disability, age, nationality, marital status, pregnancy and sexual orientation. The Group reviews our Equal Opportunity Policy regularly to ensure all our employment related processes comply with relevant laws and regulations, including but not limited to the Disability Discrimination Ordinance, Sex Discrimination Ordinance, the Family Status Discrimination Ordinance and the Race Discrimination Ordinance. We do not tolerate any discrimination or harassment in the workplace, any such behaviour will be subjected to strict disciplinary actions or termination of employment.

The Group had a total of 305 employees as of 31 December 2021 (2020: 321 employees) 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 2020 and 2021.

	2021		2020	
	Headcount	%	Headcount	%
By Gender				
Male	133	44%	141	44%
Female	172	56%	180	56%
By Age Group				
≤35	115	38%	128	40%
>35	190	62%	193	60%
By Employment Type				
Full Time	268	88%	281	88%
Part Time	37	12%	40	12%
Total	305	100%	321	100%

The Group's employee turnover rate for the year ended 31 December 2021 was 7.3% (2020: 6.9%) which is calculated by the average of the monthly turnover rates, while the monthly turnover rate is calculated by dividing the total number of staff resigned during the month by the total number of staff as at the end of the month.

Health and safety

Work Safety

The management of the Group is committed to provide a safe, healthy and decent 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 the 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 informs the ESG Committee of any potential safety hazards or improvement of the health and safety measures. The relevant measures we have been taken, including but not limited to the followings:

- organize annual fire drill exercise;
- maintain and clean air-conditioners regularly;
- carry out carpet cleaning and pest control regularly;
- 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;
- pour diluted bleach solution to all drain pipes regularly;
- 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. No work-related accident (2020: 3 accidents) at our workplace had been recorded during the Reporting Period, and the Group has never recorded any work-related fatality so far.

Health Management

Throughout the COVID-19 pandemic in Hong Kong, the Group has stayed highly alert and taken a series of precautionary actions to ensure the safety of the workplace, health of the staff and continuation of business operations. The Group increased the frequency of cleansing and sterilization of the workplace, installed multiple air purifiers throughout the premises, applied long-lasting disinfectant coating to populated areas, implemented social distancing, recorded body temperature at entrance, as well as provided hand sanitizers and alcohol for staff to maintain their own personal hygiene at work. All staff are required to put on face masks within the premises at all times and in-person business communications are discouraged and replaced by using video conference media.

All staff are required to put on face masks within the premises at all times, and report to management immediately if feeling unwell or compulsory COVID-19 testing notice is received. The Administration Department is responsible to follow up with each case and the staff can only come back to work after all tests are completed with negative results.

The Group set up remote agent infrastructure and business continuity plan to mitigate business risks that might cause disruption to the operation during the pandemic crisis.

Development and Training

The Group understands that adequate and sufficient training is essential to the provision of quality service and long term success of the company. In addition to 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 organised, recommended and/or sponsored different internal and external training programs on various disciplines such as leadership skills, human resources issues, ESG reporting, blockchain technology and anti-money laundering. 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 the training and development needs of their subordinates for their future career advancement. The Group also offer training allowance and education sponsorship to eligible staff.

The employee training data of the Group during the Reporting Period are listed as below:

	Average Training Hours	
	2021	2020
By Gender		
Male	3.3	3.55
Female	3.58	3.25
By Category – Supervisory Level		
Male	11.02	11.75
Female	17.35	12.85
By Category – Working Level		
Male	4.48	2.05
Female	5.29	2.56

Labour standards

The Group strictly prohibits child and forced labour of any kind to ensure compliance of related labour laws, including but not limited to the Employment of Children Regulations and the Employment of Young Persons (Industry) Regulations under the Employment Ordinance of Hong Kong. We have established policies to prevent employment of child, forced or illegal labour and the Human Resources Department is responsible to verify the identities of applicants to ensure strict compliance of the related labour laws and regulations.

During the Reporting Period, the Group did not employ any child or forced labour and there was no official record of any material non-compliance or breach of relevant laws and regulations regarding child labour and forced labour.

Supply chain management

The Group mainly procure products or services of well-known brands directly or through their authorized distributors. The Group has established clear procurement guidelines to manage the entire procurement process, including but not limited to, maintaining an updated Approved Vendor List with grading, latest product brochures and their environmental policies to assist our annual supplier performance evaluations. We actively communicate and share with our suppliers about our ESG policies, and give priority to suppliers that implement good labour practices, safeguard human rights, and incorporate environmental consideration in their products. Suppliers or subcontractors with substandard grading or records of violations of related laws and regulations will be suspended or removed from our Approved Vendor List.

During the Reporting Period, we mainly 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 qualitied and reliable products and services to our clients. We obtained the ISO 9001:2015 Quality System Certificate in design and provision of telemarketing and 24-hour customer service hotline since 1997.

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. Our designated procurement team is responsible to identify the reason of recall, evaluate the effect of recalling and determine action to be taken which including but not limited to, inform relevant vendors, customers and/or regulatory bodies as well as 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.

During the Reporting Period, we did not have any product that was subject to recall for safety and health reasons.

Customer Service

The Group values feedbacks and communications with customers and strives to ensure that customers' opinions and complaints will receive timely handling and satisfactory responses. 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 mainly responsible to co-ordinate relevant teams or departments to solve the problems and then report to the management of the Group for review if necessary.

During the Reporting Period, the Group was not aware of any serious compliant that would have a significant impact on the Group.

Protection of IP Rights

The Group has several registered trademarks in Hong Kong and we are determined to protect our intellectual property rights and will take legal 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 in violation of relevant copyright or license terms. Moreover, free software is only allowed to be installed with prior approval from top management and disciplinary actions will be taken in case of violation of the policy.

During the Reporting Period, the Group did not have any material non-compliance or violation in intellectual property right record.

Customer data privacy

Maintaining customer data privacy has always been one of the top priorities of the Group, and we established Personal Data (Privacy) Policy to safeguard the security of our customer data. The Group obtained ISO 27001:2013 Information Security Management System certificate since 2011, and has tightly adhered to the Personal Data (Privacy) Ordinance of Hong Kong at all times.

IT Department is mainly responsible to protect the confidential data by means of, including but not limited to, data encryption, password control, firewalls, anti-virus and anti-spam solutions, and with regular upgrades to ensure their effectiveness. Access to the customer data is limited to authorized employees who are required to sign the confidentiality agreement and receive adequate training in compliance with applicable guidelines on data privacy protection. All confidential data are properly deleted or destroyed according to the corresponding procedures and guidelines after the expiry period.

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 ethnics in our business operations, and has zero tolerance of any forms of bribery, fraud, extortion and money laundering. The Group has implemented Anti-Corruption Policy in accordance with the Prevention of Bribery Ordinance to maintain a fair and ethical business culture. The Group provides regular anti-corruption training to directors and staff as a reminder of their roles and responsibilities in this issue.

All employees are constantly reminded to adhere to the policy in handling conflict of interests, accepting benefits as well as offering approval or favour in order to comply with the relevant laws and regulations. All staff are required to decline any offer of advantage if acceptance of it could affect the objectivity and fairness in conducting the Group's business. Staff who violates the Anti-Corruption Policy will be subjected to disciplinary actions including verbal or written warnings and/or dismissal, and the Group may also report to law enforcement authorities for possible prosecution, depending on the situation.

Whistle-Blowing Policy

To further maintain the openness, probity and accountability of our business, the Group has implemented the Whistle-blowing Policy which allows stakeholders to report any possible misconducts, malpractices or irregularities in any matters related to our business to the Board anonymously. Our stakeholders can seek advice and raise concern in confidence about possible improprieties to the Board of Directors through a dedicated email account or by mail. The reporting channels are published on our corporate website. 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. All details and results of the investigation will only be shared with individuals on a need-to-know basis.

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 and Anti Money Laundering and Counter-Terrorist Financing Ordinance of Hong Kong. The Group also did not have any concluded legal cases regarding corrupt practices brought against the Group or our employees during the Reporting Period.

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 actively promotes corporate citizenship and encourages our staff to contribute to the society through charitable and community activities such as donations, volunteering works, sponsorship, etc. We believe through the collective efforts and influence of the Group and our employees, we can continue to contribute to a better community.

The Group has been awarded the Caring Company certificate for nine consecutive years for providing support to the Mental Health Association of Hong Kong (HKMHA) through donations and volunteering works. This is the fourth consecutive year of our "Tele-Care Program" organized by our Volunteer Team and HKMHA with an objective to build up communication and friendship between our volunteers and members of HKMHA through monthly telephone calls.

Caring Company Certificates

As a measure of environmental protection by re-using as well as contribution to community, the Group initiated and donated a lot of used office resources such as chairs, desks and cabinets to charitable organisations for re-distribution to people or families in need, and received appreciation certificates from corresponding organisations.

Caritas Integrated Family Service Centre – Tin Shui Wai

EPRO TELECOM

November 3, 2021

We would like to thank you for donation of 24 chairs and 4 desks from your company to our center.

Your contribution demonstrates a heart for charity in contributing to the society. We believe that your donation would definitely benefit to the deprived and vulnerable families and would be an encouragement to both the workers as well.

We treasure your partnership and look forward to future cooperation in serving the families in Tin Shui Wai.

Yours sincerely,

Vicky Or
Senior Social Work Supervisor

關注家居照顧服務大聯盟

二〇二一年十一月八日

The Group and our employees constantly support food drive programs by donating food as well as mooncakes to the needed through charitable organisations in Hong Kong.

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 2021.

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 2021 and the state of affairs of the Group at that date are set out in the Financial Statements on pages 73 to 162 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 2021 (2020: 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 3 May 2022 (Tuesday) to 6 May 2022 (Friday), both days inclusive, during which period no transfers of Shares shall be registered. In order to be eligible for attending the forthcoming annual general meeting of the Company, all transfers of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 29 April 2022 (Friday).

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 163 and 164 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 31 to the Financial Statements.

PRE-EMPTIVE RIGHTS

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

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

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the Financial Statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2021, 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$69,584,000 (2020: HK$69,516,000).

MAJOR CLIENTS AND SUPPLIERS

Sales to the Group's five largest clients accounted for approximately 49% of the total sales for the year and sales to the single largest client amounted to approximately 12% of the total sales for the year. The Group's purchases from our five largest suppliers together accounted for approximately 96% of our total purchase for the year. The Group purchases approximately 62% 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 SCHEMES

Old Share Option Scheme

The Company had conditionally adopted a share option scheme on 21 December 2011 (the "Old Share Option Scheme"). The purpose of the Old 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 Old 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 Old Share Option Scheme are set out in section headed "Statutory and General Information" of the Prospectus. The principal terms of the Old Share Option Scheme are summarised as follows:

The Old Share Option Scheme was adopted for a period of 10 years commencing from 21 December 2011 and remained in force until 20 December 2021. The Company may, by resolution in general meeting or, such date as the Board determined, terminate the Old 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 Old 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 Old 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 Old 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 Old 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 Old Share Option Scheme provided that options lapsed in accordance with the terms of the Old 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 Old 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 Old Share Option Scheme and the outstanding number of options available for issue under the Old 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 Old 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 Old Share Option Scheme since its adoption.

The Old Share Option Scheme was terminated, and a new share option scheme (the "New Share Option Scheme") were conditionally adopted by the shareholders of the Company on 4 May 2021 and became unconditional on 6 May 2021.

New Share Option Scheme

The purpose of the new share option scheme (the "New Scheme") is to provide incentive or reward to eligible persons for their contribution or potential contribution to, and continuing efforts to promote the interests of the Group.

Participants under the New Scheme include any employee and director of the Group, any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensees) or distributors, landlords or tenants (including any sub-tenants) of the Group.

Details of the principal terms of the New Scheme are set out in Appendix III to the Company's circular issued on 31 March 2021 (the "Circular") regarding, amongst others, the adoption of the New Scheme. The principal terms of the New Scheme are summarised as follows:

The New Scheme was adopted for a period of 10 years commencing from 4 May 2021 and will remain in force until 3 May 2031. The Company may by resolution in general meeting terminate the New 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: (i) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer of the grant of an option (the "Offer Date"), which must be a business day ("Business Day") as defined in the Circular; (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five consecutive Business Days immediately preceding the Offer Date; and (iii) the nominal value of the Shares on the Offer Date.

Upon acceptance of the options, the grantee shall pay HK$1.00 to the Company as consideration for the grant. An offer of the grant of the option shall remain open for acceptance for a period of twenty-one (21) days inclusive of, and from the Offer Date provided no such offer shall be open for acceptance after the New Scheme is terminated. The exercise period of any option granted under the New Scheme shall not exceed the period of ten years from the date of grant but subject to the provisions for early termination of the New 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 New 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 New 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 the approval of the New Scheme (the "Scheme Mandate Limit") unless the Company obtains the approval of the shareholders of the Company in general meeting provided that options lapsed in accordance with the terms of the New 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 New 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.

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 New 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 New Share Option Scheme since its adoption.

EQUITY-LINKS AGREEMENTS

Other than the Share Option Schemes 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)*

The Late Non-Executive Director
Mr. Tang Shing Bor *(Chairman)* (passed away on 14 May 2021)

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

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

In accordance with Article 84(1) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation. And, according to the Corporate Governance Code under Appendix 15 to the GEM listing Rules, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

To comply with the above, Mr. Cheung Kong Ting and Mr. Wong Kam Tai shall retire from office at the 2022 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 16 to 18 of this Report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a renewed service contract with the Company for a term of three years commencing on 29 July 2021.

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 Schemes, at no time during the year ended 31 December 2021 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 of 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 37 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 late Chairman and non-executive Director who passed away on 14 May 2021), 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 was 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 was 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 2021.

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 may compete, either directly or indirectly, with the business of the Group or has any other conflict of interest with the Group as at 31 December 2021.

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 2021, 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	Approximate percentage of the issued share capital of the Company as at 31 December 2021
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 under Mr. Tang Shing Bor's estate. Mr. Tang Shing Bor passed away on 14 May 2021 and his interests in the Shares form part of his estate.

Save as disclosed above, as at 31 December 2021, 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 2021, 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 31 December 2021
Million Top Enterprises Limited *(Note 1)*	Beneficial owner	210,000,000	75%
Pine Care Group Limited ("Pine Care Group")	Interest in a controlled corporation	15,625,000	5.58%
Pine Care Titanium Limited ("Pine Care Titanium") *(Note 2)*	Beneficial owner	15,625,000	5.58%

Notes:

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

2. Pine Care Titanium is the holder of the convertible bonds in a principal amount of HK$9,500,000 at a conversion price of HK$0.608 per conversion share (subject to adjustments) issued by the Company, of which a total of 15,625,000 conversion shares will be alloted and issued upon full conversion of the convertible bonds. Pine Care Titanium was wholly and beneficially owned by Pine Care Group. Under the SFO, Pine Care Group was deemed to be interested in the underlying Shares held by Pine Care Titanium.

Save as disclosed above, as at 31 December 2021, 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 19 to 30 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 Schemes as an incentive to Directors and eligible participants, details of such scheme is set out in note 32 to the Financial Statements and paragraph headed "Share Option Schemes" in this Report.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 December 2021 are set out in note 34 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) 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 Services Limited ("Epro Telecom", an indirect wholly-owned subsidiary of the Company) 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 from 1 January 2019 to 31 December 2021 (both days inclusive) (the "Renewed China Paint Building Lease").

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

Epro Telecom has used the China Paint Building Property as a business centre and main office of the Group since December 2015. As the China Paint Building Property would continue to provide premises for the business need of the Group and the terms thereof were determined after arm's length negotiations, the Directors (including the independent non-executive Directors) consider that the entering into the Renewed China Paint Building Lease is in the interests of the Company and its Shareholders as a whole.

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

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.

The Renewed China Paint Building Lease expired on 31 December 2021. On the same day, Epro Telecom entered a new lease regarding to the properties situated at 3/F and 4/F of the China Paint Building for one year from 1 January 2022 to 31 December 2022 (both days inclusive), which also constituted a connected transaction on the part of the Company and the details will be provided in the Company's next Annual Report for the year 2022.

(b) Camelpaint Building Lease dated 29 May 2020

Owing to the expiry of the 2018 Camelpaint Building Lease (as defined on page no. 55 of the Company's Annual Report 2020) on 31 May 2020, Epro Telecom and Always Beyond Limited ("Always Beyond") entered into the lease dated 29 May 2020 in relation to the leasing by Always Beyond of the properties 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") to Epro Telecom for a fixed term of 16 months 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.

The 2020 Camelpaint Building Lease expired on 30 September 2021.

(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 from 10 June 2019 to 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 (who passed away on 14 May 2021) 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.

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.

(3) Issue of Convertible Bonds

Reference is made to the announcement of the Company dated 10 May 2021. On 10 May 2021, the Company and Pine Care Titanium Limited (the "Subscriber") entered into a conditional subscription agreement dated 10 May 2021 (the "Subscription Agreement") in relation to the subscription of the unlisted zero coupon convertible bonds in the principal amount of HK$9,500,000 to be issued by the Company pursuant to the terms and conditions of the Subscription Agreement (the "Convertible Bonds"), pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Bonds.

The initial conversion price for the Convertible Bonds shall be equal to HK$0.608 per conversion share, subject to adjustments ("Conversion Price"), which was arrived at after arm's length negotiations between the Company and the Subscriber taking into account (i) the business prospects of the Group; (ii) the existing capital market conditions in Hong Kong; and (iii) the recent closing prices of the Shares as quoted on the Stock Exchange up to and including the date of the Subscription Agreement.

Subject to completion of the subscription, the gross proceeds and net proceeds (after deducting all the relevant costs and expenses) from the issue of the Convertible Bonds will be approximately HK$9,500,000 and approximately HK$8,700,000, respectively.

The Subscriber is an indirect wholly-owned subsidiary of Pine Care Group (Stock Code: 1989) (the issued shares of which are listed on the Main Board of the Stock Exchange), and Mr. Tang Yiu Sing, an executive Director, is also an executive director and a controlling shareholder of Pine Care Group. Accordingly, the Subscriber is a connected person of the Company under the GEM Listing Rules. The Subscription therefore constituted a connected transaction on the part of the Company and was subject to reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Subscription Agreement and the transactions contemplated thereunder were approved by the independent shareholders at the Company's extraordinary general meeting held on 5 August 2021, and the issue of the Convertible Bonds was completed on 11 August 2021.

The Company is an investment holding company and the Group is principally engaged in providing comprehensive multi-media contact centre services, contact centre system and financial services. The principal activities of the Group include provisions of outsourcing inbound and outbound contact services, staff insource service, contact service centre and service centre facilities management service. The Group also carries out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO through Gear Securities Investment Limited and Gear Asset Management Limited, both being an indirect wholly-owned subsidiary of the Company.

The Directors considered that the raising of funds by the issue of Convertible Bonds is justifiable taking into account the recent market conditions which represent an opportunity for the Group to strengthen its capital base and financial position. The Directors considered that the issue of Convertible Bonds is an appropriate means of raising additional capital since the Conversion Price is at a premium to the market price as set out above, which was arrived at after arm's length negotiations between the Company and the Subscriber.

Please refer to the announcements made by the Company on 10 May 2021 and 11 August 2021, and the circular of the Company dated 15 July 2021 for more details.

Confirmation of independent non-executive Directors

The independent non-executive Directors reviewed the above continuing connected transactions contemplated under the abovesaid Lease Agreements and the Service Agreement (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 2021 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 2021 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, 17 March 2022

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 73 to 162, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key Audit Matter

Valuation of investments classified as level 3 in the fair value hierarchy	How our audit addressed the Key Audit Matter
Refer to Notes 4 and 18 to the consolidated financial statements	
The Group's certain financial assets are stated at fair value. As at 31 December 2021, the Group's financial assets at fair value through profit or loss amounted to HK$2,200,000, and the fair value loss on these financial assets for the year ended 31 December 2021 amounted to HK$10,700,000. We paid significant attention to this area due to the material balance and fair value loss of the financial assets at fair value through profit or loss to the Group's consolidated financial statements and the estimation of the valuations of financial assets at fair value through profit or loss subject to high degree of estimation uncertainty. The inherent risk in relation to this area is considered significant due to critical judgment involved in determining the critical estimates and assumptions used in the valuations.	We obtained an understanding of the management's internal control and assessment process of the valuations of financial assets at fair value through profit or loss and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud. We evaluated the competence, capabilities and objectivity of the valuation expert engaged by the management. We also engaged an independent valuation expert to assist us in assessing the appropriateness of methodologies used and the reasonableness of the key estimates and assumptions applied in the valuations. We have also conducted a sensitivity analysis over the key inputs. We checked the accuracy and relevance of the input data used in the valuations. We found the key estimates and assumptions used in the valuation of other financial assets were supported by the available evidences. We also assessed the adequacy of the Group's disclosures about the valuation of investments classified as level 3 in the fair value hierarchy in the consolidated financial statements.

Impairment of contract assets and trade and other receivables	How our audit addressed the Key Audit Matter
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.	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 2021, 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 HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Lo Kin Kei
Practising Certificate Number: P06413

Hong Kong, 17 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	5	98,757	104,211
Other income	6	290	14,636
Other losses – net	7	(11,303)	(6,772)
Employee benefits expenses	8	(73,495)	(76,864)
Depreciation and amortization		(9,343)	(12,010)
Other operating expenses		(22,158)	(27,952)
Operating loss		(17,252)	(4,751)
Finance costs	9	(496)	(399)
Loss before tax	10	(17,748)	(5,150)
Income tax (expense)/credit	11	(872)	13
Loss for the year		(18,620)	(5,137)
Other comprehensive income for the year		–	–
Total comprehensive expense for the year		(18,620)	(5,137)
Loss attributable to owners of the Company		(18,620)	(5,137)
Total comprehensive expense for the year attributable to owners of the Company		(18,620)	(5,137)
Loss per share attributable to owners of the Company – Basic and diluted (HK cents)	12	(6.7)	(1.8)

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 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	15	1,541	1,320
Right-of-use assets	16	1,004	5,246
Intangible assets	17	3,771	5,437
Financial assets at fair value through profit or loss	18	2,200	–
Deferred income tax assets	30	818	1,171
Other assets	19	205	205
		9,539	13,379
Current assets			
Contract assets	20	3,887	3,287
Trade and other receivables	21	58,472	46,727
Financial assets at fair value through profit or loss	18	235	1,644
Tax recoverable		115	704
Pledged bank deposits	22	6,091	9,108
Bank trust account balances	23	16,593	11,738
Cash and cash equivalents	24	41,709	59,455
		127,102	132,663
Current liabilities			
Contract liabilities	20	1,890	1,888
Trade and other payables	25	25,757	21,855
Amount due to a related company	26	–	9
Current income tax liabilities		700	282
Borrowings	27	–	3,000
Lease liabilities	28	773	2,929
		29,120	29,963
Net current assets		97,982	102,700
Total assets less current liabilities		107,521	116,079

	Notes	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Deferred income tax liabilities	30	18	46
Lease liabilities	28	251	–
Convertible bonds	29	8,105	–
		8,374	46
Net assets		99,147	116,033
Equity attributable to the owners of the Company			
Share capital	31	2,800	2,800
Share premium	31	25,238	25,238
Reserves		71,109	87,995
Total equity		99,147	116,033

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 17 March 2022 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 2021

	Attributable to owners of the Company					
	Share capital HK$'000 *(Note 31)*	**Share premium** HK$'000 *(Note 31)*	**Convertible bonds equity reserve** HK$'000	**Merger reserve** HK$'000 *(Note 33)*	**Retained profits** HK$'000	**Total equity** HK$'000
Balance as at 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 expenses for the year	–	–	–	–	(5,137)	(5,137)
Balance as at 31 December 2020 and 1 January 2021	2,800	25,238	–*	25,624*	62,371*	116,033
Loss for the year	–	–	–	–	(18,620)	(18,620)
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive expense for the year	–	–	–	–	(18,620)	(18,620)
Recognition of equity component of convertible bonds	–	–	1,734	–	–	1,734
Balance as at 31 December 2021	**2,800**	**25,238**	**1,734***	**25,624***	**43,751***	**99,147**

* These reserve accounts comprise the consolidated reserves of approximately HK$71,109,000 (2020: approximately HK$87,995,000) in the consolidated statement of financial position.

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

	Note	2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Loss before tax		(17,748)	(5,150)
Adjustments for:			
Depreciation and amortization		9,343	12,010
Fair value loss/(gain) on financial assets at fair value through profit or loss		10,706	(194)
Fair value gain on embedded derivatives of convertible bonds		(31)	–
Loss on disposal of property, plant and equipment		624	2,444
Impairment loss recognized in respect of goodwill		–	4,526
Provision for impairment of financial assets and contract assets – net		7,052	13,164
Dividend income		(11)	(45)
Interest income		(13)	(80)
Interest expense		496	399
Operating cash flows before changes in working capital		10,418	27,074
Contract assets		(599)	5,363
Trade and other receivables		(18,798)	(12,893)
Financial assets at fair value through profit or loss		1,403	–
Bank trust account balances		(4,855)	(1,915)
Contract liabilities		2	(43)
Trade and other payables		3,902	(4,321)
Amount due to a related company		(9)	(4)
Cash (used in)/generated from operations		(8,536)	13,261
Income tax refunded/(paid)		460	(2,657)
Net cash (used in)/generated from operating activities		(8,076)	10,604

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Cash flows from investing activities			
Additions of intangible assets		(1,242)	(1,280)
Decrease/(Increase) in pledged bank deposits		3,017	(28)
Dividend income from equity investments		11	45
Interest received		13	80
Purchases of financial asset at fair value through profit or loss		(12,900)	(1,450)
Purchases of property, plant and equipment		(1,758)	(182)
Net cash used in investing activities		(12,859)	(2,815)
Cash flows from financing activities			
Interest paid		(126)	(399)
Proceeds from borrowings		–	3,000
Repayments of borrowings		(3,000)	(5,000)
Repayments of lease liabilities		(3,185)	(3,834)
Proceeds from convertible bonds		9,500	–
Net cash generated from/(used in) financing activities		3,189	(6,233)
Net (decrease)/increase in cash and cash equivalents		(17,746)	1,556
Cash and cash equivalents at beginning of the year		59,455	57,899
Cash and cash equivalents at end of the year	24	41,709	59,455

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

1. GENERAL INFORMATION

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

As at 31 December 2021, 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.

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 17 March 2022.

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 Hong Kong Stock Exchange and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of the financial assets at fair value through profit or loss ("**FVTPL**") and the derivative component of convertible bonds 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 HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendments to HKFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021*.

The application of 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 2021 reporting periods and have not been early adopted by the Group:

Standards	Subject	Effective for annual periods beginning on or after
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 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
Amendments to HKAS 1 and HKFRS Practice Statements 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Disclosure of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

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 to direct the activities of 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 equity 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.

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 aforegoing, 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, lease liabilities and debt component of convertible bonds are subsequently measured at amortized cost, using the effective interest method.

Convertible bonds

The component parts of the convertible bonds are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, both the debt component and derivative components are classified as financial liability and separately recognized at fair value. In subsequent periods, the debt component of the convertible bonds is carried at amortized cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognized in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial instruments (Continued)

2.8.2 Financial liabilities and equity (Continued)

Convertible bonds (Continued)

A conversion option classified as equity is determined by deducting the amount of the liability (including the debt component and derivative components) from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognized in equity will be transferred to retained profits. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

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.

2.9 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, when they are recognized at fair value. 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.

2.14 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 expense/credit 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 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)

2.23 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)

2.23 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.

2.24 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)

2.25 Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk, 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

The Group is exposed to price risk arising from financial assets at FVTPL and derivative component of convertible bonds classified as financial liabilities at FVTPL.

If prices had been 5% (2020: 5%) higher/lower, the Group's loss before taxation (2020: loss before taxation) for the year would decrease/increase (2020: decrease/increase) by approximately HK$122,000 (2020: approximately HK$82,000) as a result of the changes in fair value of financial assets at FVTPL as at the reporting date.

Pre-tax loss for the year would decrease/increase as a result of gains/losses on derivative component of convertible bonds classified as at FVTPL.

(iii) Interest rate risk

Other than bank balances with variable interest rate, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group is exposed to fair value interest rate risk in relation to fixed-rate lease liabilities. The Group is not exposed to significant cash flow interest rate risk. The Group currently does not have interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(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 2021, the Group has certain concentrations of credit risk as 22% and 62% (2020: 28% and 72%) 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 ECL for loan receivables is approximately HK$871,000 (2020: approximately HK$80,000) as at 31 December 2021.

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 2021					
Expected loss rate	**0.1%**	**0.2%**	**1.9%**	**70.7%**	
Gross carrying amount (HK$'000)	**6,628**	**2,674**	**861**	**29,037**	**39,200**
Loss allowance provision (HK$'000)	**9**	**4**	**16**	**20,523**	**20,552**
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

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 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 and 1 January 2021	31	14,124	14,155
Transfer to credit-impaired	(10)	10	–
Impairment losses recognized	29	6,403	6,432
Impairment losses reversed	(21)	(14)	(35)
As at 31 December 2021	29	20,523	20,552

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)

	Total
Contract assets	
As at 31 December 2021	
Expected loss rate	**0.1%**
Gross carrying amount (HK$'000)	**3,888**
Loss allowance provision (HK$'000)	**1**
As at 31 December 2020	
Expected loss rate	0.1%
Gross carrying amount (HK$'000)	3,289
Loss allowance provision (HK$'000)	2

The following table shows reconciliation of loss allowances that has been recognized for contract assets.

	12m ECL HK$'000
As at 1 January 2020	28
Impairment losses reversed	(26)
As at 31 December 2020 and 1 January 2021	2
Impairment losses reversed	(1)
As at 31 December 2021	**1**

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 2021	
Expected loss rate	**–**
Gross carrying amount (HK$'000)	**1,053**
Loss allowance provision (HK$'000)	**–**
As at 31 December 2020	
Expected loss rate	–
Gross carrying amount (HK$'000)	705
Loss allowance provision (HK$'000)	–

	Total
Loan receivables	
As at 31 December 2021	
Expected loss rate	**2.6%**
Gross carrying amount (HK$'000)	**33,679**
Loss allowance provision (HK$'000)	**871**
As at 31 December 2020	
Expected loss rate	0.4%
Gross carrying amount (HK$'000)	21,386
Loss allowance provision (HK$'000)	80

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 2020	149
Impairment losses reversed	(69)
As at 31 December 2020 and 1 January 2021	80
Impairment losses recognized	791
As at 31 December 2021	871

(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 2021	
Expected loss rate	**1.7%**
Gross carrying amount (HK$'000)	**6,069**
Loss allowance provision (HK$'000)	**106**
As at 31 December 2020	
Expected loss rate	3.7%
Gross carrying amount (HK$'000)	6,452
Loss allowance provision (HK$'000)	241

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 2020	29
Impairment losses recognized	212
As at 31 December 2020 and 1 January 2021	241
Impairment losses reversed	(135)
As at 31 December 2021	**106**

(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	**Total** HK$'000
As at 31 December 2021			
Trade and other payables excluding non-financial liabilities	**25,757**	**–**	**25,757**
Lease liabilities	**791**	**259**	**1,050**
Derivatives component of convertible bonds	**–**	**245**	**245**
	26,548	**504**	**27,052**
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

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	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 2021, the Group has available unutilized banking facilities of approximately HK$20,000,000 (2020: approximately HK$20,000,000) 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, lease liabilities and convertible bonds 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:

	2021 HK$'000	2020 HK$'000
Total debt	36,776	29,681
Less: cash and cash equivalents *(Note 24)*	(41,709)	(59,455)
Net debt	(4,933)	(29,774)
Total equity	99,147	116,033
Total capital	94,214	86,259
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 2021 by level of the inputs to valuation technique(s) used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

	Fair value as at 31 December 2021 HK$'000	Fair value as at 31 December 2020 HK$'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	235	1,644	Level 1	Quoted bid prices	N/A	N/A	N/A
– Unlisted equity securities A	–	–	Level 3	Cost approach	Net assets value	N/A	Higher the net assets value, higher the fair value
– Unlisted equity securities B	2,200	N/A	Level 3	Market approach	Lack of marketability discount	20.6%	Higher the lack of marketability discount, lower the fair value
					Price to book ratio	11.88	Higher the price to book ratio, higher the fair value
Financial liabilities at FVTPL							
– Derivatives component of convertible bonds	245	N/A	Level 3	Binomial tree method	Volatility	98.72%	Higher the volatility, higher the fair value
					Risk free rate	0.48%	Higher the risk free rate, lower the fair vlaue
					Discount rate	13.34%	Higher the discount rate, lower the fair value

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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

In estimating the fair value of the unlisted equity securities and the derivatives component of the convertible bonds, the Group engaged an independent third-party qualified valuers to perform the valuation. Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model based on market conditions existing at the end of each reporting period. The management reports the management's findings to the board of directors of the Company to explain the cause of fluctuations in the fair value of the unlisted equity securities and the derivatives component of the convertible bonds.

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

The Group's financial instruments carried at amortized cost are not materially different from their fair values as at 31 December 2021 and 2020.

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

	Unlisted equity at FVTPL HK$'000	**Derivatives component of convertible bonds** HK$'000
Balance as at 1 January 2020, 31 December 2020 and 1 January 2021	–	–
Purchased	12,900	–
Issued	–	276
Loss/Gain recognized in profit or loss	(10,700)	(31)
Balance as at 31 December 2021	2,200	245

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) HK$'000	Gross amounts of recognized financial assets/ (liabilities) set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets/ (liabilities) presented in the consolidated statement of financial position HK$'000	Related amount not offset in the consolidated statement of financial position: Amounts subject to master netting arrangements HK$'000	Related amount not offset in the consolidated statement of financial position: Financial instrument collateral HK$'000	Net amount HK$'000
As of 31 December 2021						
Financial assets:						
Amounts receivables arising from financial service business	1,156	(413)	743	–	–	743
Financial liabilities:						
Amounts payable arising from financial services business	(17,749)	413	(17,336)	–	–	(17,336)
As of 31 December 2020						
Financial assets:						
Amounts receivables arising from financial service business	6,941	(6,236)	705	–	–	705
Financial liabilities:						
Amounts payable arising from financial services business	(18,675)	6,236	(12,439)	–	–	(12,439)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Offsetting financial assets and financial liabilities (continued)

	2021 HK$'000	2020 HK$'000
Trade receivables		
Net amount of receivables as stated above	743	705
Amount not in scope of offsetting disclosures	57,729	46,022
Amount of total trade and other receivables as stated in Note 21	58,472	46,727
Trade payables		
Net amount of payables as stated above	17,336	12,439
Amount not in scope of offsetting disclosures	8,421	9,416
Amount of total trade and other payables as stated in Note 25	25,757	21,855

3.5 Financial instruments by category

	2021 HK$'000	2020 HK$'000
Assets as per consolidated statement of financial position		
Financial assets at FVTPL:		
– Listed equity securities at FVTPL	235	1,644
– Unlisted equity securities at FVTPL	2,200	–
Financial assets at amortized cost:		
– Other assets	205	205
– Trade and other receivables excluding prepayments	57,748	46,223
– Pledged bank deposits	6,091	9,108
– Bank trust account balances	16,593	11,738
– Cash and cash equivalents	41,709	59,455

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.5 Financial instruments by category (continued)

	2021 HK$'000	2020 HK$'000
Liabilities as per consolidated statement of financial position		
Financial liabilities at FVTPL:		
– Convertible bonds – derivative component	244	–
Financial liabilities at amortized cost:		
– Trade and other payables excluding non-financial liabilities	25,757	21,855
– Amount due to a related company	–	9
– Borrowings	–	3,000
– Convertible bonds – debt component	7,861	–
– Lease liabilities	1,024	2,929

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.

Estimation of the fair value of certain financial assets

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see note 3.3.

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.

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 2021 and 2020 are as follows:

For the year ended 31 December 2021

	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	12,486	–	53,844	14,101	13,060	5,266	98,757
Segment results	924	(194)	4,409	3,791	(2,148)	2,066	8,848
Depreciation and amortization	255	–	1,072	2,593	2,300	511	6,731
Total segment assets	2,670	–	15,222	4,592	55,894	3,503	81,881
Total segment assets includes: Additions to non-current assets (other than financial instruments)	92	–	932	386	–	184	1,594
Total segment liabilities	1,804	–	4,224	1,318	–	1,357	8,703

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

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

There were no inter-segment sales during the years ended 31 December 2021 and 2020. The revenue from external parties reported to the directors of the Company is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

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

	2021 HK$'000	2020 HK$'000
Segment results for reportable segments	8,848	4,773
Unallocated:		
Other income	290	14,636
Other losses – net	(11,303)	(6,772)
Depreciation and amortization	(2,612)	(861)
Finance costs	(462)	(285)
Corporate and other unallocated expenses	(12,509)	(16,641)
Loss before tax	(17,748)	(5,150)

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:

	2021 HK$'000	2020 HK$'000
Segment assets for reportable segments	81,881	66,258
Unallocated:		
Property, plant and equipment	817	10
Right-of-use assets	354	1,357
Tax recoverable	115	704
Deferred income tax assets	818	1,171
Financial assets at FVTPL	2,435	1,644
Corporate and other unallocated assets	50,221	74,898
Total assets per consolidated statement of financial position	136,641	146,042

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:

	2021 HK$'000	2020 HK$'000
Segment liabilities for reportable segments	8,703	23,243
Unallocated:		
Deferred income tax liabilities	18	46
Current income tax liabilities	700	282
Borrowings	–	3,000
Lease liabilities	379	75
Corporate and other unallocated liabilities	27,694	3,363
Total liabilities per consolidated statement of financial position	37,494	30,009

Breakdown of the revenue from all services is as follows:

Analysis of revenue by category

	2021 HK$'000	2020 HK$'000
Service fee income from provision of telecommunication and related services	26,588	33,582
Financial services income	9,515	17,023
Licencing and sales of system and software	3,214	2,887
System maintenance income	2,052	1,999
Staff insourcing services and personnel services	53,844	46,325
Revenue from contracts with customers	95,213	101,816
Interest income arising from		
– Loans	3,542	2,332
– Margin clients	2	63
Total revenue	98,757	104,211

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$97,434,000 (2020: approximately HK$103,100,000), and the total of revenue from external customers from other country is approximately HK$1,323,000 (2020: approximately HK$1,111,000).

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$6,316,000 (2020: approximately HK$12,003,000), and none of these non-current assets is located in other countries (2020: 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:

	2021 HK$'000	2020 HK$'000
Customer A[1]	12,221	N/A[2]
Customer B[1]	10,321	18,496
Customer C[1]	10,235	N/A[2]

1 Revenue from provision of telecommunication services, system maintenance income and staff insourcing services.

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

Disaggregation of revenue from contracts with customers

	2021 HK$'000	2020 HK$'000
By timing of revenue recognition:		
Control transferred over time	91,015	96,189
Control transferred at a point of time	4,198	5,627
	95,213	101,816

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

Transaction price allocated to the remaining performance obligations

	2021 HK$'000	2020 HK$'000
Remaining performance obligations expected to be satisfied during the year ending:		
Within one year	5,084	15,681
More than one year	616	605
	5,700	16,286

6. OTHER INCOME

	2021 HK$'000	2020 HK$'000
Dividends from financial assets at FVTPL	11	45
Government grants	–	14,494
Interest income from bank deposits	13	80
Sundry income	266	17
	290	14,636

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. No government grants were recognized during the year.

7. OTHER LOSSES – NET

	2021 HK$'000	2020 HK$'000
Financial assets at FVTPL		
– Fair value (loss)/gain	(10,706)	194
Fair value gain on embedded derivatives of convertible bonds	31	–
Impairment loss recognized in respect of goodwill	–	(4,526)
Loss on disposal of property, plant and equipment – net	(624)	(2,444)
Net foreign exchange (losses)/gains	(4)	4
	(11,303)	(6,772)

8. EMPLOYEE BENEFITS EXPENSES

	2021 HK$'000	2020 HK$'000
Salaries and allowances	71,635	74,761
Pension costs – defined contribution plans	3,102	3,383
Total employee benefits expenses, including directors' remuneration	74,737	78,144
Less: Amounts capitalized in deferred development costs	(1,242)	(1,280)
	73,495	76,864

There is no forfeited contributions that may be used by the Group to reduce the existing level of contributions.

Five highest paid individuals

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

	2021 HK$'000	2020 HK$'000
Salaries, allowances and benefits in kind	4,974	4,904
Pension costs – defined contribution plans	162	162
	5,136	5,066

	Number of Individuals 2021	Number of Individuals 2020
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 (2020: Nil). None of the directors of the Company waived any emoluments during the year (2020: Nil).

9. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on bank borrowings	86	285
Effective interest expense on convertible bonds	370	–
Interest on lease liabilities	40	114
	496	399

10. LOSS BEFORE TAX

	2021 HK$'000	2020 HK$'000
Loss before tax is stated after charging:		
Depreciation and amortization		
Depreciation of owned property, plant and equipment	913	1,927
Depreciation of right-of-use assets	5,522	6,387
Amortization of intangible assets	2,908	3,696
Total depreciation and amortization	9,343	12,010
Auditors' remuneration	1,000	1,000
Provision for impairment of financial and contract assets – net	7,052	13,164
Expenses relating to short-term leases	142	110

11. INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax has been provided at a rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the year.

	2021 HK$'000	2020 HK$'000
Current tax:		
Current tax on profits for the year	547	469
Adjustment in respect of prior year	–	(71)
Total current tax	547	398
Deferred income tax *(Note 30)*	325	(411)
Income tax expense/(credit)	872	(13)

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 before tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2021 HK$'000	2020 HK$'000
Loss before tax	(17,748)	(5,150)
Tax calculated at Hong Kong profits tax rate of 16.5%	(2,928)	(850)
Tax effects of:		
– Income not subject to tax	(3)	(2,411)
– Expenses not deductible for tax purposes	1,968	770
– Temporary differences not recognized	278	436
– Tax losses for which no deferred income tax asset was recognized	1,786	2,682
– Utilization of previous unrecognized tax losses	(34)	(377)
– Income tax at concessionary rate	(165)	(152)
– Tax reduction	(30)	(40)
– Adjustments in respect of prior year	–	(71)
Tax charge/(credit)	872	(13)

12. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on (i) the loss 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 (2020: 280,000,000 ordinary shares).

The diluted loss per share is equal to the basic loss per share as (i) the impact of conversion for convertible bonds is anti-dilutive, and (ii) there were no dilutive potential ordinary shares in issue during the years ended 31 December 2021 and 2020 respectively.

13. DIVIDENDS

No dividend was paid or proposed by the board of directors of the Company for the year ended 31 December 2021 (2020: Nil).

14. SUBSIDIARIES

The following is a list of the subsidiaries at 31 December 2021 and 2020:

Name	Place of incorporation and kind of legal entity	Principal activities	Particulars of issued share capital	Interest held 2021	Interest held 2020
Eastside Fortune Limited ("**EFL**")	British Virgin Islands, limited liability company	Investment holding	2 ordinary shares of US$1 each	100% (direct)	100% (direct)
Future Data Limited	British Virgin Islands, limited liability company	Investment holding	2 ordinary shares of US$1 each	100% (indirect)	100% (indirect)
Gear Securities Investment Limited ("**GSI**")	Hong Kong, limited liability company	Dealing in securities and advising in securities	HK$25,000,000 divided into 25,000,000 ordinary shares	100% (indirect)	100% (indirect)
Epro Telecom Holdings Limited ("**ETH**")	Hong Kong, limited liability company	Investment holding	HK$20,533,987 divided into 20,533,987 ordinary shares	100% (indirect)	100% (indirect)
Epro Telecom Services Limited ("**ETS**")	Hong Kong, limited liability company	Provision of telecommunication and related services and sales of system and software	HK$23,000,001 divided into 23,000,001 ordinary shares	100% (indirect)	100% (indirect)
Epro Logic Limited	Hong Kong, limited liability company	Research and development of telecommunication systems software, provision of related consulting services and sales of system and software	HK$3,000,000 divided into 3,000,000 ordinary shares	100% (indirect)	100% (indirect)
Commas Limited	Hong Kong, Limited liability company	Research and development of telecommunication systems software and provision of related consulting services	HK$10,000 divided into 10,000 ordinary shares	100% (indirect)	100% (indirect)
Interactive Business Services Limited	Hong Kong, limited liability company	Provision of telecommunication and related services	HK$3,000,000 divided into 3,000,000 ordinary shares	100% (indirect)	100% (indirect)
Epro Marketing Limited	Hong Kong, limited liability company	Provision of telecommunication and related services	HK$3,000,000 divided into 3,000,000 ordinary shares	100% (indirect)	100% (indirect)

14. SUBSIDIARIES (CONTINUED)

Name	Place of incorporation and kind of legal entity	Principal activities	Particulars of issued share capital	Interest held 2021	Interest held 2020
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	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	British Virgin Islands, limited liability company	Investment holding	2 ordinary shares of US$1 each	100% (indirect)	100% (indirect)

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 2021 and 2020.

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
Year ended 1 January 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 1 January 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
Year ended 31 December 2021						
Opening net book amount	**369**	**72**	**747**	**132**	**–**	**1,320**
Additions	**216**	**12**	**1,405**	**125**	**–**	**1,758**
Disposals	**(44)**	**–**	**(580)**	**–**	**–**	**(624)**
Depreciation charge	**(301)**	**(50)**	**(489)**	**(73)**	**–**	**(913)**
Closing net book amount	**240**	**34**	**1,083**	**184**	**–**	**1,541**
As at 31 December 2021						
Cost	**9,176**	**1,795**	**1,842**	**558**	**–**	**13,371**
Accumulated depreciation	**(8,936)**	**(1,761)**	**(759)**	**(374)**	**–**	**(11,830)**
Net book amount	**240**	**34**	**1,083**	**184**	**–**	**1,541**

16. RIGHT-OF-USE ASSETS

	Premises HK$'000	Motor vehicle HK$'000	Total HK$'000
As at 31 December 2021			
Carrying amount	**1,004**	**–**	**1,004**
As at 31 December 2020			
Carrying amount	**5,178**	**68**	**5,246**
For the year ended 31 December 2021			
Depreciation charge *(Note 10)*	**5,454**	**68**	**5,522**
For the year ended 31 December 2020			
Depreciation charge *(Note 10)*	**6,247**	**140**	**6,387**

	2021 HK$'000	2020 HK$'000
Interest expense *(Note 9)*	**40**	114
Expense relating to short-term leases and other leases with lease terms end within 12 months	**142**	110
Total cash outflow for leases	**3,354**	4,060
Additions to right-of-use assets	**1,280**	1,397

The Group leases certain motor vehicle and premises for its operations. Leases contracts are entered into for fixed terms of 18 months to 2 years (2020: 16 months 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 2021 and 2020, 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 2020			
Cost	4,526	56,008	60,534
Accumulated amortization	–	(48,155)	(48,155)
Net book amount	4,526	7,853	12,379
Year ended 1 January 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 1 January 2021			
Cost	4,526	57,288	61,814
Accumulated amortization and impairment	(4,526)	(51,851)	(56,377)
Net book amount	–	5,437	5,437
Year ended 31 December 2021			
Opening net book amount	**–**	**5,437**	**5,437**
Additions	**–**	**1,242**	**1,242**
Impairment charge	**–**	**–**	**–**
Amortization charge	**–**	**(2,908)**	**(2,908)**
Closing net book amount	**–**	**3,771**	**3,771**
As at 31 December 2021			
Cost	**4,526**	**58,530**	**63,056**
Accumulated amortization and impairment	**(4,526)**	**(54,759)**	**(59,285)**
Net book amount	**–**	**3,771**	**3,771**

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 calculations use cash flow projections based on financial budgets approved by management covering a five-year period at pre-tax discount rate of 20.1% per annum as at 31 December 2020. 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

	2021 HK$'000	2020 HK$'000
Equity securities listed in Hong Kong	235	1,644
Unlisted equity securities	2,200	–
	2,435	1,644
Analyzed for reporting purposes as:		
Current assets	235	1,644
Non-current assets	2,200	–
	2,435	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

	2021 HK$'000	2020 HK$'000
Fidelity fund deposit to The Stock Exchange of Hong Kong Limited ("**SEHK**")	50	50
Compensation fund deposit to SEHK	50	50
Stamp duty deposit with SEHK	5	5
Admission fee paid to Hong Kong Securities Clearing Company Limited ("**HKSCC**")	50	50
Guarantee fund deposit to HKSCC	50	50
	205	205

20. CONTRACT ASSETS AND LIABILITIES

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

	2021 HK$'000	2020 HK$'000
Contract assets	3,888	3,289
Less: loss allowance	(1)	(2)
Contract assets – net	3,887	3,287
Contract liabilities	(1,890)	(1,888)
	1,997	1,399

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

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.

	2021 HK$'000	2020 HK$'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	646	626
Transfers from the contract assets recognized at the beginning of the year to trade receivables	3,289	(8,652)

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

21. TRADE AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables		
Amounts receivables arising from multi-media contact services, contact centre system and advisory services	39,200	32,660
Amounts receivables arising from financial services business		
– Client-margin	310	–
– Clearing house	743	705
Loan receivables	33,679	21,386
Less: loss allowance	(21,423)	(14,235)
Trade receivables – net	52,509	40,516
Other receivables, deposits and prepayments	6,069	6,452
Less: loss allowance	(106)	(241)
Other receivables, deposits and prepayments – net	5,963	6,211
	58,472	46,727

The average credit period on the Group's sales is 30 days (2020: 30 days). The aging analysis of the trade receivables net of loss allowance based on invoice date is as follows:

	2021 HK$'000	2020 HK$'000
0–30 days	6,619	5,643
31–60 days	2,670	1,530
61–90 days	845	1,139
Over 90 days	8,514	10,193
	18,648	18,505

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 2021, loan to margin client is secured by client's securities pledged as collateral with market value of approximately HK$3,033,000 (2020: Nil). Management has assessed the market value of the pledged securities of each individual client who has margin shortfall at the end of each reporting period. The margin loan is repayable on demand bear variable interest at commercial rates and denominated in HK$.

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 properties located in Hong Kong and receivables and are not past due based on contractual maturity date as at 31 December 2021. All the loan receivables are entered with contractual maturity within 1 year. Loan receivables are interest-bearing at a rate range from 12% to 22% (2020: 11% to 20%) per annum.

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$34,501,000 (2020: approximately HK$46,809,000) which are past due as at the reporting date. Out of the past due balances, none of the balances (2020: approximately HK$30,418,000) 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 HK$.

As at 31 December 2021 and 2020, the carrying amounts of the Group's trade and other receivables approximated their fair values due to short duration.

As at 31 December 2021, the carrying amounts of the Group's trade receivables included approximately HK$1,959,000 (2020: approximately HK$1,959,000) 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 2021, the carrying amounts of the Group's trade receivables included approximately HK$16,357,000 (2020: approximately HK$11,186,000) 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 2021, the carrying amounts of the Group's trade receivables included approximately HK$5,300,000 (2020: approximately HK$6,000,000) 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 2021, the carrying amount of the Group's deposits included approximately HK$654,000 (2020: 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 is premise rental deposits paid to Always Beyond Limited.

As at 31 December 2021, the carrying amount of the Group's deposits included approximately HK$25,000 (2020: 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 is 0.03% per annum at 31 December 2021 (2020: from 0.15% to 0.35% per annum). The maturity of these deposits ranged from 31 to 92 days (2020: from 31 to 92 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.

	2021 HK$'000	2020 HK$'000
Cash at banks and on hand	37,987	55,737
Short-term bank deposits	3,722	3,718
Cash and cash equivalents	41,709	59,455

As at 31 December 2021, the cash and cash equivalents of the Group denominated in RMB amounted to approximately HK$73,000 (2020: approximately HK$76,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

25. TRADE AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables	125	887
Amounts payable arising from financial services business		
– Clients-cash	9,566	11,147
– Clients-margin	7,765	1,032
– Clearing house	5	260
Other payables and accruals	8,296	8,529
	25,757	21,855

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

	2021 HK$'000	2020 HK$'000
0–30 days	59	374
31–60 days	49	221
61–90 days	1	152
Over 90 days	16	140
	125	887

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	2021 HK$'000	2020 HK$'000
Supreme Leader Limited	–	9

The related party relationship is disclosed in Note 34.

27. BORROWINGS

	2021 HK$'000	2020 HK$'000
Current		
Secured bank borrowings	–	3,000

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

	2021 HK$'000	2020 HK$'000
Within 1 year	–	3,000

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 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$6,091,000 (2020: approximately HK$9,108,000);

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

28. LEASE LIABILITIES

	2021 HK$'000	2020 HK$'000
Lease liabilities payable:		
Within one year	773	2,929
More than one year but not exceeding two years	251	–
	1,024	2,929
Less: Amount due for settlement with 12 months shown under current liabilities	(773)	(2,929)
Amount due for settlement after 12 months shown under non-current liabilities	251	–

The incremental borrowing rates applied to lease liabilities range from 3.24% to 3.99% (2020: from 1.98% to 3.94%).

29. CONVERTIBLE BONDS

The Company issued non-interest-bearing convertible bonds in the principal amount of HK$9,500,000 (the "**CBs**") on 11 August 2021. The CBs are denominated in Hong Kong dollars and are due on the second anniversary of their issuance ("**Initial Maturity Date**"). The due date of any unconverted CBs at the Initial Maturity Date may be extended by the Company to fall on the third anniversary of the CBs' date of issuance ("**Extended Maturity Date**") provided that the bondholders do not exercise their rights to refuse extension. "Maturity Date", as referred to in the following paragraphs of this note, means the Initial Maturity Date or, if the due date has been extended, the Extended Maturity Date.

The Company has the right to require bondholders to convert all or such maximum portion of the principal amount of the CBs without triggering specified conversion restrictions into ordinary shares of the Company between the date of issue of the CBs and the Maturity Date (the "**Conversion Period**") at an initial conversion price of HK$0.608, which is adjustable only for anti-dilution clauses, ("**Conversion Price**") if the closing price per share of the Company as quoted on the Hong Kong Stock Exchange represents a premium of 5% over the then applicable Conversion Price for five consecutive trading days.

Any principal amount that remains outstanding at the Maturity Date shall be mandatorily converted into the ordinary shares of the Company at the then applicable Conversion Price. In the event that such remaining principal amount at maturity are converted into ordinary shares at the then applicable Conversion Price on the Maturity Date, but the closing price per share as quoted on the Hong Kong Stock Exchange on the Maturity Date is lower than the then applicable Conversion Price on the Maturity Date, the Company is obliged to pay to the bondholder an amount in cash equivalent to the difference between 105% of the remaining principal amount at maturity and the multiplication of such number of conversion shares issued by the Company at maturity and the closing price of the shares as quoted on the Hong Kong Stock Exchange on the Maturity Date.

29. CONVERTIBLE BONDS (CONTINUED)

The CBs are not redeemable except on the occurrence of specified events that are beyond the control of the Company and the bondholder and under the circumstances where a portion of the CBs remain unconverted after mandatory conversion at Maturity Date.

The CBs have three components – (i) a debt component, representing the principal amount, (ii) a derivative component, representing the potential cash outflow to bondholders at Maturity Date in the situation as described above, and (iii) an equity component, representing the equity conversion feature.

The effective interest rate of the debt component is 12.6%.

The movement of the debt and derivative components of the CBs for the year is set out as below:

	Debt component HK$'000	**Derivatives component** HK$'000	**Total** HK$'000
As at 1 January 2021	–	–	–
Issue	7,490	276	7,766
Interest charge	370	–	370
Gain arising on changes of fair value	–	(31)	(31)
As at 31 December 2021	**7,860**	**245**	**8,105**

Binomial tree method is used for valuation of the derivatives component of the convertible bonds. The key inputs used in the model are disclosed in note 3.3.

30. DEFERRED INCOME TAX

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

	2021 **HK$'000**	2020 HK$'000
As at 1 January	**(1,125)**	(714)
Consolidated statement of profit or loss charged/(credited) *(Note 11)*	**325**	(411)
As at 31 December	**(800)**	(1,125)

30. 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 2020	92	(1)	91
Credited to the consolidated statement of profit or loss	(45)	–	(45)
As at 31 December 2020 and 1 January 2021	47	(1)	46
(Credited)/Charged to the consolidated statement of profit or loss	(29)	1	(28)
As at 31 December 2021	**18**	**–**	**18**

Deferred tax assets:	**Decelerated tax depreciation** HK$'000	**ECL provision** HK$'000	**Total** HK$'000
As at 1 January 2020	(592)	(213)	(805)
(Credited)/Charged to the consolidated statement of profit or loss	(521)	155	(366)
As at 31 December 2020 and 1 January 2021	(1,113)	(58)	(1,171)
Charged/(Credited) to the consolidated statement of profit or loss	361	(8)	353
As at 31 December 2021	**(752)**	**(66)**	**(818)**

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 2021, the Group has unused tax losses of approximately HK$46,406,000 (2020: approximately HK$35,787,000) 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.

31. 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 2021 and 2020	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.

32. SHARE OPTION SCHEME

Old 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 "**Old 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 Old Scheme, the directors of the Company shall be entitled at any time during the term of the Old 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 Old 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 Old 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 Old Scheme provided that options lapsed in accordance with the terms of the Old Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating whether the Old Scheme Mandate Limit has been exceeds.

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

32. SHARE OPTION SCHEME (CONTINUED)

Old share option scheme (continued)

The subscription price of the option shares granted under the Old 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 Old 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 Old 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.

New share option scheme

The purpose of the new share option scheme (the "**New Scheme**") is to provide incentive or reward to eligible persons for their contribution or potential contribution to, and continuing efforts to promote the interests of the Group.

Participants under the New Scheme include any employee and director of the Group, any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensees) or distributors, landlords or tenants (including any sub-tenants) of the Group.

Details of the principal terms of the New Scheme are set out in Appendix III to the Company's circular issued on 31 March 2021 (the "**Circular**") regarding, amongst others, the adoption of the New Scheme. The principal terms of the New Scheme are summarised as follows:

The New Scheme was adopted for a period of 10 years commencing from 4 May 2021 and will remain in force until 3 May 2031. The Company may by resolution in general meeting terminate the New 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: (i) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer of the grant of an option (the "**Offer Date**"), which must be a business day ("**Business Day**") as defined in the Circular; (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five consecutive Business Days immediately preceding the Offer Date; and (iii) the nominal value of the Shares on the Offer Date.

32. SHARE OPTION SCHEME (CONTINUED)

New share option scheme (continued)

Upon acceptance of the options, the grantee shall pay HK$1.00 to the Company as consideration for the grant. An offer of the grant of the option shall remain open for acceptance for a period of twenty-one (21) days inclusive of, and from the Offer Date provided no such offer shall be open for acceptance after the New Scheme is terminated. The exercise period of any option granted under the New Scheme shall not exceed the period of ten years from the date of grant but subject to the provisions for early termination of the New 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 New 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 New 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 the approval of the New Scheme (the "**Scheme Mandate Limit**") unless the Company obtains the approval of the shareholders of the Company in general meeting provided that options lapsed in accordance with the terms of the New 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 New 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.

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 New 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 share options were granted since the adoption of the Old Scheme and the New Scheme and there were no share option outstanding as at 31 December 2021 and 2020.

33. 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.

34. RELATED PARTY TRANSACTIONS

Save as disclosed in Notes 21, 26, 27 and 37 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	2021 HK$'000	2020 HK$'000
Always Beyond Limited	Repayments of lease liabilities	*(i) & (vii)*	956	1,011
Jiayuan Stangroup Development Company Limited	Asset management services income	*(iii)*	(5,171)	(8,035)
Stan Group (Holdings) Limited	Repayment of lease liabilities	*(ii) & (vii)*	225	–
	Outsourcing inbound contact service income	*(ii) & (vi)*	–	(74)
Pacific Paradise Development Limited	Investment advisory services income	*(iv) & (vii)*	(3,300)	(6,000)
Supreme Leader Limited	Short-term lease payments	*(v) & (vi)*	50	113
Mr. Tang Yiu Sing ("**Mr. YS Tang**")	Brokerage commission income	*(viii)*	13	1,452
Pine Care Titanium Limited	Issue of convertible bonds	*(vii) & (ix)*	9,500	–

34. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

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

(ii) Stan Group (Holdings) Limited is controlled by Mr. YS Tang.

(iii) Jiayuan Stangroup Development Company Limited is controlled by Mr. SB Tang's estate.

(iv) Pacific Paradise Development Limited is controlled by Mr. SB Tang's estate and Mr. YS Tang.

(v) Supreme Leader Limited is controlled by Mr. SB Tang's estate.

(vi) Outsourcing inbound contact service income and short-term lease payments are based on terms mutually agreed between the parties involved.

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

(viii) Mr. YS Tang is an executive director of the Company.

(ix) Pine Care Titanium Limited is an indirect wholly-owned subsidiary of Pine Care Group Limited, a company listed on the Main Board of the Hong Kong Stock Exchange. Mr. YS Tang, an executive director of the Company, is also an executive director and a controlling shareholder of Pine Care Group Limited.

Key management personnel compensation

	2021 HK$'000	2020 HK$'000
Salaries and short-term employee benefits	500	540
Post-employment benefits	6	6
	506	546

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

	As at 31 December	
	2021 HK$'000	2020 HK$'000
Non-current assets		
Investment in a subsidiary	**40,151**	40,151
Current assets		
Other receivables	**7,270**	6,722
Amounts due from subsidiaries	**77,350**	91,151
Tax recoverable	**–**	70
Cash and cash equivalents	**4,594**	803
	89,214	98,746
Current liabilities		
Other payables	**730**	640
Amounts due to subsidiaries	**34,176**	25,790
Current income tax liabilities	**151**	–
	35,057	26,430
Net current assets	**54,157**	72,316
Total assets less current liabilities	**94,308**	112,467
Non-current liabilities		
Convertible bonds	**8,105**	–
Net assets	**86,203**	112,467
Equity attributable to the owners of the Company		
Share capital	**2,800**	2,800
Share premium	**25,238**	25,238
Reserves *(Note (a))*	**58,165**	84,429
Total equity	**86,203**	112,467

Approved and authorized for issue by the Board of Directors on 17 March 2022.

Tang Yiu Sing
Director

Yeung Ka Wing
Director

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

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

	Covertible bonds equity reserve HK$'000	Special reserve HK$'000	Retained profits HK$'000	Total HK$'000
As at 1 January 2020	–	40,151	43,782	83,933
Profit for the year	–	–	496	496
As at 31 December 2020 and 1 January 2021	–	40,151	44,278	84,429
Loss for the year	–	–	(27,998)	(27,998)
Recognition of equity component of convertible bonds	1,734	–	–	1,734
As at 31 December 2021	**1,734**	**40,151**	**16,280**	**58,165**

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.

36. 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.

	Convertible bonds HK$'000	Bank loans HK$'000	Lease liabilities HK$'000	Total HK$'000
As at 1 January 2020	–	5,000	5,366	10,366
Financing cash flows	–	(2,286)	(3,947)	(6,233)
New leases entered	–	–	1,397	1,397
Interest expenses	–	286	113	399
As at 31 December 2020 and 1 January 2021	**–**	**3,000**	**2,929**	**5,929**
Financing cash flows	9,500	(3,086)	(3,225)	3,189
New leases entered	–	–	1,280	1,280
Fair value adjustment	(31)	–	–	(31)
Recognition of equity component of convertible bonds	(1,734)	–	–	(1,734)
Interest expenses	370	86	40	496
As at 31 December 2021	**8,105**	**–**	**1,024**	**9,129**

37. 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 2021 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[2]	–	20	–	–	–	20
Independent non-executive directors						
Mr. Wong Sik Kei	120	–	–	–	–	120
Mr. Cheung Kong Ting	120	–	–	–	–	120
Mr. Wong Kam Tai	120	–	–	–	–	120
	360	140	–	–	6	506

37. 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 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[2]	–	60	–	–	–	60
Independent non-executive directors						
Mr. Wong Sik Kei	120	–	–	–	–	120
Mr. Cheung Kong Ting	120	–	–	–	–	120
Mr. Wong Kam Tai	120	–	–	–	–	120
	360	180	–	–	6	546

Notes:

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

2 Mr. SB Tang passed away on 14 May 2021.

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

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

	For the year ended 31 December				
	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Results					
Revenue	98,757	104,211	132,333	141,741	146,591
Operating (loss)/profit	(17,252)	(4,751)	9,703	5,706	3,143
Finance costs	(496)	(399)	(326)	(323)	(469)
(Loss)/Profit before tax	(17,748)	(5,150)	9,377	5,383	2,674
Income tax (expense)/credit	(872)	13	(1,786)	(1,437)	(1,559)
(Loss)/Profit for the year	(18,620)	(5,137)	7,591	3,946	1,115

	At 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Asset and liabilities					
Property, plant and equipment	**1,541**	1,320	5,509	4,574	6,330
Right-of-use assets	**1,004**	5,246	10,236	–	–
Intangible assets	**3,771**	5,437	12,379	12,263	7,801
Available-for-sale financial asset	**–**	–	–	–	10,900
Financial assets at fair value through profit or loss	**2,200**	–	–	–	–
Derivative financial instrument	**–**	–	–	–	700
Deferred income tax assets	**818**	1,171	805	1,181	690
Other assets	**205**	205	205	205	205
Net current assets	**97,982**	102,700	94,112	95,700	84,975
Total assets less current liabilities	**107,521**	116,079	123,246	113,923	111,601
Deferred income tax liabilities	**(18)**	(46)	(91)	(195)	(180)
Borrowings – non current	**–**	–	–	(149)	(281)
Lease liabilities	**(251)**	–	(1,985)	–	–
Convertible Bonds	**(8,105)**	–	–	–	–
Net assets	**99,147**	116,033	121,170	113,579	111,140
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	**71,109**	87,995	93,132	85,541	83,102
Total equity	**99,147**	116,033	121,170	113,579	111,140
(Loss)/Earnings per share attributable to owners of the Company – Basic and diluted (HK cents)	**(6.7)**	(1.8)	2.7	1.4	0.4

Notes:

1. The results of the Group for the year ended 31 December 2021 and 2020 are those set out on page 73 of this annual report.

2. The consolidated statement of financial position as at 31 December 2021 and 2020 are those set out on pages 74 to 75 in this annual report.

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