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

Marvel
Contact Centre Solution

2023

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

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

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

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

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CORPORATE INFORMATION

EXECUTIVE DIRECTOR

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Kam Tai
Ms. Kwong Yuk Ying
Ms. Tsang Lee Mei (Appointed on 6 March 2024)

AUDIT COMMITTEE

Mr. Wong Kam Tai *(Chairman)*
Ms. Kwong Yuk Ying
Ms. Tsang Lee Mei (Appointed on 6 March 2024)

REMUNERATION COMMITTEE

Ms. Kwong Yuk Ying *(Chairman)*
Mr. Tang Yiu Sing
Mr. Wong Kam Tai
Ms. Tsang Lee Mei (Appointed on 6 March 2024)

NOMINATION COMMITTEE

Ms. Tsang Lee Mei *(Chairman)* (Appointed on 6 March 2024)
Mr. Tang Yiu Sing
Mr. Wong Kam Tai
Ms. Kwong Yuk Ying

RISK MANAGEMENT AND INTERNAL CONTROL COMMITTEE

Mr. Wong Kam Tai *(Chairman)*
Mr. Tang Yiu Sing
Ms. Kwong Yuk Ying
Ms. Tsang Lee Mei (Appointed on 6 March 2024)

COMPLIANCE OFFICER

Mr. Tang Yiu Sing

COMPANY SECRETARY

Mr. Suen Fuk Hoi

AUTHORISED REPRESENTATIVES

Mr. Tang Yiu Sing
Mr. Suen Fuk Hoi

REGISTERED OFFICE

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PRINCIPAL BANKERS

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Bank of China (Hong Kong) Limited

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WEBSITE

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STOCK CODE

8031

Dear Shareholders,

On behalf of the board of directors (the "Board") of ETS Group Limited (the "Company"), I herewith present the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2023 (the "Year") to all shareholders and investors.

For the financial year under review, the Group recorded a consolidated revenue of approximately HK$80 million and a loss amounted to approximately HK$7.9 million in the year ended 31 December 2023 (2022: loss of HK$9.3 million).

With the Hang Seng Index experienced a fourth year of decline, the Group's revenue from trading commission and margin business continued to suffer. The management of the Group disposed our financial service business entities, namely, Gear Securities Investment Limited and Gear Asset Management Limited in October of the Year and recorded a gain of approximately HK$2.3 million from the disposal.

During the Year, the Group has recognized the Government has stepped up its efforts to expand the virtual-asset industry and vowed to position Hong Kong as a major crypto-hub in the region. Hong Kong Virtual Asset Exchange Limited (HKVAX), the company the Group has invested in, has successfully obtained the Approval in Principles ("AiP") from the Securities and Futures Commission of Hong (SFC) in August and is eagerly working to obtain the Type 1 (dealing in securities) and Type 7 (providing automated trading service) licenses from the authority. In the coming future, the Group will continue to look for other potential investment opportunities to strengthen our core business as well as maximize our financial returns.

Despite the pandemic crisis came to an end early in the Year followed by re-opening of the borders, the local business economy has yet to fully recover so far. The Group will remain steadfast to strengthening our core contact centre services and system, while at the same time explore other co-operation and acquisition opportunities that can add value to our business and future growth.

To create higher returns for our shareholders and share the results of our growth, after giving full consideration to the Group's profitability, cash flow generation and future development needs, the Company had paid out HK$0.15 per share for the 2023 third quarter interim dividend. The Company will strive to continue to create more value for our shareholders.

On behalf of the Board, I would like to express my gratitude and sincere appreciation to our shareholders, customers, business partners and professional parties for the support during the Year. I would also like to take this opportunity to thank our management and employees for their contribution and commitment throughout the period.

Tang Yiu Sing
CEO

Hong Kong, 22 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS ENVIRONMENT AND BUSINESS REVIEW

The Group is continuously engaged in the business of providing comprehensive multi-media contact centre services and contact centre system solutions in Hong Kong. The principal activities of the Group include provisions of outsourcing inbound contact centre service, staff insourcing service, contact centre facilities management service, contact center system solutions to corporate clients and financial services in Hong Kong.

Followed complete uplifting of pandemic control measures and reopening of the borders by the end of the first quarter of 2023, the local economy has started to recover in a steady pace. However, persistent high interest rate, lack luster stock market performance, sluggish property market and labour shortage during the period all contributed to a weak and struggling recovery in many respects.

Among all the present unfavourable factors facing Hong Kong, the Group found labour shortage having the most adverse impact on our business. Despite the overall rebound in business activities in Hong Kong has significantly raised the demand of labour at all levels, the yet-to-end brain drain, competitive labour market as well as aging population have all added up to the difficulties in meeting the labour demand. The management of the Group believed that the tight labour market will persist in the coming future, which may inevitably drive up the wages as well as the initial hiring and on-going staff retaining cost of the business. In view of that, the Group will continue to increase our recruiting resources and support in order to maintain our competitive edge and meet the increasing labour demand of our services.

High interest rate together with the demand-side management measures for residential properties imposed by the Government ("harsh measures") throughout the year of 2023 resulted in a sluggish real estate market, falling property price as well as poor money lending business. The credit risk of our lending business based on corresponding valuation of the financial assets and collaterals has inevitably increased during the period, which prompted the management of the Group to make a prudent adjustment on our financial figures for the year. Followed the removal of all "harsh measures" and the continual lowering of interest rate in the coming period, the Group is optimistic to a better financial position in the future.

During the year under review, we continuously focused on the development of system solutions business. Our new technology transformation investments on our Marvel Contact Centre System have equipped us well for the journey ahead. The Group is committed to continue to develop new technologies through our own R&D efforts as well as through partnership with field experts to expand and enhance our system solutions to stay competitive in the business.

DISPOSAL OF SUBSIDIARIES

Chinese and Hong Kong stocks ended 2023 as the world's worst-performing equity markets, with losses exceeding 10 percent. With Hang Seng Index slumping 14 percent for the year of 2023 in a fourth year of declines, faltering post-pandemic recovery and geopolitical tensions between China and the western countries, the Group had decided to dispose our financial service business entities, including Gear Future Limited, Gear Securities Investment Limited and Gear Asset Management Limited in October 2023, and recorded a gain of approximately HK$2.3 million from the disposal. The Company believed that the disposal of our financial business (excluding credit finance) under the local and worldwide prevailing economic situation can serve as a means of cost as well as resources saving to the Company.

CONVERSION OF CONVERTIBLE BONDS

Upon the initial maturity date, 11 August 2023, of the convertible bonds subscribed by Pine Care Titanium Limited ("the Subscriber") on 11 August 2021 ("Convertible Bonds"), the Subscriber converted the principal amount, being HK$9.5 million, into 15,625,000 conversion shares ("Conversion Shares") at the conversion price of HK$0.608 per conversion share, which represented approximately 5.29% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares. The Company also paid HK$2,787,500 to the Subscriber pursuant to the mandatory conversion mechanism at maturity.

Outsourcing Inbound Contact Service

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

Outsourcing Outbound Contact Service

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

Staff Insourcing Service

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

Contact Service Centre and Service Centre Facilities Management Service

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

Financial Services

The 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.

The financial services related to securities and asset management were disposed during the year.

Others

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

PROSPECT

The management of the Group believes business environment in Hong Kong in 2024 remains challenging. Problems such as shortage of labour, slow pace of economic recovery, rising inflation, worsening geopolitical tensions between China and the western powers which had started to spilling over into Hong Kong, will continue to put pressure on the Group's financial performance in the coming period.

Having said that, with active promotion activities and more boosting measures taken by the Hong Kong Government, the Group remains optimistic on an improving business outlook and economy in the year to come.

With local unemployment rate stayed at 2.9% as at December 2023, the shortage in labour market will remain a challenge to our growth, especially to our staff insourcing service. The Group will remain steadfast in strengthening our talent acquisition team and increasing our recruiting resources and channels so as to meet the growing demand of the service.

Foreseeing a more and more mature chatbot technology and rapid deployment of AI tools, the Company has successfully partnered and teamed up with a number of expert companies in the field based on our Marvel Contact Centre System in the past years. The management of the Group trusts the partnership will allow us to expand and capture more business opportunities in the contact centre sector and lead to more system development business in the long run. It has become the Group's strategy to continue to identify suitable technology partners for collaboration in order to strengthen our contact centre system solution and upkeep our competitive edge in the market.

Followed the disposal of our securities financial service business in 2023, considerable cost saving can be achieved which further allows the Group to allocate our resources more effectively.

During the year 2023, Hong Kong Virtual Asset Exchange Limited (HKVAX), the company the Group has invested in, has successfully obtained the Approval in Principles ("AiP") from the Securities and Futures Commission of Hong (SFC) in August and is actively working to obtain the Type 1 (dealing in securities) and Type 7 (providing automated trading service) licenses from the authority. In the coming future, the Group will continue to look for other potential investment opportunities to strengthen our core business as well as maximize our financial returns.

Looking forward, the Group is optimistic of the overall business environment in the coming year. With increasing activities and service demand from our existing as well as new customers, the Group is confident in seeing a more vibrant business growth and better financial performance in the future.

DIVIDEND

The Group put its first priority on improving corporate value through profit growth. The management of the Group also advocates the principle of sharing the corporate value with our shareholders through distributing dividend. An expected strong rebound of our financial performance following the economic growth in the fiscal year 2023 provided a room for our management of the Group to consider to adopt a comparatively aggressive dividend policy.

At a Board meeting held on 6 November 2023, the Directors of the Company resolved to pay an interim dividend for the period ended 30 September 2023 of HK$1.5 cents per share in cash. The interim dividend was paid to the shareholders of the Company on 30 November 2023.

The board of Directors does not recommend a final dividend for the year ended 31 December 2023 (2022: HK$1.5).

FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

Description of the investments

	2023 HK$'000	2022 HK$'000
Equity securities listed in Hong Kong (FAFVTPL I)	–	199
Unlisted equity securities in Hong Kong (FAFVTPL II)	–	–
Unlisted equity securities in Hong Kong (FAFVTPL III)	1,543	1,260
Total	1,543	1,459
Analysed for reporting purposes as:		
Current asset (FAFVTPL I)	–	199
Non-current asset (FAFVTPL II and FAFVTPL III)	1,543	1,260
	1,543	1,459

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$1,450,000.

As at 31 December 2023, the Group no longer held any Listed shares.

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 2023, the Group held 2,470 Shares with fair value of nil.

FAFVTPL III

The Group invested 165,385 shares ("Subscription Shares"), representing approximately 8.14% of the issued share capital of Hong Kong Virtual Asset Exchange Limited ("VAX"), 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 2023, the Group held 165,385 shares which amount to fair value of approximately HK$1,543,000.

FINANCIAL REVIEW

The Group recorded a loss attributable to owners of the Company amounted approximately HK$7.9 million for the year ended 31 December 2023 as compared with the loss attributable to owners of the Company approximately HK$9.3 million for the year ended 31 December 2022. The loss was mainly due to the recognition of the effective interest expense on convertible bond and fair value loss on embedded derivatives of convertible bond and expected credit loss.

The Group recorded the expected credit loss amounted approximately HK$6.2 million for the year ended 31 December 2023 (2022: approximately HK$11.1 million).

Fair value changes in the financial asset at fair value through profit or loss amounted approximately HK$0.3 million gain for the year ended 31 December 2023 (2022: approximately HK$1 million loss).

Revenue

The Group recorded a decrease in total revenue to approximately HK$7.4 million from approximately HK$86.1 million for the year ended 31 December 2022 to approximately HK$78.7 million for the year ended 31 December 2023.

The following table sets forth the analysis of revenue in terms of business nature of our Group for the years ended 31 December 2023 and 2022 respectively:

	Year ended 31 December 2023		Year ended 31 December 2022	
	HK$'000	%	HK$'000	%
Outsourcing inbound contact service	14,479	18.4%	12,396	14.4%
Outsourcing outbound contact service	–	–	–	–
Staff insourcing service	49,574	63.0%	48,941	56.8%
Contact service centre facilities management service	9,385	11.9%	12,792	14.9%
Financial services	1,587	2.0%	6,050	7.0%
Others	3,694	4.7%	5,951	6.9%
Revenue	78,719	100%	86,130	100%

Outsourcing Inbound Contact Services

The revenue of outsourcing inbound contact services increased from approximately HK$12.4 million for the year ended 31 December 2022 to approximately HK$14.5 million for the year ended 31 December 2023.

Outsourcing Outbound Contact Services

The Group did not record any revenue of outsourcing outbound contact services.

Staff Insourcing Services

The revenue of staff insourcing services segment slightly increased from approximately HK$48.9 million for the year ended 31 December 2022 to approximately HK$49.6 million for the year ended 31 December 2023. 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 decreased from approximately HK$12.8 million for the year ended 31 December 2022 to approximately HK$9.4 million for the year ended 31 December 2023. The decrease of the revenue is mainly due to decrease 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$6.1 million for the year ended 31 December 2022 to approximately HK$1.6 million for the year ended 31 December 2023.

The revenue of the financial services related to securities business decreased from approximately HK$1.2 million for the year ended 31 December 2022 to approximately HK$0.2 million for the year ended 31 December 2023. The decrease of the revenue is mainly due to decrease in the provision of consultancy services related to security products.

The Group does not record any revenue of the financial services related to asset management business for the year ended 31 December 2023 (2022: HK$1.2 million).

The revenue of the financial services related to credit finance business decreased from approximately HK$3.7 million for the year ended 31 December 2022 to approximately HK$1.4 million for the year ended 31 December 2023. The decrease of the revenue is mainly due to decrease in the demand of credit finance services.

Others

For the year ended 31 December 2023, the Group recorded a revenue in licencing and sales of system and software of approximately HK$1.5 million (2022: approximately HK$3.9 million), system maintenance income of approximately HK$2.2 million (2022: approximately HK$2.1 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 2023 and 2022 respectively:

	Year ended 31 December 2023		Year ended 31 December 2022	
	HK$'000	**GP Margin %**	HK$'000	GP Margin %
Outsourcing inbound contact service	**1,133**	**7.8%**	964	7.8%
Outsourcing outbound contact service	**–**	**–**	–	–
Staff insourcing service	**4,437**	**9%**	3,508	7.2%
Contact service centre facilities management service	**2,427**	**25.9%**	3,534	27.6%
Financial services	**(3,583)**	**(225.8%)**	(7,224)	(119.4%)
Others	**1,395**	**37.8%**	1,947	32.7%
Segment result	**5,809**	**7.4%**	2,729	3.2%

The gross profit percentage of our Group increased from approximately 3.2% for the year ended 31 December 2022 to approximately 7.4% for the year ended 31 December 2023. The overall increase in segment result and the gross profit margin is mainly due to decrease of the gross loss of financial services segment for the year ended 31 December 2023.

Outsourcing Inbound Contact Services

The Group recorded similar gross profit margin in outsourcing inbound contact services amounted to approximately 7.8% for the year ended 31 December 2022 and 31 December 2023 respectively.

Outsourcing Outbound Contact Services

The Group did not record any revenue of outsourcing outbound contact services.

Staff Insourcing Services

The gross profit margin in staff insourcing services increased from approximately 7.2% for the year ended 31 December 2022 to approximately 9% for the year ended 31 December 2023. The increase in the gross profit margin mainly due to the effective cost control on salary expenditures.

Contact Service Centre Facilities Management Services

The gross profit margin in contact service centre facilities management services decreased from approximately 27.6% for the year ended 31 December 2022 to approximately 25.9% for the year ended 31 December 2023.

Financial Services

The gross loss margin percentage of financial services increased from approximately 119.4% for the year ended 31 December 2022 to approximately 225.8% for the year ended 31 December 2023. The gross loss margin was recorded mainly due to the provision of expected credit loss and decrease of revenue resulting from decreasing demand of the financial services.

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 increased mainly due to effective cost control of the expenditures.

MONEY LENDING BUSINESS

Risk management policies

The management of the Group adopted the following credit risk management policies for the Money Lending Business.

Loan application and approval

Before approving and granting new loans, the credit committee (the "Credit Committee") will perform prudent and complete internal credit assessments to assess the potential borrower's credit quality and to determine the credit limit, proposed loan size and interest rate to be charged. The internal credit assessment encompasses detailed assessment on, among other things, the credit history and financial background of the borrower and/or the guarantor (if any), purpose of the borrowing, as well as the value and nature of the security and/or collateral to be pledged.

The credit administration department would also perform public search towards the borrower and/or guarantor (if any) to ensure compliance with the relevant requirements and regulations of anti-money laundering and counter-terrorist financing.

Loans monitoring

After granting the loan, the Group will re-evaluate the value of the security and/or collateral(s) pledged from time to time and keep track of the customers' repayment records and loan portfolio on an on-going basis. If a loan is supported by a guarantee, an annual review of the financial condition and capacity of the guarantor to fulfil his/her/its obligation under the terms of guarantee would be conducted. The relationship manager will also conduct an annual review on the recoverability of the loans by obtaining updated information in relation to the borrower, guarantor(s) and/or the collateral(s) (if applicable).

Subject to the approval of the Credit Committee, new terms may be imposed on the borrower or existing terms of the loan may be altered, for example, the demand of additional security, to minimise the credit risks.

Overdue control

The Group has in place a set of established recovery procedure for recovering outstanding debts, details of which are set out as follows:

Timetable	Action(s)
On the due date or maturity date	The credit administration department will check the bank accounts after each day end. If no payment is received from the debtor, it shall inform relevant relationship manager for the late payment of the overdue sum.
Overdue balance not settled within 14 days after the due date or maturity date	First reminder will be sent 7 days after the relevant sum become due, and second reminder will then be issued to borrowers 7 days after the first reminder. The relationship manager will also call the debtors to arrange inspection of the residence or registered office of the debtor, if necessary.
Overdue balance not settled for over 30 days	Demand letter and notice of further actions will be issued to the debtor and/or his/her/its guarantor (if any) to demand repayment immediately. The relationship manager will also discuss with the debtor in respect of the possible loan restructuring, if appropriate.
Overdue balance not settled for over 90 days	The Group will commence full legal proceedings and take all necessary legal actions against the debtor to recover the outstanding debts.

Loan portfolios

As at 31 December 2023, there were 10 customers under the Money Lending Business, comprising of 5 corporate customers and 5 individual customers. The breakdown of the loans is as follows:

Types of loans	Number of loans
SME Loans	5
Personal Loans	5
	10

Outstanding balances of loans	Number of loans
Less than HK$1,000,000	2
HK$1,000,001–HK$2,000,000	2
Above HK$2,000,000	6
	10

The Group's loan and interest receivables (the "Loan Receivables"), which arise from the Money Lending Business, are denominated in HK$, and are mainly secured by properties located in Hong Kong, personal guarantees and/or receivables. Set out below is a breakdown of the Loan Receivables by nature of security:

Type of security	Approximate % of the Loan Receivables
Property located in Hong Kong	38.2
Vehicle	2.1
Personal guarantee	29.0
Receivables	30.7
	100.0

All the Loan Receivables were entered into contractually with maturity within one (1) year and carry interests at fixed effective rate which ranged from 5% to 20% per annum. As at 31 December 2023, the Loan Receivables due from the largest customer and the five largest customers constituted approximately 16% and 75% of the Group's overall loan portfolio respectively.

Aging analysis

The following table demonstrates the aging of the Loan Receivables for FY2023:

	Within 1 year	Over 1 year to up to 2 years	Over 2 years
Approximate % of the Loan Receivables	62%	13%	25%

As shown in the table above, approximately 38% of the Loan Receivables are aged more than 1 year, which represent the loans that have been extended and/or renewed upon the expiry of the initial maturity of within one (1) year.

Impairment provisions

The Group performs impairment assessment under expected credit loss ("ECL") model on the Loan Receivables in compliance with the Hong Kong Financial Reporting Standard 9 "Financial Instrument" ("HKFRS 9"). The amount of ECL is updated at each reporting date to reflect changes in credit risk of each loan since initial recognition. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the borrowers, general economic conditions and an assessment of both the current conditions as at the reporting date as well as the forecast of future conditions.

In assessing whether the credit risk of each loan 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, for example, a significant increase in the credit spread, the credit default swap prices for the debtor;
- 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; and
- 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.

Valuation of the ECL of the Loan Receivables

The independent valuer was engaged for the valuation of the ECL of the Loan Receivables as at 31 December 2023.

The management of the Group estimated the ECL of the Loan Receivables under general approach in HKFRS 9, according to the accounting policy of the Group.

With the support of the valuation results, an impairment (the "Impairment") on the Loan Receivables of approximately HK$13.3 million was recognised for FY2023.

Other Gains (Net)

The Group recorded net other gains amounted approximately HK$0.2 million (2022: losses HK$1.1 million). The other gains mainly comprise the financial effect of disposal of Subsidiaries and the financial effect of the conversion of the convertible bond.

Expenses

During the year under review, the employee benefits expenses decreased from approximately HK$70 million for the year ended 31 December 2022 to approximately HK$67 million for the year ended 31 December 2023. The decreases of employee benefit expenses are mainly due to less employees were employed.

The Group recorded other operating expenses amounted to approximately HK$17.5 million (2022: approximately HK$25.5 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 the provision of expected credit loss. The other operating expenses to sales ratio decreased from approximately 30% for the year ended 31 December 2022 to approximately 22% for the year ended 31 December 2023. The provision of expected credit loss of the financial assets decreased from approximately HK$11.1 million for the year ended 31 December 2022 to approximately HK$6.2 million for the year ended 31 December 2023. The decrease of the other operating expenses are mainly due to less provision was provided for the expected credit loss.

The Group's depreciation and amortization expenses decreased from approximately HK$3.8 million for the year ended 31 December 2022 to approximately HK$2.2 million for the year ended 31 December 2023. The decrease of depreciation and amortization expenses is mainly due to the decrease of depreciation of property, plant and equipment and right-of-use asset.

Loss Attributable to Owners of the Company

The Group's loss attributable to owners of the Company decreased from approximately HK$9.3 million for the year ended 31 December 2022 to approximately HK$7.9 million for the year ended 31 December 2023. The loss attributable to owners of the Company was mainly attributable to the provision of credit loss, decrease of revenue and the effect of conversion of convertible bond.

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 2023 (2022: Nil). As at 31 December 2023, there was no capital commitments outstanding but not provided for in the financial statements (2022: Nil).

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments Or Capital Assets

During the year ended 31 December 2023, the Group disposed of in aggregate the entire interest in Gear Future Limited (an indirect wholly-owned subsidiary of the Company) via Eastside Future Limited (a direct wholly-owned subsidiary of the Company) to three buyers in the proportionate interest of 34%, 33% and 33% at the respective consideration of HK$3,028,000, HK$2,939,000 and HK$2,939,000 (collectively, the "Disposal"). The Disposal constituted a discloseable transaction of the Company under the GEM Listing Rules and are subject to the reporting and announcement requirements, but are exempt from Shareholders' approval requirement under the GEM Listing Rules. Details were announced in the Company's announcement dated 12 October 2023.

Save for those disclosed in this report, there were no significant investments held as at 31 December 2023, 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 2023.

DIRECTORS

Executive Director

Mr. Tang Yiu Sing (鄧耀昇), aged 38, 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 each of the Nomination Committee, the Remuneration 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.

Independent Non-Executive Directors

Mr. Wong Kam Tai (黃錦泰), aged 50, was appointed as an independent non-executive Director on 12 January 2017 and is the Chairman of each of the Audit Committee and the Risk Management and Internal Control Committee, and a member of each of the Nomination Committee and the Remuneration 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.

Ms. Kwong Yuk Ying (鄺玉瑩), aged 37, was appointed as an independent non-executive Director on 1 January 2023 and is the Chairman of the Remuneration Committee, and a member of each of the Nomination Committee, the Audit Committee and the Risk Management and Internal Control Committee of the Company.

From 2008 to 2009, Ms. Kwong worked as a semi-senior audit clerk at Li, Tang, Chen & Co, which was subsequently merged with Shinewing (HK) CPA Limited in 2020. From 2010 to 2013, she worked at BDO Limited, with her last position as a senior associate. From 2013 to 2016, she was a senior associate at PricewaterhouseCoopers. From 2016 to 2018, Ms. Kwong served as an accounting manager of GRS Asia Limited, being a subsidiary of Genesis Healthcare, Inc., the issued shares of which are listed on Nasdaq Stock Market in the United States (Trading Symbol: GENN). From 2018 to 2020, Ms. Kwong was the financial controller of Bamboos Health Care Holdings Limited, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 2293).

Ms. Kwong is currently the chief financial officer and the company secretary of AV Promotions Holdings Limited, the issued shares of which are listed on GEM of the Stock Exchange (stock code: 8419). She obtained a Bachelor of Business Administration (Honours) in Accountancy from the City University of Hong Kong in 2008. Ms. Kwong is also a member of the Hong Kong Institute of Certified Public Accountants since 2013, and has over 15 years of experience in auditing, finance and accounting.

Ms. Tsang Lee Mei (曾莉梅), aged 54, was appointed as an independent non-executive Director on 6 March 2024 and is the Chairman of the Nomination Committee as well as a member of each of the Audit Committee, the Remuneration Committee and the Risk Management and Internal Control Committee of the Company.

From 2021 to 2023, Ms. Tsang served as the financial controller, company secretary and authorised representative of Satu Holdings Limited, the issued shares of which are listed on GEM of the Stock Exchange (stock code: 8392). From 2018 to 2021, Ms. Tsang worked as the financial controller and company secretary of Wecon Holdings Limited, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1793). From 2016 to 2018, she served as the assistant finance manager of K.H. Foundation Limited, being a subsidiary of K.H. Group Holdings Limited and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1557). From 2006 to 2016, Ms. Tsang worked as the finance manager of Mobicon Holdings Limited, being a subsidiary of Mobicon Group Limited and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1213). From 1999 to 2006, she worked at Kwong Ming Engineering Limited with her last position as a finance manager.

Ms. Tsang obtained a Bachelor degree in Combined Studies – Accounting from De Montfort University, Leicester, the United Kingdom in 1996, a Bachelor degree in Professional Accounting from Dongbei University of Finance and Economics, the People's Republic of China in 2004 and a Master of Science and Finance from the City University of Hong Kong in 2007. Ms. Tsang has also been a member of the Association of Accounting Technicians since 1994, a member of the Hong Kong Institute of Certified Public Accountants since 1999 and a fellow member of the Association of Chartered Certified Accountants since 2004. Ms. Tsang has over 30 years of experience in accounting, finance, auditing and compliance assurance industry.

SENIOR MANAGEMENT

Ms. Chang Men Yee Carol (張敏儀), aged 60, 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 59, 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 57, 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. Cheung Chi Tat (張志達), aged 61, 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.

Mr. Siu Man On (蕭文安), aged 45, 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.

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 C1 to the GEM Listing Rules of the Stock Exchange.

For the year ended 31 December 2023, 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 (including ex-Directors who held office during the year) confirmed that they had complied with the required standard of dealings concerning securities transactions by the Directors throughout the year ended 31 December 2023.

BOARD OF DIRECTORS

Board composition

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

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

Independent Non-Executive Directors
Mr. Wong Kam Tai
Ms. Kwong Yuk Ying
Ms. Tsang Lee Mei (newly appointed on 6 March 2024)

Pursuant to the announcement made by the Company on 29 December 2023, Mr. Cheung Kong Ting ("Mr. Cheung") resigned as an INED with effect on 1 January 2024. Following Mr. Cheung's resignation, the Board comprised four members with two executive Directors (including Mr. Yeung Ka Wing who resigned on 5 February 2024) and two independent non-executive Directors. As a result, the number of INEDs fell below the minimum number of three as prescribed under Rule 5.05 of the GEM Listing Rules. And, the Company failed to meet the requirement on appointing INEDs representing at least one-third of the Board pursuant to Rule 5.05A of the GEM Listing Rules. The Audit Committee only had two members which is below the minimum number prescribed under Rule 5.28 of the GEM Listing Rules. The Nomination Committee comprised of four members, two of which were executive Directors (including Mr. Yeung Ka Wing who resigned on 5 February 2024) and two of which were independent non-executive Directors, which failed to meet the requirement that the nomination committee must comprise a majority of independent non-executive directors under Rule 5.36A of the GEM Listing Rules.

In order to comply with the abovesaid GEM Listing Rules, the Company identified Ms. Tsang Lee Mei to fill up the abovementioned vacancy on 6 March 2024, within three months from 1 January 2024 as prescribed under Rules 5.06 and 5.33 of the GEM Listing Rules. Please refer to the Company's announcement dated 6 March 2024 for details.

The particulars of the Directors and other senior management are disclosed in the section headed "Particulars of Directors and Senior Management" on pages 19 to 21 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 INEDs (including Mr. Cheung) 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, namely Mr. Tang Yiu Sing, Mr. Yeung Ka Wing (ceased as Director on 5 February 2024), Mr. Cheung Kong Ting (ceased as Director on 1 January 2024), Mr. Wong Kam Tai, Ms. Kwong Yuk Ying and Ms. Tsang Lee Mei (newly appointed as Director on 6 March 2024), 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 seven Board meetings during the year ended 31 December 2023. 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	7/7	1/1
Mr. Yeung Ka Wing (resigned on 5 February 2024)	5/7	1/1
Independent Non-executive Directors:		
Mr. Cheung Kong Ting (resigned on 1 January 2024)	6/7	1/1
Mr. Wong Kam Tai	7/7	1/1
Ms. Kwong Yuk Ying	7/7	1/1
Mr. Tsang Lee Mei (appointed on 6 March 2024)	N/A	N/A

Note:

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

The Company Secretary is responsible for assisting 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

No Chairman has been appointed since Mr. Tang Shing Bor passed away on 14 May 2021. Mr. Tang Yiu Sing is the Chief Executive Officer of the Company.

DIRECTORS' APPOINTMENT, RE-ELECTION AND REMOVAL

Each of Mr. Tang Yiu Sing and Mr. Yeung Ka Wing (ceased as Director on 5 February 2024), executive Directors, entered into a renewed service contract with the Company for a term of three years commencing on 29 July 2021.

Each of Mr. Cheung Kong Ting (ceased as Director on 1 January 2024) and Mr. Wong Kam Tai, independent non-executive Directors, entered into a renewed service contract with the Company for a term of three years commencing on 30 June 2022 and 12 January 2023 respectively.

Ms. Kwong Yuk Ying, an independent non-executive Director appointed on 1 January 2023, entered into a letter of appointment with the Company for a term of three years commencing on 1 January 2023.

Ms. Tsang Lee Mei, an independent non-executive Director newly appointed on 6 March 2024, entered into a letter of appointment with the Company for a term of three years commencing on 6 March 2024.

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 Ms. Tsang Lee Mei (Chairman), Mr. Tang Yiu Sing, Mr. Wong Kam Tai and Ms. Kwong Yuk Ying, the majority of whom being independent non-executive Directors.

The Nomination Committee held one meeting during the year ended 31 December 2023, and the attendance records of the individual committee members are set out below:

	Number of Meetings Attended/Held[1]
Mr. Tang Yiu Sing *(Chairman)* (up to 5 March 2024)	1/1
Mr. Yeung Ka Wing (resigned on 5 February 2024)	1/1
Mr. Cheung Kong Ting (resigned on 1 January 2024)	1/1
Mr. Wong Kam Tai	1/1
Ms. Kwong Yuk Ying	1/1
Ms. Tsang Lee Mei *(Chairman)* (appointed on 6 March 2024)	N/A

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

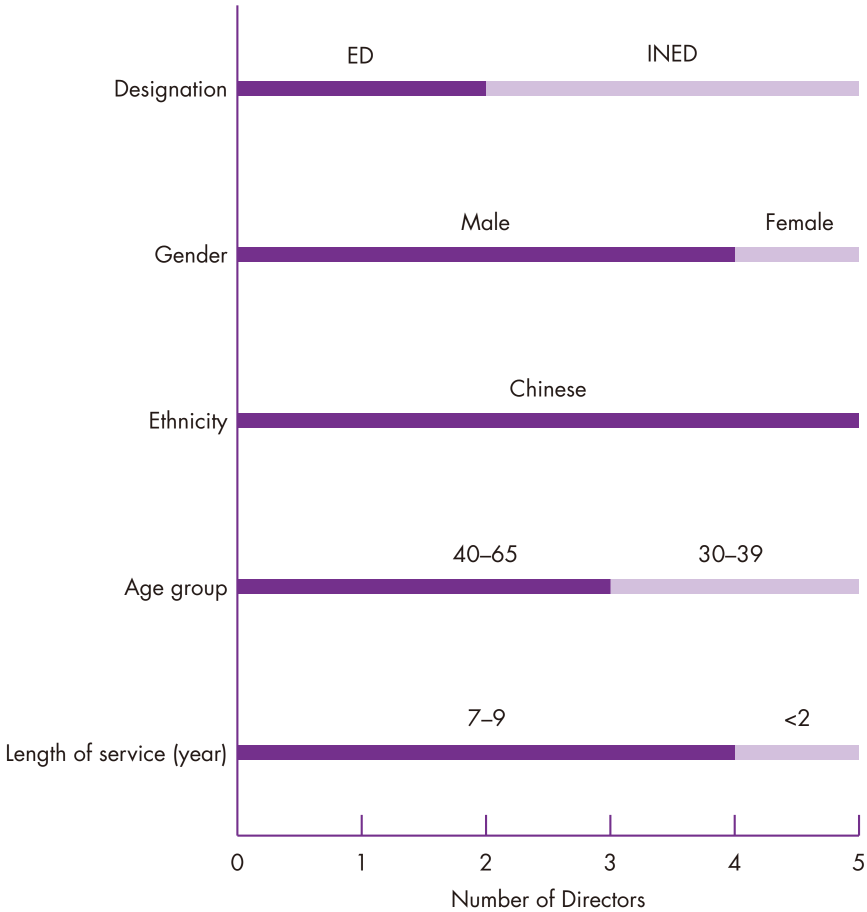
– made recommendation on the retiring Directors at the Annual General Meeting of the Company.

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 2023, the Board's composition under major diversified perspectives was summarized as follows:

BOARD DIVERSITY



ED: Executive Director
INED: Independent Non-Executive Director

The gender ratio in the workforce (including senior management) is detailed under "Diversity and Equal Opportunity" in the ESG Report on page 45 of the 2023 Annual Report.

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 2023 is set out in the Independent Auditors' Report on pages 64 to 68. 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 Ms. Kwong Yuk Ying (Chairman), Mr. Tang Yiu Sing, Mr. Wong Kam Tai and Ms. Tsang Lee Mei, the majority of whom being independent non-executive Directors.

The Remuneration Committee held one meeting during the year ended 31 December 2023, and the attendance records of the individual committee members are set out below:

	Number of Meetings Attended/Held[1]
Mr. Cheung Kong Ting *(Chairman)* (resigned on 1 January 2024)	1/1
Mr. Tang Yiu Sing	1/1
Mr. Wong Kam Tai	1/1
Ms. Kwong Yuk Ying *(Chairman)* (from 1 January 2024)	1/1
Ms. Tsang Lee Mei (appointed on 6 March 2024)	N/A

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), Ms. Kwong Yuk Ying and Ms. Tsang Lee Mei, all being independent non-executive Directors.

The Audit Committee held four meetings during the year ended 31 December 2023, 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. Cheung Kong Ting (resigned on 1 January 2024)	3/4
Ms. Kwong Yuk Ying	4/4
Ms. Tsang Lee Mei (appointed on 6 March 2024)	N/A

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, Ms. Kwong Yuk Ying and Ms. Tsang Lee Mei, the majority of whom being independent non-executive Directors.

The RMICC held two meetings during the year ended 31 December 2023, 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 (resigned on 5 February 2024)	2/2
Mr. Cheung Kong Ting (resigned on 1 January 2024)	1/2
Ms. Kwong Yuk Ying	2/2
Ms. Tsang Lee Mei (appointed on 6 March 2024)	N/A

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.

The Company considered that its risk management and internal control systems are effective and adequate.

Auditors and their remuneration

The consolidated financial statements for the year ended 31 December 2023 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 2023, 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 (2022: HK$1,000,000) and the non-audit services rendered was nil (2022: nil).

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, the Company amended its Memorandum and Articles of Association ("M&A") for conforming to the core standards for shareholder protections as prescribed under the GEM Listing Rules and incorporating certain housekeeping changes. The new M&A was adopted at the 2023 Annual General Meeting of the Company held on 5 May 2023.

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 2024 Annual General Meeting of the Company, which will be delivered together with the 2023 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 21 clear 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 Company reviewed the shareholders' communication policy and considered its implementation during the year being effective.

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 2023 to 31 December 2023 ("2023" or "Reporting Period") which summarizes the Group's environmental, social and governance ("ESG") initiatives and performances for long term sustainable development.

The Group remains committed to effectively and responsibly manage our ESG activities and upholds our responsibility to promote sustainability and making contributions to the community. The Board is responsible in setting our strategic direction, ensuring that our ESG strategy reflects the Group's values of our core businesses. We run our business in an ethically, socially and environmentally responsible manner while supporting and connecting the communities that we serve. We recognize the potential impact on the environment associated with our business operations and embrace our responsibilities by promoting energy savings, waste reduction, recycling and other green initiatives in our business decisions and operations. The Group has set targets to various ESG related activities and closely monitored the performance and trend on our greenhouse gas emissions, energy usage, water consumptions and waste management, as part of our commitment to corporate social responsibility.

Going forward, the Group will continue to drive our sustainability performance as well as extend our corporate responsibility to contribute positively to all stakeholders and add value to our organisation in a sustainable way.

ESG Governance Structure

The board of directors (the "Board") has the overall responsibility for the Group's ESG direction, strategies, management approach and reporting. The Board examines and approves ESG related goals and targets, priorities and policies, and is accountable for ensuring the effectiveness of ESG risk management and internal control mechanism on the Group's ESG related issues.

To support the Board's ESG responsibilities, the Group has set up an ESG Committee (the "Committee") comprises senior management and core members from different departments. The Committee assists in collecting and analysing ESG data, monitoring performance against targets, identifying potential ESG risks and is responsible for preparing the ESG Report to the Board and ensuring effective integration of ESG initiatives to our business operations and corporate objectives.

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 operating activities in premises located in Hong Kong. The Group will continue to assess relevant ESG aspects of difference businesses and update the scope of disclosure accordingly.

Reporting Principles

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 applied the following principles for the preparation of this ESG Report:

Materiality:	Materiality assessment has been conducted to identify material ESG issues that have major impacts on investors and other stakeholders. Corresponding economic and ESG targets, metrics, initiatives and progress are reviewed by the Committee and the Board.
Quantitative:	Measurable key performance indicators ("KPIs") have been established for relevant comparisons under appropriate conditions. Information on the standards, methodologies, assumptions and conversion factors used have been disclosed when applicable.
Balance:	The data and content have been disclosed in an objective manner, providing our stakeholders with unbiased information.
Consistency:	Consistent statistical methodologies and presentation of KPIs have been used to allow meaningful comparisons of related data over time.

Stakeholder Engagement

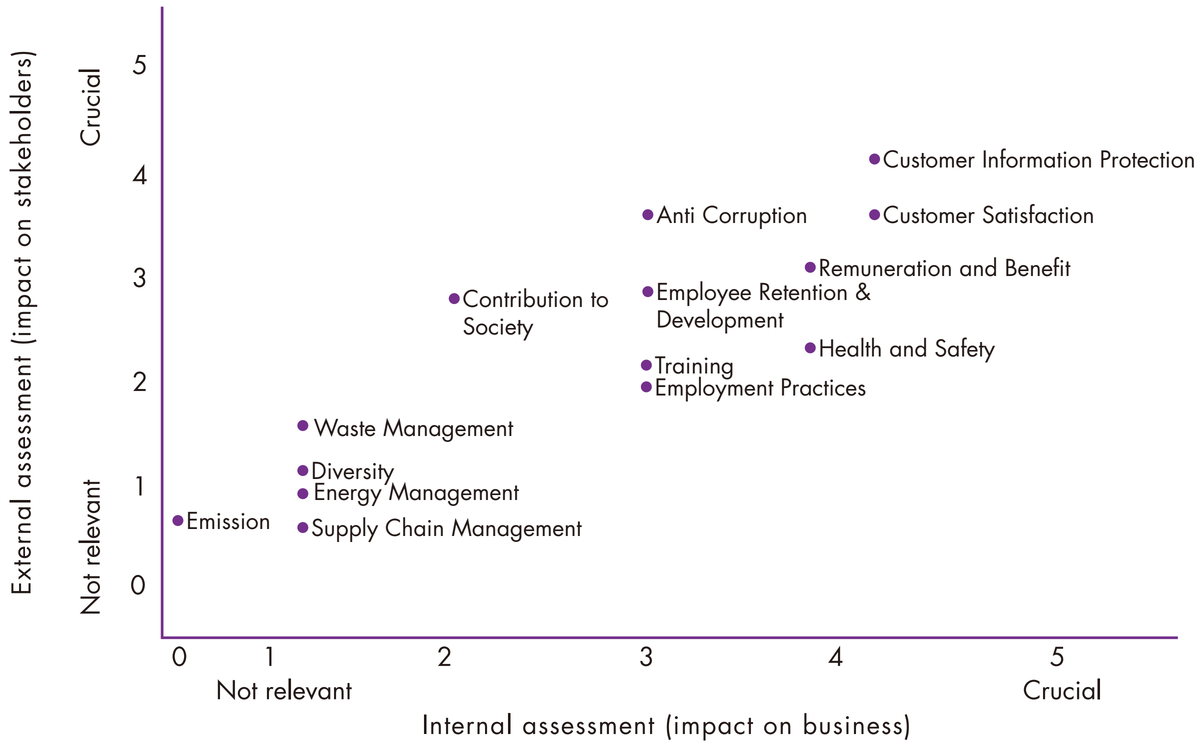
The Group values inputs from stakeholders on our business and ESG issues. While we continue to expand our business, we strives to understand and balance the interests of various stakeholders including shareholders, staff, customers, business partners, regulatory authorities, the government, non-governmental organizations and the public through different diversified engagement methods and communication channels.

Key Stakeholders	Communication Channels
Shareholders	• Annual general meeting and other shareholder meetings • Financial reports • Announcements and circulars • Company website
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
Government and regulatory authorities	• Reporting • Written or electronic communications • Public consultation
Suppliers	• Business meetings and emails • Performance appraisal • Procurement processes
NGO and the public	• Collaboration and volunteer activities • Financial reports and announcements • ESG report

MATERIALITY ASSESSMENT

Through the engagement of different stakeholders, the Committee has conducted materiality assessment of various ESG aspects based on the significance of economic, environmental and social impacts on the Group as well as stakeholders. The results of the materiality assessment as depicted in the following matrix were reviewed and approved by the Committee and is used to determine the focus of the Group's ESG strategy, assess our business risks and improve our ESG policies and execution.

MATERIALITY MATRIX



Based on the results of the materiality assessment, the Group noticed the most concerned ESG issues are quite similar to that of last year. The most concerned issues are (i) customer privacy protection, (ii) customer satisfaction, (iii) anti-corruption and (iv) staff retention and management. Other topics including contribution to society, employment practices and training and development are of considerable importance compared to the rest of the list. The Group reviews material ESG issues regularly for continuous improvement in our sustainability performance.

Review and Approval

The Group has taken responsibility to ensure the integrity of this ESG Report during the Reporting Period and the ESG Report has been reviewed and approved by the Board and the Committee.

Feedbacks

We value comments and suggestions from our stakeholders, and are pleased to receive your valuable feedback on this ESG Report. Please feel free to share your view with us by email at info@eprotel.com.hk.

PART A

A1. Emissions

The Group is committed to share the responsibility in protecting the environment, and makes 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 the 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. Moreover, we continue to look for and implement more environmental friendly initiatives to enhance our ESG performance.

As our business is mainly engaged in provision of services, the operations of the Group do not have significant impacts on the environment, and the principal emissions from the Group were air and greenhouse gas ("GHG") emissions from the company vehicle and the consumption of electricity and paper. Despite our relatively insignificant impact made to the environment, the Group is dedicated to maintain sustainable consumption to help to combat climate changes as best as we can.

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.

Exhaust Gas Emissions

The Group mainly provides contact centre services to our customers and the corresponding 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).

We continued to achieve our target to maintain the total air emission under 4,000g per year. During the Reporting Period, the Group's total exhaust air emissions has considerably decreased 13.8% to 3,348 g in the year 2023 as compared to approximately 3,882 g in 2022. Followed the end of the COVID-19 pandemic in the first quarter of 2023, the Group has encouraged staff to use more public transportation than riding the company vehicle for face-to-face meetings or client visits. The Group will continue to responsibly manage exhaust air emission through regular maintenance of the motor vehicle to achieve efficient fuel consumption and considers to switch to electronic vehicle at the suitable time.

The Group's exhaust air emission performance was as follows:

Exhaust air emission	Unit	2023	2022	%
Nitrogen Oxides (NO_x)	g	**3,075**	3,565	-13.7%
Sulphur Oxides (SO_x)	g	**47**	55	-14.5%
Particulate matter (PM)	g	**226**	262	-13.7%
Total emission:		**3,348**	3,882	-13.8%

GHG Emission

The Group is committed to low-carbon generation and promotes corporate green transformation. The Group's main GHG emissions came from direct fuel consumption by the company's petrol vehicle (Scope 1) and electricity consumption for the business operations (Scope 2). During the Reporting Period, the Group's total GHG emission performance was as follows:

	Unit	2023	2022	%
Direct GHG emission (Scope 1)	tonnes of CO_2e	**8.54**	9.91	13.8%
Indirect GHG emission (Scope 2)	tonnes of CO_2e	**152.18**	171.38	-11.2%
Total GHG emission[1]	tonnes of CO_2e	**160.72**	181.29	-11.4%
GHG emission intensity per floor area[2]	tonnes of CO_2e/ft^2	**0.0105**	0.0113	-7.1%

Notes

1. GHG emissions data is presented in carbon dioxide equivalent and was in reference to, including but not limited to, the reporting requirements of the "GHG Protocol Corporate Accounting and Reporting Standard" issued by the World Resources Institute and the World Business Council for Sustainable Development, "The Intergovernmental Panel on Climate Change (IPCC) Synthesis Report (AR5) (2014)", the "How to prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange of Hong Kong Limited, the "2022 Sustainability Report" published by the CLP Power Hong Kong, Sustainability Report 2021 from Water Services Department, Sustainability Report 2022 from Drainage Service Department, and "Global Warming Potential Values" from the IPCC Fifth Assessment Report (AR5), 2014.

2. Total floor area for calculating intensity data, FY2023: 16,000 ft^2; FY2022: 16,000 ft^2.

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

The Group continued to achieve our target for 2023, which is to maintain the total GHG emissions to less than 400 tonnes of CO_2e per year. During the Reporting Period, the Group's total GHG emissions has decreased by approximately 11.4% from approximately 181.29 tonnes CO_2e in 2022 to approximately 160.72 tonnes CO_2e in 2023 as a result of implementing more effective fuel and energy conservation measures.

Hazardous Waste Handling

The Group did not generate any hazardous waste during the Reporting Period. Our Environmental Policy provides practical guidelines in governing the use, storage and disposal of chemical waste generated from the operation. In case there is any hazardous waste produced, the Group will engage qualified chemical waste management company to handle the chemical waste in accordance with the relevant environmental rules and regulations.

During the Reporting Period, the Group has followed the Producer Responsibility Scheme on Waste Electrical and Electronic Equipment (WPRS) regulation that came into effect in 2018, by engaging licensed recycling vendor for proper treatment and disposal of our computer equipment as a support to Hong Kong's waste reduction and recycling efforts.

Non-hazardous Waste Handling

The Group remains steadfast in promoting the principle of "Reduce, Reuse, Recycle and Replace" for waste management and strives to promote better utilisation of resources. The Group has implemented Environmental Policy to encourage responsible usage of resources such as paper and plastics, as well as reinforcing an environmental-friendly living habits among our staff. Relevant guidelines in our Environmental Policy include the followings:

- print with smaller font size to reduce the use of paper;
- reduce blank space in document;
- set double-side printing as the default mode for photocopier;
- collect and reuse one-sided printout as scratch paper;
- reuse paper envelope and packaging;
- read electronically instead of printing out hard copies as much as possible;
- place recycle bins for collecting paper, plastic and glass for recycling; and
- reduce usage of one-time disposable items.

Through the implementation of the above measures, the Group has continued to achieve our annual target of consuming less than 1,200 kg of paper in a year. We reduced the use of paper from approximately 611 kg in 2022 to 476 kg in 2023, representing a drop of approximately 22%. The Group's non-hazardous waste intensity is 0.03 kg per square feet of floor area in 2023.

The management of the Group continues to encourage a less paper or paperless working environment through regular internal campaigns and employ qualified recycling vendors to collect and recycle used paper, plastic bottles and glass containers in 2023. We have recycled a total of approximately 5,856 kg of paper in 2023 (2022: 2,654 kg), while the major increase was due to a significant clearance of outdated personnel paper records during the Reporting Period. The amount of recycled paper during the Reporting Period is approximately equivalent to planting approximately 150 tree seedlings to the environment.

With the planned implementation of the Municipal Solid Waste Charging on 1 August 2024, the Company will strive to effectively manage our waste in the coming period in order to minimize the financial impact of waste disposal.

A2. Use of Resources

Energy Management

The Group continues to strive to optimize the use of resources and minimize the environmental impact of our operations through the implementation of green and eco-friendly practices as recommended in our Environmental Policy. All staff are encouraged to adopt energy saving measures in the daily business operations as a collective contribution to saving the environment. The Group takes a holistic view on our energy consumption across each of the business units, and implement appropriate corrective actions or new initiatives to achieve higher energy saving and efficient consumption.

The Group consumed energy mainly in support of the business operation and adheres to the following major guidelines in our Environmental Policy:

- use energy efficient LED lighting if possible;
- turn off power of electrical appliances, lights, air conditioners after work;
- apply zoning control of air conditioning to reduce wastage;
- encourage staff to use teleconferences or video conferences;
- use anti-glare blinds and filters to better control indoor temperature; and
- share energy saving tips with employees regularly.

During the year of 2023, the Group has continued to achieve our target of consuming less than 600,000 kWh of electricity per year provided there is no material change in our operation scale and model. The Group's consumption of electricity was 390,209 kWh in 2023, which has reduced by approximately 11% from approximately 439,428 kWh in 2022. The Group's total energy consumption intensity has also decreased by the same magnitude from 27.5 kWh in 2022 to approximately 24.4 kWh per square foot of floor area in 2023.

Water Consumption

The Group mainly consumes water for general cleaning and sanitation purposes. We take a practical approach in managing our water consumption, and always promote environmental friendly practices and the importance of water conservation.

The Group continued to keep close monitor of our water consumption level, and adopt effective measures to minimise consumption for our operation as recommended in our Environmental Policy.

- install infra sensor water faucets to reduce wastage;
- adjust speed of water flow to avoid overuse of water; and
- post "Water Saving" slogans to encourage using water conscientiously.

The Group continued to meet our target of consuming less than 4,000 cubic meters of water per year. Our consumption of water was 3,394 cubic meters in 2023 which has decreased by approximately 3% from 3,504 cubic meters in 2022. The Group's total water consumption intensity has also decreased by the same magnitude from 0.22 cubic meters in 2022 to 0.21 cubic meters per square feet of floor area in 2023. The Group will keep using water responsibly and also encouraging staff to do the same for the benefit of the environment.

Use of Packing Materials

Due to the nature of our business, the Group does not produce any substantial packaging materials during the year of 2023.

A3. The Environment and Natural Resources

The Group's business has limited impact on the environment and natural resources. The Group has implemented Environmental Policy and performed continuous monitoring and control to reduce environmental impact caused by our business operation.

A4. Climate Change

The Group is fully aware of the risks brought forth by extreme climate such as super typhoon and heavy flooding in Hong Kong. The potential disruptions in the city's infrastructure, supply chain logistics and damage to the Group's assets could have a detrimental effect on our productivity, operation and cost of our business.

To address extreme weather conditions, the Group has established comprehensive arrangements to protect the health and safety of our staff, which include early release from and resumption of work based on the prevailing or predicted traffic conditions and family needs. In case of prolong interruption, the Group has established business continuity plan such as work from home and remote agent infrastructure to minimize the potential impact of any business interruption during the crisis. Moreover, the Group has procured relevant insurance for staff and related assets to protect our interests and reduce potential financial loss.

With an anticipation of increasingly more stringent environmental and climate-related standards, legislations and regulations, the Group may face various transitional risks such as changes in stakeholders' expectations, higher operating cost and increasing compliance effort. The Group will keep abreast of the existing and emerging climate change regulations and policies to avoid any non-compliance and subsequent risks, and continue to assess the effectiveness of our climate related arrangements for further improvement.

PART B: SOCIAL

B1. Employment

The Group believes employees are the most valuable assets and key to our success. We adopt people-oriented management strategy to attract, develop and retain staff, and are committed to provide a safe, fair and pleasant working environment for the continuous growth and development of our staff. We also embrace open door policy and strive to develop mutual trust and close relationship with our employees. The Group's Staff Handbook laid down relevant policies on different employment aspects including but not limited to, recruitment, compensation, promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfares.

The management of the Group regularly review our employment policies and practices to ensure full compliance with the latest laws and regulations which include but not limited to, The Hong Kong Employment Ordinance, The Mandatory Provident Fund Schemes Ordinance, The Employees' Compensation Ordinance and the Minimum Wage Ordinance, as well as continuous improvement of our employment schemes.

With local unemployment rate stood at 2.9% and continual brain drain across various industries from junior to middle management, the Group will further increase our effort in staff retention, recruitment and management in order to maintain a stable and experienced workforce at all times.

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

Recruitment, Promotion and Dismissal

We believe our success is built on our ability to attract and retain talents. The Group has implemented a fair and transparent recruitment process to ensure all hiring are assessed based on the applicant's qualifications, experience, ability and potential to fulfil the needs of the position, and is regardless of race, nationality, gender, marital status, religious, physical disabilities, sexual orientation, etc..

To retain, motivate and develop talents, the Group has developed and maintained an impartial and systematic appraisal system for evaluating performance and granting promotion of staff. We support open communication between the management and staff during the appraisal process to discuss performance, achievement, career development and align expectations on mutual ground. The Group offers promotion and/or development opportunities as a reward and motivation to outperforming staff.

The Group strive to maintain a stable workforce but in case of dismissal, we follow and comply with the guidelines stipulated in The Employment Ordinance of Hong Kong, and prohibit any unfair and unjustifiable dismissal.

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 has established a fair, reasonable and competition remuneration scheme to attract and retain talents. We compensate our staff based on their performance, responsibility and contribution to the company, and we regularly review and benchmark our remuneration scheme to keep it competitive in the labour market.

In addition to salary and remuneration, the Group also offers a spectrum of fringe benefits, including but not limited to, annual leave, sick leave, maternity and paternity leave, marriage leave, compassionate leave, medical coverage, mandatory provident fund, discretionary bonus and education sponsorship.

To cultivate a sense of belonging and team spirit among our staff, the Group strives to create and maintain a vibrant and harmonious working culture in the workplace through regular welfare activities during the Reporting Period.

Diversity and Equal Opportunity

The Group acknowledges the benefits of a diversified workforce and embraces an inclusive and collaborative workplace culture at all times. We strive to create a trusting working environment of equal opportunity and is free from discrimination against any individual on the basis of race, nationality, religious, gender, physical or mental disability, age, marital status, pregnancy, breast feeding and sexual orientation. The Group has implemented Equal Opportunity Policy that complies with relevant laws and regulations including but not limited to, the Race Discrimination Ordinance, the Sex Discrimination Ordinance, the Family Status Discrimination Ordinance and the Disability Discrimination Ordinance. We do not tolerate any discrimination or harassment in the workplace, and employees are encouraged to bring these issues to the attention of the senior management for prompt investigation and handling. Anyone found to be engaged in any form of unlawful discrimination will be subject to disciplinary action, up to and including termination of employment.

Our staffs are encouraged to be respectful towards one another at all times. We do not tolerate any discrimination and harassment in workplace. Reporting channels were set up for direct communication with the top management in this regard.

The Group had a total of 258 employees (2022: 274) 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 2022 and 2023.

	2023		2022	
	Headcount	**%**	Headcount	%
By Gender				
Male	**115**	**45%**	129	47%
Female	**143**	**55%**	145	53%
By Age Group				
≤35	**93**	**36%**	93	34%
>35	**165**	**64%**	181	66%
By Employment Type				
Full Time	**234**	**91%**	237	86%
Part Time	**24**	**9%**	37	14%
Total	**258**	**100%**	274	100%

The Group's average employee turnover rate for the year ended 31 December 2023 was 10.6% (2022: 10.3%) 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. The Group's average female and male employee turnover rate for the year ended 31 December 2023 was 6.6% and 4.0% respectively.

B2. Health and Safety

Work Safety

The management of the Group places employee's safety and health at the forefront of all our business processes. We established Safety Policy with reference to the guidelines recommended by the Labour Department and Occupational Safety and Health Council. The Safety Policy complies with the rules of the Occupational Safety and Health Ordinance, the Employee Compensation Ordinance and the Fire Safety (Buildings) Ordinance. The Group's Administration Department is responsible to review the Safety Policy regularly, and identify any potential safety hazards or improvements in order to upkeep the health and safety standards of the Group. The health and safety measures taken include but not limited to:

- 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.

Health Management

During the first quarter of year 2023, the management of the Group continued to adopt and carry out various precautionary measures to ensure safety of the workplace, health of our staff and continuation of business operation during the period. We closely monitored the relevant government policies and kept our employees updated of the Group's COVID arrangements. Although the face mask mandate was lifted in March 2023, we continued to clean and sterilise the premises on a regular basis, change filters of air purifiers and provide hand sanitizer and alcohol for personal hygiene to safeguard the health and safety of all parties.

During the Reporting Period, the Group was not aware of any material non-compliance with health and safety related laws and regulations that would have a significant impact on the Group. We recorded 1 injury that occurred within the office premises (2022: nil) and we recorded 4 lost days during the year 2023 (2022: nil).

B3. Development and Training

The management of the Group continued to commit to attracting and retaining staff through the creation of a culture of continuous improvement. We encourage our employees to participate in a wide range of relevant learning and development programmes. Tailored-made training programmes were designed for both front line and management staff to ensure there are adequate training interventions to level-up competencies and relevant skills. All new employees were provided tailored-made training programmes which aim to induct and integrate new employees into our culture. The Group offers training allowance and education sponsorship to eligible staff as an encouragement for continual advancement.

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

	Average Training Hours per year	
	2023	2022
By Gender		
Male	**10.4**	3.4
Female	**6.3**	3.6
By Category – Supervisory Level		
Male	**20.5**	11.9
Female	**18.7**	17.4
By Category – Working Level		
Male	**8.3**	4.5
Female	**6.0**	5.3

B4. Labour Standards

The Group is committed to upholding ethical employment and strictly prohibits child labour and forced labour of any kind. We fully complied with the relevant laws and regulations including but not limited to the Employment of Children Regulations and the Employment of Your Persons (Industry) Regulations under the Employment Ordinance of Hong Kong. Our Human Resources Department is responsible to collect and verify personal data of selected candidates to ensure their eligibility.

From time to time, there may be needs for staff to work out of their normal duty hours, but any overtime working is on voluntary basis. If there is any related infringement, the Group will take immediate action to terminate the relevant employment and disciplinary action will be taken against those who are responsible for such negligence.

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.

B5. Supply Chain Management

The Group is committed to engage our suppliers to sustainable sourcing and explore opportunities to work with new suppliers who can meet our ESG procurement requirements. We share our ESG policies and standards with the suppliers on regular basis, and has established clear guidelines to govern our procurement practices including but not limited to, maintaining an updated Approved Vendor List, evaluating the suppliers' products and services quality, prices, environmental and social policies and/or performance on annual basis. Procurement priority is considered to be given to eco-friendly products and suppliers who have shown good labour practices as well as environmental and social responsibilities performance.

The Group's procurement guidelines are based on open and fair competition, and we do not tolerate any forms of corruption or bribery in the selection process. Employees are required to report to management in advance if there is any conflict of interest in the procurement process or with the suppliers.

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.

B6. Product and Service Responsibility

The Group has been awarded ISO9001 Quality System Certificate in design and provision of telemarketing and 24-hour customer service hotline since 1997. We strive to maintain close working relationship with each of our customers, and continue to improve our products and services to meet their business needs. We recognise the importance of achieving and maintaining high product quality standards for the sustainable growth of the Group, and has established guidelines on quality control and testing procedures for our system solutions before delivering to our customers. Moreover, warranty and subsequent maintenance support are generally offered to safeguard the proper working conditions and future enhancements of the systems.


Certificate No: CC 897

CERTIFIED COMPANY HKQAA

This is to certify that the Quality Management System of

EPRO TELECOM SERVICES LIMITED
Call Centre Operation

3/F & 4/F China Paint Building 1163 Canton Road Mongkok Kowloon Hong Kong

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

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

The certificate remains valid subject to satisfactory maintenance of the system which will be monitored by Hong Kong Quality Assurance Agency.

Signed for and on behalf of
HONG KONG QUALITY ASSURANCE AGENCY

Chief Executive Officer | Director

Date of Granting 19 June 1997 Expiry Date 15 December 2026
Effective Date (Recertification / Extension / Reduced) 16 December 2023 Amendment Date 15 December 2023

HKQAA F524 Rev13

We have established guidelines on quality control and testing procedures for our system solutions before delivering to our customers. Moreover, warranty and subsequent maintenance support are generally offered to safeguard the proper working conditions and future enhancements of the systems.

During the Reporting Period, the Group was not aware of any material non-compliance with any laws and regulations regarding safety, advertising, labelling, and privacy matters relating to our products and services that has a significant impact on the Group.

Customer Service

The management of the Group recognises the importance of customer satisfaction and loyalty to our business. We attach great emphasis on maintaining close communications with each of our customers at various levels. We strive to ensure every request as well as complaint from our customers is properly and timely handled according to our Complaint Handling Guidelines and Procedures. The Sales and Marketing Department is mainly responsible for collecting feedbacks from customers and formulating action plans with related internal and external parties to address the relevant issues.

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

Protection of IP Rights

The Group has several registered trademarks in Hong Kong and we endeavour to protect our intellectual property rights and take appropriate action in case of infringement.

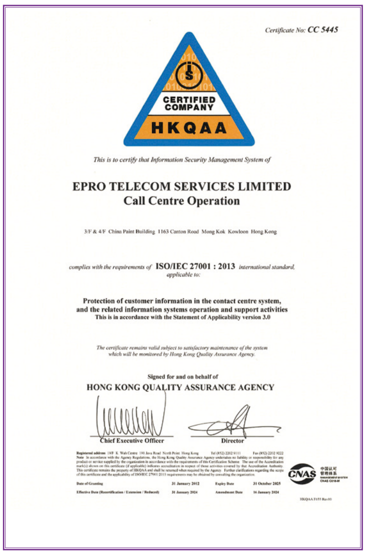
The Group has also implemented Information Security Policy and guidelines to protect any third-party IP rights and use software according to the corresponding license terms. We prohibit our staff from duplicating, installing or using software in violation of relevant copyright or license terms. Moreover, free software can only be used subject to the approval from the management of the Group, and disciplinary actions will be taken in case of any infringement.

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

Customer Data Privacy

The Group is committed to uphold customer data privacy, and we have established Personal Data (Privacy) Policy to safeguard the security of our customer data. The Group obtained ISO27001 Information Security Management System certificate since 2011, and has strictly adhered to the Personal Data (Privacy) Ordinance of Hong Kong at all times.

We protect sensitive electronic information of customer database and personal information through data encryption and password control. Data are stored in servers located at restricted area accessed only by authorized employees. Firewalls and anti-virus software are installed and regularly updated to further protect the sensitive data from being hacked. All employees who have access to the data have to sign confidentiality agreement, and the Group provides adequate training to ensure they understand their responsibility in data privacy protection. Data recovery procedures are implemented to ensure critical information are protected and information recovery objectives are met. Confidential data are regularly deleted or destroyed according to the relevant procedures and guidelines after the expiry period as agreed with the customers.


Certificate No: CC 5445

CERTIFIED COMPANY HKQAA

This is to certify that Information Security Management System of

EPRO TELECOM SERVICES LIMITED
Call Centre Operation

3/F & 4/F China Paint Building 1163 Canton Road Mong Kok Kowloon Hong Kong

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

Protection of customer information in the contact centre system, and the related information systems operation and support activities
This is in accordance with the Statement of Applicability version 3.0

The certificate remains valid subject to satisfactory maintenance of the system which will be monitored by Hong Kong Quality Assurance Agency.

Signed for and on behalf of
HONG KONG QUALITY ASSURANCE AGENCY

Chief Executive Officer　　Director

Date of Granting 31 January 2012　Expiry Date 31 October 2025
Effective Date (Recertification / Extension / Reduced) 31 January 2024　Amendment Date 16 January 2024

HKQAA F655 Rev10

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.

Advertising and Labelling

The Group's operation has limited activities in advertising and labelling matters, information relating to advertising and labelling is considered as non-material to the Group.

B7. Anti-Corruption

The management of the Group is committed to upholding the highest standards of business integrity in all of our business activities. We have a zero tolerance policy for bribery and corruption. The Group has implemented Anti-Corruption Policies in accordance with the Prevention of Bribery Ordinance, and which is regularly reviewed and approved by the management of the Group. The Anti-Corruption Policy provides guidance to employees on how to recognise, address, resolve and prevent any form of bribery, corruption, extortion, fraud and money laundering practices. All employees are requested to decline any offer and benefit if acceptance of which could affect the objectivity and fairness in conducing the Group's business. Staff proved to have violated the Anti-Corruption Policy will be subjected to warning, demotion and dismissal, the Group may also report the case to law enforcement authorities for possible prosecution as needed.

Whistle-Blowing Policy

The Group is committed to maintaining the highest standards of openness, probity and accountability of our business. We have established the Whistle-Blowing Policy to enable stakeholders, including but not limited to employees, customers, suppliers, creditors and debtors, to report any possible misconducts, malpractices or improprieties of business activities to the Board anonymously without fear of reprisal through a dedicated email account or by mail which are published in our corporate website. Reports and complaints will be handled promptly and fairly, while the identity of the whistle-blower will be protected where possible to avoid any unfair treatments. 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.

B8. Community Investments

The Group is committed to 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 positively contribute to the community and the future of Hong Kong.

This is the eleventh consecutive year the Group has obtained the Caring Company certificate for providing support to the Mental Health Association of Hong Kong (HKMHA) through donations and volunteering works. We have continued to carry out the "Tele-Care Program" organized by our Volunteer Team and HKMA with an objective to build communication and friendship between our volunteers and members of the HKMHA through monthly telephone call and gatherings. The Group is committed to continue to support the underprivileged groups in the society through our collective efforts and contributions.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements (the "Financial Statements") of the Company and of the Group for the year ended 31 December 2023.

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 14 to the Financial Statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2023 and appropriations are set out in the Financial Statements on page 69 and note 13 of this Report respectively.

DIVIDENDS

During the year, an interim dividend of HK15 cents per share for the year ended 31 December 2023 (2022: Nil) 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 2023 (2022: HK$4,200,000) to the shareholders of the Company.

CLOSURE OF THE REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Company's forthcoming annual general meeting ("AGM") to be held on 10 May 2024, the Register of Members will be closed from 7 May 2024 (Tuesday) to 10 May 2024 (Friday) (both days inclusive), during which period no transfers of shares will be registered. In order to be eligible for attending the AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch and share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:00 p.m. on 6 May 2024 (Monday).

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on pages 147 and 148 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 Group as at the balance sheet date are set out in note 28 to the Financial Statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 32 to the Financial Statements.

PRE-EMPTIVE RIGHTS

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

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

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 35 to the Financial Statements and in the consolidated statement of changes in equity on page 72 respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2023, 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$3,488,000 (2022: HK$40,954,000).

MAJOR CLIENTS AND SUPPLIERS

Sales to the Group's five largest clients accounted for approximately 48% of the total sales for the year and sales to the single largest client amounted to approximately 13% of the total sales for the year. The Group's purchases from our five largest suppliers together accounted for approximately 98% of our total purchase for the year. The Group purchases approximately 23% from our single largest supplier for the year.

None of the Directors or any of their associates or any shareholders of the Company (which, to the best knowledge of the Directors) owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest clients and suppliers.

SHARE OPTION SCHEME

The following relates to the share option scheme conditionally adopted by the shareholders of the Company on 4 May 2021 and became unconditional on 6 May 2021 (the "Share Option Scheme").

The purpose of the Share Option 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 Share Option 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 Share Option 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 Share Option Scheme. The principal terms of the Share Option Scheme are summarised as follows:

The Share Option Scheme was adopted for a period of 10 years commencing from 4 May 2021 and will remain in force until 3 May 2031. The Company may by resolution in general meeting terminate the Share Option Scheme at any time without prejudice to the exercise of options granted prior to such termination.

The subscription price shall be determined by the Board in its absolute discretion but in any event shall not be lower than the higher of: (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 Share Option Scheme is terminated. The exercise period of any option granted under the Share Option Scheme shall not exceed the period of ten years from the date of grant but subject to the provisions for early termination of the Share Option Scheme.

Notwithstanding anything to the contrary herein, the maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30% of the total number of shares in issue from time to time.

The total number of shares in respect of which options may be granted under the Share Option Scheme and any other share options schemes of the Company shall not exceed 28,000,000 shares, being 10% of the total number of shares in issue as at the date of the approval of the Share Option 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 Share Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit. The Scheme Mandate Limit may be refreshed at any time subject to prior shareholders' approval but in any event, the total number of shares in respect of which options may be granted under the Share Option Scheme and any other share option scheme of the Company as "refreshed" shall not exceed 10% of the total number of shares in issue as at the date of the approval of the shareholders of the Company on the refreshment of the Scheme Mandate Limit.

The maximum number of shares issued and to be issued upon exercise of the options granted and to be granted to each grantee under the Share Option Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue. Any further grant of options in excess of this 1% limit shall be subject to issuance of a circular by the Company and approved by the shareholders of the Company in accordance with the GEM Listing Rules.

No options have been granted under the Share Option Scheme since its adoption.

EQUITY-LINKS AGREEMENTS

Other than the Share Option Scheme as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered by the Company during the year or subsisted at the end of the year.

DIRECTORS

The Directors during the year under review and up to the date of this Report are:

Executive Directors
Mr. Tang Yiu Sing *(Chief Executive Officer)*
Mr. Yeung Ka Wing *(Compliance Officer)* (resigned on 5 February 2024)

Independent Non-executive Directors
Mr. Wong Kam Tai
Ms. Kwong Yuk Ying
Mr. Cheung Kong Ting (resigned on 1 January 2024)
Ms. Tsang Lee Mei (appointed on 6 March 2024)

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 C1 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.

According to Article 83(3) of the Articles of Association, any Director appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall be eligible for re-election.

To comply with the above, Mr. Wong Kam Tai and Ms. Tsang Lee Mei shall retire from office at the 2024 annual general meeting of the Company and, being eligible, offer themselves 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 19 to 21 of this Report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Tang Yiu Sing and Mr. Yeung Ka Wing (ceased as Director on 5 February 2024), executive Directors, entered into a renewed service contract with the Company for a term of three years commencing on 29 July 2021.

Each of Mr. Cheung Kong Ting (ceased as Director on 1 January 2024) and Mr. Wong Kam Tai, independent non-executive Directors, entered into a renewed service contract with the Company for a term of three years commencing on 30 June 2022 and 12 January 2023 respectively.

Ms. Kwong Yuk Ying, an independent non-executive Director, entered into a letter of appointment with the Company for a term of three years commencing on 1 January 2023.

Ms. Tsang Lee Mei, an independent non-executive Director newly appointed on 6 March 2024, entered into a letter of appointment with the Company for a term of three years commencing on 6 March 2024.

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from the Share Option Scheme, at no time during the year ended 31 December 2023 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 Limited, 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 2023.

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 2023.

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 2023, 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 2023
Tang Yiu Sing	Joint administrator of the late Mr. Tang Shing Bor's estate	Corporate interest	210,000,000 *(Note)*	71.04%

Note: These interests were held by Million Top Enterprises Limited under the late 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 2023, 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 Securities Transactions by 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 2023, 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 2023
Tang Yiu Man Raymond	Joint administrator of the late Mr. Tang Shing Bor's estate	210,000,000 *(Note 1)*	71.04%
Million Top Enterprises Limited	Beneficial owner	210,000,000	71.04%
Pine Care Group Limited ("Pine Care Group")	Interest in a controlled corporation	15,625,000	5.29%
Pine Care Titanium Limited ("Pine Care Titanium) *(Note 2)*	Beneficial owner	15,625,000	5.29%
Chime Corporation Limited ("Chime Corporation") *(Note 3)*	Interest in a controlled corporation	15,625,000	5.29%
Jong Yat Kit	Joint and several administrator of Chime Corporation Limited	15,625,000	5.29%
Wong Tak Wai	Joint and several administrator of Chime Corporation Limited	15,625,000	5.29%

Notes:

1. These interests were held by Million Top Enterprises Limited under the late 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.

2. These interests were held by Pine Care Titanium after the conversion of the convertible bonds in a principal amount of HK$9,500,000 at a conversion price of HK$0.608 per conversion share into a total of 15,625,000 conversion shares issued and allotted by the Company on 11 August 2023. Pine Care Titanium was wholly and beneficially owned by Pine Care Group.

3. Chime Corporation Limited indirectly and substantially owns Pine Care Group.

Save as disclosed above, as at 31 December 2023, 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 22 to 33 of this Report.

EMOLUMENT POLICY

The Company has established the Remuneration Committee to make recommendations to the Board with regard to the Group's remuneration policy relating to Directors and senior management of the Company, reviewing and evaluating their performance and recommending remuneration package for each of them as well as other employee benefit arrangements. The emoluments of the Directors are decided with reference to their duties and level of responsibilities and the remuneration policy of the Company and the prevailing market conditions. The Company has adopted the Share Option Scheme as an incentive to Directors and eligible participants, details of such scheme is set out and paragraph headed "Share Option Scheme" on pages 54 to 55 of this Report.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 December 2023 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:

Lease Agreement

China Paint Building Lease dated 31 December 2021

According to the Company's announcement dated 31 December 2021, Epro Telecom Services Limited ("Epro Telecom", an indirect wholly-owned subsidiary of the Company) and Star China Development Limited ("Star China") entered a lease for 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 one year from 1 January 2022 to 31 December 2022 (both days inclusive) (the "China Paint Building Lease").

Star China is wholly-owned by Harbour Legend Limited, the entire equity interest of which forms part of the estate of the late Mr. Tang Shing Bor who was the late non-executive Director and Chairman of the Company and the father of Mr. Tang Yiu Sing being an executive Director, Star China is therefore a connected person of the Company and the transactions contemplated under the 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 China Paint Building Lease was entered into in the ordinary and usual course of business of the Group on normal commercial terms, and its terms (the rent) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As the applicable percentage ratios (as defined under the GEM Listing Rules) calculated based on the value of the right-of-use assets recognised by the Group pursuant to HKFRS 16 in respect of the China Paint Building Lease are less than 25% and the total consideration is less than HK$10,000,000, the entering into of the China Paint Building Lease is subject to reporting and announcement requirements but exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The China Paint Building Lease was renewed on 1 January 2023. As the applicable percentage ratios (as defined under the GEM Listing Rules) is less than 5% and the total consideration is less than HK$3,000,000, the renewal of the China Paint Building Lease is regarded as de minimis transaction and exempted from connected transaction requirements under the GEM Listing Rules.

The renewed China Paint Building Lease expired on 31 December 2023.

Confirmation of independent non-executive Directors

The independent non-executive Directors reviewed the above continuing connected transactions contemplated under the abovesaid Lease 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 2023 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 2023 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, 22 March 2024

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 69 to 146, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policies information and other explanatory information.

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 2023, 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

Impairment of trade receivables	How our audit addressed the Key Audit Matter
Refer to Notes 4 and 22 to the consolidated financial statements	***Our procedures in relation to assess the impairment of trade receivables included:***
The balance of trade receivables as at 31 December 2023 were approximately HK$30,755,000, which were material to the consolidated financial statements. The Group has applied the simplified approach in calculating the expected credit loss for these trade receivables. We identified the impairment of trade receivables as a key audit matter due to significant management's estimations and judgments are involved in assessing the expected credit losses of trade receivables.	We obtained an understanding and evaluated the methodologies and assumption used by the Group, including the involvement of the valuer engaged by the management of the Group, in assessing expected credit losses. We evaluated the competence, capabilities and objectivity of the valuer and obtained an understanding of the valuer's scope of work and their terms of engagement. We tested the accuracy of aging analysis of the trade receivables as at 31 December 2023, 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 used to determine the expected credit losses with support of Auditor's internal valuation experts.

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, 22 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Revenue	5	78,719	86,130
Other income	6	920	6,382
Other gains/(losses) – net	7	154	(1,091)
Employee benefits expenses	8	(66,959)	(69,947)
Depreciation and amortization		(2,247)	(3,793)
Other operating expenses		(17,473)	(25,491)
Share of loss of an associate		(249)	(170)
Operating loss		(7,135)	(7,980)
Finance costs	9	(681)	(1,093)
Loss before tax	10	(7,816)	(9,073)
Income tax expense	11	(106)	(223)
Loss for the year		(7,922)	(9,296)
Other comprehensive income for the year		–	–
Total comprehensive expense for the year		(7,922)	(9,296)
Loss attributable to owners of the Company		(7,922)	(9,296)
Total comprehensive expense for the year attributable to owners of the Company		(7,922)	(9,296)
Loss per share attributable to owners of the Company – Basic and diluted (HK cents)	12	(2.8)	(3.3)

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 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment	15	712	1,001
Right-of-use assets	16	535	370
Intangible assets	17	1,642	2,288
Interest in an associate	18	581	830
Financial assets at fair value through profit or loss	19	1,543	1,260
Deferred income tax assets	31	755	669
Other assets	20	–	205
		5,768	6,623
Current assets			
Contract assets	21	5,749	3,972
Trade and other receivables	22	16,939	28,952
Financial assets at fair value through profit or loss	19	–	199
Tax recoverable		474	474
Pledged bank deposits	23	–	6,092
Time deposits	24	–	20,000
Bank trust account balances	25	–	6,453
Cash and cash equivalents	26	26,587	46,437
		49,749	112,579
Current liabilities			
Contract liabilities	21	2,218	2,248
Trade and other payables	27	9,787	15,365
Current income tax liabilities		83	140
Borrowings	28	–	2,000
Lease liabilities	29	274	376
Convertible bonds	30	–	9,206
		12,362	29,335
Net current assets		37,387	83,244
Total assets less current liabilities		43,155	89,867

	Notes	2023 HK$'000	2022 HK$'000
Non-current liabilities			
Deferred income tax liabilities	*31*	8	16
Lease liabilities	*29*	262	–
		270	16
Net assets		42,885	89,851
Equity attributable to the owners of the Company			
Share capital	*32*	2,956	2,800
Reserves		39,929	87,051
Total equity		42,885	89,851

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 22 March 2024 and signed on its behalf by:

Tang Yiu Sing
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 2023

	Attributable to owners of the Company					
	Share capital HK$'000 *(Note 32)*	Share premium HK$'000 *(Note 33)*	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 2022	2,800	25,238	1,734	25,624	43,751	99,147
Loss for the year	–	–	–	–	(9,296)	(9,296)
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive expense for the year	–	–	–	–	(9,296)	(9,296)
Balance as at 31 December 2022 and 1 January 2023	**2,800**	**25,238***	**1,734***	**25,624***	**34,455***	**89,851**
Loss for the year	**–**	**–**	**–**	**–**	**(7,922)**	**(7,922)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**(7,922)**	**(7,922)**
Conversion of convertible bonds	**156**	**11,078**	**(1,734)**	**–**	**–**	**9,500**
Dividends recognized as distributions *(Note 13)*	**–**	**(32,828)**	**–**	**–**	**(15,716)**	**(48,544)**
Balance as at 31 December 2023	**2,956**	**3,488***	**–***	**25,624***	**10,817***	**42,885**

* These reserve accounts comprise the consolidated reserves of approximately HK$39,929,000 (2022: approximately HK$87,051,000) in the consolidated statement of financial position.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
Cash flows from operating activities			
Loss before tax		(7,816)	(9,073)
Adjustments for:			
Depreciation and amortization		2,247	3,793
Fair value (gain)/loss on financial assets at fair value through profit or loss		(287)	976
Fair value loss on embedded derivatives of convertible bonds		2,434	109
Loss on disposal of property, plant and equipment		–	5
Gain on disposal of subsidiaries		(2,300)	–
Share of loss of an associate		249	170
Provision for impairment of financial assets and contract assets – net		6,195	11,062
Dividend income		–	(6)
Interest income		(918)	(179)
Interest expense		681	1,093
Operating cash flows before changes in working capital		485	7,950
Contract assets		(1,879)	(86)
Trade and other receivables		5,857	18,459
Bank trust account balances		6,157	10,140
Contract liabilities		(30)	358
Trade and other payables		(4,977)	(10,392)
Cash generated from operations		5,613	26,429
Income tax paid		(269)	(995)
Net cash generated from operating activities		5,344	25,434

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
Cash flows from investing activities			
Additions of intangible assets		(720)	(690)
Contribution to an associate		–	(1,000)
Decrease/(Increase) in pledged bank deposits		6,092	(1)
Dividend income from equity investments		–	6
Interest received		918	179
Withdrawal of/(Placement of) time deposits		20,000	(20,000)
Net cash inflow on disposal of subsidiaries	38	2,275	–
Proceeds from disposal of financial asset at fair value through profit or loss		203	–
Purchases of property, plant and equipment		(199)	(213)
Net cash generated from/(used in) investing activities		28,569	(21,719)
Cash flows from financing activities			
Interest paid		(33)	(101)
Dividend paid		(48,544)	–
Proceeds from borrowings		–	2,000
Repayments of borrowings		(2,000)	–
Repayments of lease liabilities		(398)	(886)
Payment on convertible bonds		(2,788)	–
Net cash (used in)/generated from financing activities		(53,763)	1,013
Net (decrease)/increase in cash and cash equivalents		(19,850)	4,728
Cash and cash equivalents at beginning of the year		46,437	41,709
Cash and cash equivalents at end of the year	26	26,587	46,437

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 2023, 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, P.O. 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 22 March 2024.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES INFORMATION

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"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.1 Basis of preparation (continued)

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

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

2.1.2 Amendments to existing standards not yet adopted

Certain amendments to existing standards have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group:

Standards	Subject	Effective for annual periods beginning on or after
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 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025

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

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are an entity (including structured entities) 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.

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.

2.3 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

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 presentation currency.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (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 any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

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

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

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

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

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

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.6 Intangible assets

(a) 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.

(b) Research and development

Research expenditure and development expenditure that do not meet the criteria in (a) 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.

(c) 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. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.7 Interest in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.8 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets ("CGU"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Financial instruments

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

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.9 Financial instruments (continued)

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.

2.9.1 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.

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.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.9 Financial instruments (continued)

2.9.1 Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

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.

(a) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. 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 gains/(losses) – net" line item.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.9 Financial instruments (continued)

2.9.1 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, time 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.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.9 Financial instruments (continued)

2.9.1 Financial assets (continued)

Impairment of financial assets and contract assets (continued)

(a) Significant increase in credit risk (continued)

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;
- 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. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.9 Financial instruments (continued)

2.9.1 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;
- a breach of contract, such as a default or past due event;
- 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. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.9 Financial instruments (continued)

2.9.1 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. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

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 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. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.9 Financial instruments (continued)

2.9.1 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 derecognises a financial asset only when the contractual rights to the cash flows from the asset expire. 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.

2.9.2 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.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.9 Financial instruments (continued)

2.9.2 Financial liabilities and equity (continued)

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, 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 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, the fair value of the liability component (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

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. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.9 Financial instruments (continued)

2.9.2 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.

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.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where the Group currently has 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 Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.11 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.12 Borrowing costs

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

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.13 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

(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.

2.14 Employee benefits

Defined contribution plans

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in the Group. Under the scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.15 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. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.16 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. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.16 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.

2.17 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.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial instruments by category

	2023 HK$'000	2022 HK$'000
Assets as per consolidated statement of financial position		
Financial assets at FVTPL:		
– Listed equity securities at FVTPL	–	199
– Unlisted equity securities at FVTPL	1,543	1,260
Financial assets at amortized cost:		
– Other assets	–	205
– Trade and other receivables excluding prepayments	16,659	28,435
– Pledged bank deposits	–	6,092
– Time deposits	–	20,000
– Bank trust account balances	–	6,453
– Cash and cash equivalents	26,587	46,437

	2023 HK$'000	2022 HK$'000
Liabilities as per consolidated statement of financial position		
Financial liabilities at FVTPL:		
– Convertible bonds – derivative component	–	354
Financial liabilities at amortized cost:		
– Trade and other payables excluding non-financial liabilities	9,787	15,365
– Borrowings	–	2,000
– Convertible bonds – debt component	–	8,852
– Lease liabilities	536	376

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including price risk and 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) Price risk

The Group is exposed to price risk arising from financial assets at FVTPL.

If prices had been 5% (2022: 5%) higher/lower, the Group's loss before taxation (2022: loss before taxation) for the year would decrease/increase (2022: decrease/increase) by approximately HK$77,000 (2022: approximately HK$73,000) as a result of the changes in fair value of financial assets at FVTPL as at the reporting date.

(ii) 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 time deposits, fixed-rate convertible bonds and fixed-rate lease liabilities. As at 31 December 2022, the Group's cash flow interest rate risk relates primarily to variable-rate borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Hong Kong Interbank Offered Rate arising from the Group's Hong Kong dollar denominated bank borrowings. The Group currently does not have interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2022, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's loss before taxation would have been increased/decreased by approximately HK$20,000. The sensitivity analysis has been determined assuming that the change in interest rates had occurred throughout the year end had been applied to the exposure to interest rate risk for variable-rate bank borrowings in existence at the end of the reporting period. The 100 basis points decreased/increased represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group over the period until the end of next reporting period.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 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, time 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 for certain loan and interests receivables with the collateral pledged by the customers.

Pledged bank deposits/time deposits/bank trust account balances/bank balances

The credit risk of pledged bank deposits, time 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 and therefore no loss allowance was recognized.

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, and also forward-looking information. The directors believe that there is no material credit risk inherent in the Group's outstanding balances of other receivables and other assets.

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 2023, the Group has certain concentrations of credit risk as 31% and 57% (2022: 29% and 52%) 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 22.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Financial risk factors (continued)

(b) Credit risk and impairment assessment (continued)

Loan and interests receivables

The Group manage the credit risk for money lending business by assesses the credit quality of the customers, taking into account its financial position, past experience and other factors. Further details of the risk management policies, please refer to "Management Discussion and Analysis" section. 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. Please refer to below disclosure for the assessment of ECL.

As at 31 December 2023, the loan receivables due from the largest customer and the five largest customers constituted approximately 16% and 75% (2022: 22% and 95%) of the Group's overall loan portfolio respectively.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	**Description**	**Trade receivables/ contract assets**	**Loan and interests receivables/other receivables and deposits**
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Financial risk factors (continued)

(b) Credit risk and impairment assessment (continued)

Loan and interests receivables (continued)

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

	Note	12m or lifetime ECL	2023 Gross carrying amount HK$'000	2023 Gross carrying amount HK$'000	2022 Gross carrying amount HK$'000	2022 Gross carrying amount HK$'000
Financial assets at amortised cost						
Trade receivables (amounts receivables arising from multi-media contact services and contact centre system, and advisory services)	22	Lifetime ECL (not credit-impaired) (collective basis)	12,338		12,832	
		Credit-impaired	18,417	30,755	29,520	42,352
Loan and interests receivables *(Note)*	22	12m ECL	502		6,040	
		Credit-impaired	23,088	23,590	11,471	17,511
Other receivables and deposits	22	12m ECL	996	996	1,162	1,162
Other items						
Contract assets	21	Lifetime ECL (not credit-impaired)	5,853	5,853	3,974	3,974

Note:

For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due HK$'000	Not past due HK$'000	Total HK$'000
2023			
Loan and interests receivables	23,088	502	23,590

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 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. Debtors with credit-impaired with gross carrying amounts of approximately HK$18,417,000 as at 31 December 2023 were assessed individually.

	Current	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 2023						
Expected loss rate	**3.0%**	**7.3%**	**21.4%**	**47.4%**	**100%**	
Gross carrying amount (HK$'000)	**6,301**	**3,738**	**2,143**	**156**	**18,417**	**30,755**
Loss allowance provision (HK$'000)	**188**	**274**	**459**	**74**	**18,417**	**19,412**
As at 31 December 2022						
Expected loss rate	0.1%	0.2%	0.6%	3.1%	89.7%	
Gross carrying amount (HK$'000)	5,373	3,873	2,463	1,123	29,520	42,352
Loss allowance provision (HK$'000)	3	8	14	35	26,480	26,540

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 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 2022	29	20,523	20,552
Transfer to credit-impaired	(18)	18	–
Impairment losses recognized	60	6,200	6,260
Impairment losses reversed	(11)	(261)	(272)
As at 31 December 2022 and 1 January 2023	**60**	**26,480**	**26,540**
Transfer to credit-impaired	**(3)**	**3**	**–**
Impairment losses recognized	**996**	**5,822**	**6,818**
Impairment losses reversed	**(57)**	**(13,889)**	**(13,946)**
As at 31 December 2023	**996**	**18,416**	**19,412**

Changes in the loss allowance for trade receivables are mainly due to:

	2023 Increase/ (decrease) in lifetime ECL Credit-impaired HK$'000
Settlement of credit-impaired trade debtors with a gross carrying amount of approximately HK$13,889,000	**(13,889)**
Origination of new trade receivables with days past due up to 90 days	**5,822**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 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 2023	
Expected loss rate	**1.8%**
Gross carrying amount (HK$'000)	**5,853**
Loss allowance provision (HK$'000)	**104**
As at 31 December 2022	
Expected loss rate	0.1%
Gross carrying amount (HK$'000)	3,974
Loss allowance provision (HK$'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 2022	1
Impairment losses recognized	1
As at 31 December 2022 and 1 January 2023	**2**
Impairment losses recognized	**102**
As at 31 December 2023	**104**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Financial risk factors (continued)

(b) Credit risk and impairment assessment (continued)

(i) Trade receivables and contract assets (continued)

For receivables arising from loan and interests receivables (included in trade receivables), the Group has applied the general approach in HKFRS 9 to measure the loss allowance at 12m ECL.

However, the Group considered that certain loan and interests receivables have been a significant increase in credit risk in default occurring since initial recognition. Lifetime ECL was used to assess the allowances of such loan and interests receivables. To measure the expected credit losses, loan and interests receivables have been based on individual risk assessment.

	Low risk	Loss	Total
Loan and interests receivables			
As at 31 December 2023			
Expected loss rate	**13.9%**	**83.2%**	
Gross carrying amount (HK$'000)	**502**	**23,088**	**23,590**
Loss allowance provision (HK$'000)	**70**	**19,200**	**19,270**
As at 31 December 2022			
Expected loss rate	4.1%	50.3%	
Gross carrying amount (HK$'000)	6,040	11,471	17,511
Loss allowance provision (HK$'000)	247	5,772	6,019

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 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 receivables arising from loan and interests receivables (included in trade receivables).

As at 31 December 2023, certain loan and interests receivables are overdue by more than 90 days (2022: 90 days) and are determined to be credit-impaired after considering the overdue aging analysis and other qualitative factors.

	12m ECL HK$'000	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2022	409	364	98	871
Impairment losses recognized	13	–	5,772	5,785
Impairment losses reversed	(175)	(364)	(98)	(637)
As at 31 December 2022 and 1 January 2023	**247**	**–**	**5,772**	**6,019**
Impairment losses recognized	**70**	**–**	**15,503**	**15,573**
Impairment losses reversed	**(247)**	**–**	**(2,075)**	**(2,322)**
As at 31 December 2023	**70**	**–**	**19,200**	**19,270**

Change in the loss allowance for loan and interests receivables are mainly due to:

	2023 Increase in lifetime ECL Credit-impaired HK$'000
Full allowance of ECL for defaulted unsecured loan receivable	**15,503**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Financial risk factors (continued)

(b) Credit risk and impairment assessment (continued)

(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 2023	
Expected loss rate	**0.1%**
Gross carrying amount (HK$'000)	**996**
Loss allowance provision (HK$'000)	**1**
As at 31 December 2022	
Expected loss rate	2.7%
Gross carrying amount (HK$'000)	1,162
Loss allowance provision (HK$'000)	31

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 2022	106
Impairment losses reversed	(75)
As at 31 December 2022 and 1 January 2023	**31**
Impairment losses reversed	**(30)**
As at 31 December 2023	**1**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Financial risk factors (continued)

(c) Liquidity risk

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

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

	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 2023			
Trade and other payables excluding non-financial liabilities	**9,787**	**–**	**9,787**
Lease liabilities	**294**	**270**	**564**
	10,081	**270**	**10,351**
As at 31 December 2022			
Trade and other payables excluding non-financial liabilities	15,365	–	15,365
Borrowings	2,026	–	2,026
Lease liabilities	381	–	381
Derivatives component of convertible bonds	354	–	354
	18,126	–	18,126

As at 31 December 2022, the Group has available unutilized banking facilities of approximately HK$10,000,000 for future operating activities.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as at 31 December 2023 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).

	Fair value as at 31 December 2023 HK$'000	Fair value as at 31 December 2022 HK$'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	–	199	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	1,543	1,260	Level 3	Market approach	Lack of marketability discount	23.6%	Higher the lack of marketability discount, lower the fair value
					Enterprise value to sale ratio (2022: Price-to-book ratio)	12.8	Higher the enterprise value to sale ratio, higher the fair value
Financial liabilities at FVTPL							
– Derivatives component of convertible bonds	–	354	Level 3	Binomial tree method	Volatility	48.87%	Higher the volatility, higher the fair value
					Risk free rate	3.19%	Higher the risk free rate, lower the fair value
					Discount rate	17.62%	Higher the discount rate, lower the fair value

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

There were no significant transfers of financial assets between Level 1 and Level 2 fair value hierarchy classifications and no transfers into or out of Level 3 during the year.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

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 2023 and 2022.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

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 2022	2,200	245
Loss recognized in profit or loss	(940)	109
Balance as at 31 December 2022 and 1 January 2023	**1,260**	**354**
Profit/loss recognized in profit or loss	**283**	**2,434**
Conversion of convertible bonds	**–**	**(2,788)**
Balance as at 31 December 2023	**1,543**	**–**

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 2022. The column "net amount" shows the impact on the Group's statement of financial position if all set-off rights were exercised.

	Gross amounts of recognized financial assets/ (liabilities)	Gross amounts of recognized financial assets/ (liabilities) set off in the consolidated statement of financial position	Net amounts of financial assets/ (liabilities) presented in the consolidated statement of financial position	Related amount not offset in the consolidated statement of financial position		
				Amounts subject to master netting arrangements	Financial instrument collateral	Net amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As of 31 December 2022						
Financial assets:						
Amounts receivables arising from financial service business	–	–	–	–	–	–
Financial liabilities:						
Amounts payable arising from financial services business	(6,453)	–	(6,453)	–	–	(6,453)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Offsetting financial assets and financial liabilities (continued)

	2022 HK$'000
Trade receivables	
Net amount of receivables as stated above	–
Amount not in scope of offsetting disclosures	28,952
Amount of total trade and other receivables as stated in Note 22	28,952
Trade payables	
Net amount of payables as stated above	6,453
Amount not in scope of offsetting disclosures	8,912
Amount of total trade and other payables as stated in Note 27	15,365

3.5 Capital management

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

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

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.5 Capital management (continued)

The gearing ratios of the Group are as follows:

	2023 HK$'000	2022 HK$'000
Total debt	**12,541**	29,195
Less: cash and cash equivalents *(Note 26)*	**(26,587)**	(46,437)
Net debt	**(14,046)**	(17,242)
Total equity	**42,885**	89,851
Total capital	**28,839**	72,609
Gearing ratio	**N/A**	N/A

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Impairment of trade receivables

The Group estimates the amount of loss allowance for ECL on 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, asset management services and credit finance; and

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

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

The segment information provided to the board of directors for the reportable segments for the years ended 31 December 2023 and 2022 are as follows:

For the year ended 31 December 2023

	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	14,479	–	49,574	9,385	1,587	3,694	78,719
Segment results	1,133	–	4,437	2,427	(3,583)	1,395	5,809
Impairment loss recognized	2,608	–	850	418	1,910	439	6,225
Depreciation and amortization	220	–	559	643	149	169	1,740
Total segment assets	4,076	–	12,333	1,908	4,320	864	23,501
Total segment assets includes: Additions to non-current assets (other than financial instruments)	97	–	245	282	–	74	698
Total segment liabilities	1,665	–	4,596	488	–	1,408	8,157

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

For the year ended 31 December 2022

	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	12,396	–	48,941	12,792	6,050	5,951	86,130
Segment results	964	–	3,508	3,534	(7,224)	1,947	2,729
Impairment loss recognized	29	–	540	593	8,959	1,016	11,137
Depreciation and amortization	323	–	472	1,269	747	249	3,060
Total segment assets	3,835	–	12,850	3,461	18,093	2,200	40,439
Total segment assets includes: Additions to non-current assets (other than financial instruments)	90	–	131	351	60	69	701
Total segment liabilities	1,508	–	3,597	562	6,663	1,642	13,972

There were no inter-segment sales during the years ended 31 December 2023 and 2022. 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:

	2023 HK$'000	2022 HK$'000
Segment results for reportable segments	5,809	2,729
Unallocated:		
Other income	920	6,382
Other gains/(losses) – net	154	(1,091)
Depreciation and amortization	(507)	(733)
Finance costs	(674)	(1,071)
Corporate and other unallocated expenses	(13,518)	(15,289)
Loss before tax	(7,816)	(9,073)

Segment result represents the profit earned by each segment without other income, other gains/(losses) – net, unallocated depreciation and amortization, unallocated finance costs and corporate and other unallocated expenses (mainly including unallocated salaries and allowances). This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

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:

	2023 HK$'000	2022 HK$'000
Segment assets for reportable segments	23,501	40,439
Unallocated:		
Property, plant and equipment	278	340
Right-of-use asset	128	60
Tax recoverable	474	474
Deferred income tax assets	755	669
Financial assets at FVTPL	1,543	1,459
Corporate and other unallocated assets	28,838	75,761
Total assets per consolidated statement of financial position	55,517	119,202

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:

	2023 HK$'000	2022 HK$'000
Segment liabilities for reportable segments	8,157	13,972
Unallocated:		
Deferred income tax liabilities	8	16
Current income tax liabilities	83	140
Borrowings	–	2,000
Lease liabilities	129	90
Corporate and other unallocated liabilities	4,255	13,133
Total liabilities per consolidated statement of financial position	12,632	29,351

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than unallocated property, plant and equipment, unallocated right-of-use assets, tax recoverable, deferred income tax assets, financial assets at FVTPL and corporate and other unallocated assets (including intangible assets, interest in an associate, other receivables, deposits and prepayment and cash and cash equivalents); and

- all liabilities are allocated to operating segments other than deferred income tax liabilities, current income tax liabilities, borrowings, unallocated lease liabilities and corporate and other unallocated liabilities (including other payables and accruals).

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$77,976,000 (2022: approximately HK$85,710,000), and the total of revenue from external customers from other country is approximately HK$743,000 (2022: approximately HK$420,000).

The total of non-current assets other than other assets, financial instruments and deferred income tax assets located in Hong Kong is approximately HK$3,470,000 (2022: approximately HK$4,489,000), and none of these non-current assets is located in other countries (2022: Nil).

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

Information about major customers

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

	2023 HK$'000	2022 HK$'000
Customer A[1]	**10,333**	11,620
Customer B[1]	**N/A**[2]	8,680
Customer C[1]	**8.759**	8,968

1 Revenue from provision of telecommunication services and staff insourcing services.

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

Breakdown of the revenue from all services is as follows:

Analysis of revenue by category

	2023 HK$'000	2022 HK$'000
Service fee income from provision of telecommunication and related services	**23,864**	25,188
Financial services income	**155**	2,389
Licensing and sales of system and software	**1,536**	3,865
System maintenance income	**2,158**	2,086
Staff insourcing services and personnel services	**49,574**	48,941
Revenue from contracts with customers	**77,287**	82,469
Interest income arising from		
– Loans	**1,432**	3,657
– Margin clients	**–**	4
Total revenue	**78,719**	86,130

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers

	2023 HK$'000	2022 HK$'000
By timing of revenue recognition:		
Control transferred over time	75,596	77,814
Control transferred at a point of time	1,691	4,655
	77,287	82,469

Performance obligations for contracts with customers and revenue recognition policies

(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.

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

Performance obligations for contracts with customers and revenue recognition policies (continued)

(d) Provision of licensing services

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

(e) Staff insourcing services

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

(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) 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.

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

Transaction price allocated to the remaining performance obligations

	2023 HK$'000	2022 HK$'000
Remaining performance obligations expected to be satisfied during the year ending:		
Within one year	6,467	5,821
More than one year	725	2,614
	7,192	8,435

6. OTHER INCOME

	2023 HK$'000	2022 HK$'000
Dividends from financial assets at FVTPL	–	6
Government grants	–	6,117
Interest income from bank deposits	918	179
Sundry income	2	80
	920	6,382

No government grants were recognized during the year ended 31 December 2023. During the year ended 31 December 2022, the Group recognized government grants of approximately HK$6,117,000 in respect of COVID-19-related subsidies, of which approximately HK$6,040,000, approximately HK$30,000 and approximately HK$47,000 relates to Employment Support Scheme, Subsidy Scheme for Employment Agencies and Distance Business Programme under Anti-Epidemic Fund, respectively, provided by the Hong Kong government.

7. OTHER GAINS/(LOSSES) – NET

	2023 HK$'000	2022 HK$'000
Financial assets at FVTPL		
– Fair value gain/(loss)	**287**	(976)
Fair value loss on embedded derivatives of convertible bonds	**(2,434)**	(109)
Gain on disposal of subsidiaries	**2,300**	–
Loss on disposal of property, plant and equipment – net	**–**	(5)
Net foreign exchange gains/(losses)	**1**	(1)
	154	(1,091)

8. EMPLOYEE BENEFITS EXPENSES

	2023 HK$'000	2022 HK$'000
Salaries and allowances	**64,901**	67,691
Retirement benefit costs	**2,778**	2,946
Total employee benefits expenses, including directors' remuneration	**67,679**	70,637
Less: Amounts capitalized in deferred development costs	**(720)**	(690)
	66,959	69,947

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

Five highest paid individuals

None (2022: None) of the five highest-paid individuals in the Group for the year was a director. Directors' emoluments are shown in Note 37. The emoluments paid or payable to the above five individuals (2022: five individuals) for the year are as follows.

	2023 HK$'000	2022 HK$'000
Salaries, allowances and benefits in kind	**4,499**	4,569
Retirement benefit costs	**159**	172
	4,658	4,741

8. EMPLOYEE BENEFITS EXPENSES (CONTINUED)

Five highest paid individuals (continued)

	Number of Individuals	
	2023	2022
Emolument bands (in HK$)		
Below HK$1,000,000	**4**	4
HK$1,000,001–HK$1,500,000	**–**	–
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 as an inducement to join or upon joining the Group or as compensation for loss of office (2022: Nil). None of the directors of the Company waived any emoluments during the year (2022: Nil).

9. FINANCE COSTS

	2023 HK$'000	2022 HK$'000
Interest on borrowings	**26**	76
Effective interest expense on convertible bonds	**648**	992
Interest on lease liabilities	**7**	25
	681	1,093

10. LOSS BEFORE TAX

	2023 HK$'000	2022 HK$'000
Loss before tax is stated after charging:		
Depreciation and amortization		
Depreciation of owned property, plant and equipment	**488**	748
Depreciation of right-of-use assets	**393**	872
Amortization of intangible assets	**1,366**	2,173
Total depreciation and amortization	**2,247**	3,793
Auditors' remuneration	**1,000**	1,000
Provision for impairment of financial assets and contract assets – net (included in other operating expenses)	**6,195**	11,062
Expenses relating to short-term leases	**2,886**	2,764

11. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years.

	2023 HK$'000	2022 HK$'000
Current tax:		
Provision for the year	212	201
Overprovision in prior years	–	(125)
Total current tax	212	76
Deferred income tax *(Note 31)*	(106)	147
Income tax expense	106	223

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:

	2023 HK$'000	2022 HK$'000
Loss before tax	(7,816)	(9,073)
Tax calculated at Hong Kong Profits Tax rate of 16.5%	(1,290)	(1,497)
Tax effects of:		
– Income not subject to tax	(830)	(894)
– Expenses not deductible for tax purposes	154	389
– Temporary differences not recognized	734	305
– Tax effect of share of result of an associate	41	28
– Tax losses for which no deferred income tax asset was recognized	2,716	2,309
– Utilization of previous unrecognized tax losses	(1,413)	(280)
– Tax reduction	(6)	(12)
– Overprovision in respect of prior years	–	(125)
Tax charge	106	223

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 286,078,767 ordinary shares issued during the year (2022: 280,000,000 ordinary shares).

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares in issue during the year ended 31 December 2023.

The diluted loss per share is equal to the basic loss per share as (i) the impact of conversion for convertible bond is anti-dilutive; and (ii) there were no other dilutive potential ordinary shares in issue during the years ended 31 December 2022.

13. DIVIDENDS

	2023 HK$'000	2022 HK$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2023 Interim – HK15 cents (2022: Nil) per share	44,344	–
2022 Final – HK1.5 cents (2022: Nil) per share	4,200	–
	48,544	–

14. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Name	Place of incorporation and kind of legal entity	Principal activities	Particulars of issued share capital	Interest held 2023	Interest held 2022
Epro Telecom Holdings	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	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)
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)
Gear Credit Limited	Hong Kong, limited liability company	Provision of corporate financial management	HK$10,000 divided into 10,000 ordinary shares	100% (indirect)	100% (indirect)

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

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 2023 and 2022.

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 vehicles HK$'000	Total HK$'000
As at 1 January 2022						
Cost	9,176	1,795	1,842	558	698	14,069
Accumulated depreciation	(8,936)	(1,761)	(759)	(374)	(698)	(12,528)
Net book amount	240	34	1,083	184	–	1,541
Year ended 31 December 2022						
Opening net book amount	240	34	1,083	184	–	1,541
Additions	69	128	12	4	–	213
Disposals	(2)	(3)	–	–	–	(5)
Depreciation charge	(206)	(49)	(433)	(60)	–	(748)
Closing net book amount	101	110	662	128	–	1,001
As at 31 December 2022						
Cost	8,973	341	1,516	278	698	11,806
Accumulated depreciation	(8,872)	(231)	(854)	(150)	(698)	(10,805)
Net book amount	101	110	662	128	–	1,001
Year ended 31 December 2023						
Opening net book amount	**101**	**110**	**662**	**128**	**–**	**1,001**
Additions	**53**	**138**	**–**	**8**	**–**	**199**
Depreciation charge	**(76)**	**(65)**	**(303)**	**(44)**	**–**	**(488)**
Closing net book amount	**78**	**183**	**359**	**92**	**–**	**712**
As at 31 December 2023						
Cost	**2,079**	**450**	**1,504**	**238**	**698**	**4,969**
Accumulated depreciation	**(2,001)**	**(267)**	**(1,145)**	**(146)**	**(698)**	**(4,257)**
Net book amount	**78**	**183**	**359**	**92**	**–**	**712**

16. RIGHT-OF-USE ASSETS

	Premises HK$'000
As at 31 December 2023	
Carrying amount	**535**
As at 31 December 2022	
Carrying amount	370
For the year ended 31 December 2023	
Depreciation charge *(Note 10)*	**393**
For the year ended 31 December 2022	
Depreciation charge *(Note 10)*	872

	2023 HK$'000	2022 HK$'000
Total cash outflow for leases	**3,291**	3,675
Additions to right-of-use assets	**558**	238

The Group leases certain premises for its operations. Leases contracts are entered into for fixed terms of 2 years (2022: 2 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 2023 and 2022, 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

	Internally generated software development costs HK$'000
As at 1 January 2022	
Cost	58,530
Accumulated amortization and impairment	(54,759)
Net book amount	3,771
Year ended 31 December 2022	
Opening net book amount	3,771
Additions	690
Amortization charge	(2,173)
Closing net book amount	2,288
As at 31 December 2022	
Cost	59,220
Accumulated amortization and impairment	(56,932)
Net book amount	2,288
Year ended 31 December 2023	
Opening net book amount	**2,288**
Additions	**720**
Amortization charge	**(1,366)**
Closing net book amount	**1,642**
As at 31 December 2023	
Cost	**59,940**
Accumulated amortization and impairment	**(58,298)**
Net book amount	**1,642**

17. INTANGIBLE ASSETS (CONTINUED)

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. INTEREST IN AN ASSOCIATE

	2023 **HK$'000**	2022 HK$'000
Cost of unlisted interest in an associate	**1,000**	1,000
Share of post-acquisition loss and other comprehensive income, net of dividends received	**(419)**	(170)
	581	830

The following table illustrates the aggregate financial information of the Group's and the Company's associates that are not individually material:

	2023 **HK$'000**	2022 HK$'000
Share of results of the associate for the year	**(249)**	(170)
Aggregate carrying amount of the Group's investments in the associate	**581**	830

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 HK$'000	2022 HK$'000
Equity securities listed in Hong Kong	–	199
Unlisted equity securities in Hong Kong	1,543	1,260
	1,543	1,459
Analyzed for reporting purposes as:		
Current assets	–	199
Non-current assets	1,543	1,260
	1,543	1,459

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

20. OTHER ASSETS

	2022 HK$'000
Fidelity fund deposit to The Stock Exchange of Hong Kong Limited ("SEHK")	50
Compensation fund deposit to SEHK	50
Stamp duty deposit with SEHK	5
Admission fee paid to Hong Kong Securities Clearing Company Limited ("HKSCC")	50
Guarantee fund deposit to HKSCC	50
	205

21. CONTRACT ASSETS AND CONTRACT LIABILITIES

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

	2023 HK$'000	2022 HK$'000
Contract assets	5,853	3,974
Less: loss allowance	(104)	(2)
Contract assets – net	5,749	3,972
Contract liabilities	(2,218)	(2,248)
	3,531	1,724

The contract assets are mainly arising from contracts for staff insourcing services 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. The contract liabilities primarily relate to the advanced consideration received from customers mainly arising from contracts for the provision of system maintenance, 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.

	2023 HK$'000	2022 HK$'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	1,071	596
Transfers from the contract assets recognized at the beginning of the year to trade receivables	3,974	3,887

Details of impairment assessment of contract assets are set out in Note 3.2.

22. TRADE AND OTHER RECEIVABLES

	2023 HK$'000	2022 HK$'000
Trade receivables		
Amounts receivables arising from multi-media contact services, contact centre system and advisory services	**30,755**	42,352
Loan and interests receivables	**23,590**	17,511
Less: loss allowance	**(38,682)**	(32,559)
Trade receivables – net	**15,663**	27,304
Other receivables, deposits and prepayments	**1,277**	1,679
Less: loss allowance	**(1)**	(31)
Other receivables, deposits and prepayments – net	**1,276**	1,648
	16,939	28,952

The average credit period on the Group's sales is 30 days (2022: 30 days). The aging analysis of the trade receivables based on invoice date is as follows:

	2023 HK$'000	2022 HK$'000
0–30 days	**6,604**	6,157
31–60 days	**3,731**	3,560
61–90 days	**1,696**	1,993
Over 90 days	**18,724**	30,642
	30,755	42,352

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group's loan and interests receivables, which arise from the money lending business, are denominated in HK$. All the loan receivables are entered with contractual maturity within 1 year. Loan receivables are interest-bearing at a rate range from 5% to 20% (2022: 12% to 20%) per annum.

The fair value of collateral held in respect of the loan and interests receivables as at 31 December 2023 is approximately HK$4,000,000 (2022: approximately HK$18,025,000).

The carrying amounts of the Group's trade and other receivables are denominated in HK$.

As at 31 December 2022, the carrying amounts of the Group's trade receivables included 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 and interest-free. During the year ended 31 December 2023, the receivable was settled in full.

As at 31 December 2023, the carrying amounts of the Group's trade receivables included approximately HK$9,444,000 (2022: approximately HK$17,505,000) 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 and interest-free. During the year ended 31 December 2023, approximately HK$8,061,000 of the receivable was settled.

As at 31 December 2022, the carrying amounts of the Group's trade receivables included approximately HK$3,300,000 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 and interest-free. During the year ended 31 December 2023, the receivable was settled in full.

As at 31 December 2023, the carrying amount of the Group's deposits included approximately HK$681,000 (2022: approximately HK$681,000) is premise rental deposits paid to Star China Development 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 3.2.

23. PLEDGED BANK DEPOSITS

Pledged bank deposits represent deposits pledged to banks to secure the banking facilities and factoring facilities of the Group. The interest rate on pledged bank deposits is 3.28% per annum at 31 December 2022. The original maturity of these deposits was 34 days at 31 December 2022. The carrying amounts of pledged bank deposits are denominated in HK$.

24. TIME DEPOSITS

The time deposits are made with original maturities of three months to twelve months and earn interest at the respective time deposit rates.

25. BANK TRUST ACCOUNT BALANCES

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

26. CASH AND CASH EQUIVALENTS

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for three months and earn interest at the respective short-term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

	2023 HK$'000	2022 HK$'000
Cash at banks and on hand	**26,587**	33,418
Short-term bank deposits	**–**	13,019
Cash and cash equivalents	**26,587**	46,437

As at 31 December 2023, the cash and cash equivalents of the Group denominated in RMB amounted to approximately HK$72,000 (2022: approximately HK$72,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

27. TRADE AND OTHER PAYABLES

	2023 HK$'000	2022 HK$'000
Trade payables	–	4
Amounts payable arising from financial services business		
– Clients-cash	–	6,289
– Clients-margin	–	164
Other payables and accruals	9,787	8,908
	9,787	15,365

At 31 December 2023, the aging analysis of the trade payables based on invoice date is as follows:

	2023 HK$'000	2022 HK$'000
0–30 days	–	2
31–60 days	–	1
61–90 days	–	1
	–	4

As at 31 December 2022, 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.

28. BORROWINGS

	2023 HK$'000	2022 HK$'000
Current		
Secured bank borrowings	–	2,000

All the bank borrowings are analyzed as follows:

	2023 HK$'000	2022 HK$'000
Within 1 year	–	2,000

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

The interest rate of the bank borrowings is 3.2% per annum over Hong Kong Interbank Offered Rate as at 31 December 2022 and repayable in February 2023.

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

As at 31 December 2022, the banking facilities of the Group were secured by the followings:

(i) Pledged bank deposits with carrying amount of approximately HK$6,092,000;

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

29. LEASE LIABILITIES

	2023 HK$'000	2022 HK$'000
Lease liabilities payable:		
Within one year	**274**	376
More than one year but not exceeding two years	**262**	–
	536	376
Less: Amount due for settlement with 12 months shown under current liabilities	**(274)**	(376)
Amount due for settlement after 12 months shown under non-current liabilities	**262**	–

The incremental borrowing rates applied to lease liabilities at 5.63% (2022: from 3.2% to 3.24%).

30. 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.

30. 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 2022	7,860	245	8,105
Interest charge	992	–	992
Loss arising on changes of fair value	–	109	109
As at 31 December 2022 and 1 January 2023	**8,852**	**354**	**9,206**
Interest charge	**648**	**–**	**648**
Loss arising on changes of fair value	**–**	**2,434**	**2,434**
Conversion of convertible bonds	**(9,500)**	**(2,788)**	**(12,288)**
As at 31 December 2023	**–**	**–**	**–**

On 11 August 2023, the CBs were converted into 15,625,000 ordinary shares. Further details of the conversion of the CBs, please refer to "Management Discussion and Analysis" section.

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.

31. DEFERRED INCOME TAX

For the purpose of presentation in the consolidated statement of financial position, certain deferred income tax assets and liabilities have been offset. The following is the analysis of the deferred income tax balances for financial reporting purposes:

	2023 HK$'000	2022 HK$'000
Deferred income tax assets	755	669
Deferred income tax liabilities	(8)	(16)
	747	653

The following are the major deferred income tax liabilities and assets recognized and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	ECL provision HK$'000	Total HK$'000
As at 1 January 2022	(734)	(66)	(800)
Charged to the consolidated statement of profit or loss	97	50	147
As at 31 December 2022 and 1 January 2023	(637)	(16)	(653)
Disposal of subsidiaries	13	(1)	12
Charged/(credited) to the consolidated statement of profit or loss	70	(176)	(106)
As at 31 December 2023	(554)	(193)	(747)

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 2023, the Group has unused tax losses of approximately HK$38,149,000 (2022: approximately HK$30,255,000) which are available for offset against future profits may be carried forward indefinitely. Certain amounts of unused tax losses are subject to approval from the Hong Kong Inland Revenue Department.

32. SHARE CAPITAL

	Number of shares		Share capital	
	2023	2022	**2023**	2022
Ordinary shares of HK$0.01 each			**HK$'000**	HK$'000
Authorised				
At beginning of year and at end of year	**5,000,000,000**	5,000,000,000	**50,000**	50,000
Issued and fully paid				
At beginning of year	**280,000,000**	280,000,000	**2,800**	2,800
Issue of shares	**15,625,000**	–	**156**	–
At end of year	**295,625,000**	280,000,000	**2,956**	2,800

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.

Share premium

The share premium represents the difference between the par value of issued shares of the Company and the considerations received from the shareholders.

34. RELATED PARTY TRANSACTIONS

Save as disclosed in Notes 22 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*	2023 HK$'000	2022 HK$'000
Jiayuan Stangroup Development Company Limited	Asset management services income	*(ii)*	–	1,148
Stan Group (Holdings) Limited	Repayment of lease liabilities	*(i)*	–	445
Star China Development Limited	Short-term lease expenses	*(iii) & (iv)*	2,694	2,713

Notes:

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

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

(iii) Short-term lease expenses are based on terms mutually agreed between the parties involved.

(iv) Star China Development Limited is controlled by Mr. SB Tang's estate.

Key management personnel compensation

	2023 HK$'000	2022 HK$'000
Salaries and short-term employee benefits	480	480
Post-employment benefits	6	6
	486	486

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

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Non-current assets		
Investment in a subsidiary	**40,151**	40,151
Current assets		
Other receivables	**118**	7,000
Amounts due from subsidiaries	**22,837**	57,033
Tax recoverable	**–**	16
Time deposits	**–**	10,000
Cash and cash equivalents	**10,455**	3,917
	33,410	77,966
Current liabilities		
Other payables	**867**	643
Amounts due to subsidiaries	**29,846**	22,629
Current income tax liabilities	**64**	–
Convertible bonds	**–**	9,206
	30,777	32,478
Net current assets	**2,633**	45,488
Net assets	**42,784**	85,639
Equity attributable to the owners of the Company		
Share capital	**2,956**	2,800
Reserves *(Note (a))*	**39,828**	82,839
Total equity	**42,784**	85,639

Approved and authorized for issue by the Board of Directors on 22 March 2024.

Tang Yiu Sing
Director

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

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

	Share premium HK$'000	Convertible bonds equity reserve HK$'000	Special reserve HK$'000	Retained profits/ (Accumulated loss) HK$'000	Total HK$'000
As at 1 January 2022	25,238	1,734	40,151	16,280	83,403
Loss for the year	–	–	–	(564)	(564)
As at 31 December 2022 and 1 January 2023	**25,238**	**1,734**	**40,151**	**15,716**	**82,839**
Conversion of convertible bonds	**11,078**	**(1,734)**	**–**	**–**	**9,344**
Dividend recognized as distributions	**(32,828)**	**–**	**–**	**(15,716)**	**(48,544)**
Loss for the year	**–**	**–**	**–**	**(3,811)**	**(3,811)**
As at 31 December 2023	**3,488**	**–**	**40,151**	**(3,811)**	**39,828**

Special reserve

Special reserve represents the difference between the fair value of the shares of Eastside Fortune Limited 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$'000	Borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
As at 1 January 2022	8,105	–	1,024	9,129
Financing cash flows	–	1,924	(911)	1,013
New leases entered	–	–	238	238
Fair value adjustment	109	–	–	109
Interest expenses	992	76	25	1,093
As at 31 December 2022 and 1 January 2023	**9,206**	**2,000**	**376**	**11,582**
Financing cash flows	**(2,788)**	**(2,026)**	**(405)**	**(5,219)**
New leases entered	**–**	**–**	**558**	**558**
Fair value adjustment	**2,434**	**–**	**–**	**2,434**
Interest expenses	**648**	**26**	**7**	**681**
Conversion of convertible bonds	**(9,500)**	**–**	**–**	**(9,500)**
As at 31 December 2023	**–**	**–**	**536**	**536**

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 2023 is set out below:

Name of director	Fees HK$'000	Salary HK$'000	Discretionary bonus HK$'000	Other benefits HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive directors						
Mr. YS Tang[1]	–	60	–	–	3	63
Mr. Yeung Ka Wing[2]	–	60	–	–	3	63
Independent non-executive directors						
Ms. Kwong Yuk Ying[3]	120	–	–	–	–	120
Mr. Cheung Kong Ting[4]	120	–	–	–	–	120
Mr. Wong Kam Tai	120	–	–	–	–	120
	360	120	–	–	6	486

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 2022 is set out below:

Name of director	Fees HK$'000	Salary HK$'000	Discretionary bonus HK$'000	Other benefits HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive directors						
Mr. YS Tang[1]	–	60	–	–	3	63
Mr. Yeung Ka Wing[2]	–	60	–	–	3	63
Independent non-executive directors						
Mr. Wong Sik Kei[5]	120	–	–	–	–	120
Mr. Cheung Kong Ting[4]	120	–	–	–	–	120
Mr. Wong Kam Tai	120	–	–	–	–	120
	360	120	–	–	6	486

Notes:

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

2. Mr. Yeung Ka Wing resigned on 5 February 2024.

3. Ms. Kwong Yuk Ying was appointed on 1 January 2023.

4. Mr. Cheung Kong Ting resigned on 1 January 2024.

5. Mr. Wong Sik Kei resigned on 1 January 2023.

(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.

38. DISPOSAL OF SUBSIDIARIES

In October 2023, the Group disposed of its 100% equity interest in Gear Future Limited and its subsidiaries (the "Gear Future Group") at a consideration of approximately HK$8,906,000. The net assets of Gear Future Group at the date of disposal were as follows:

	HK$'000
Consideration received	
Cash received	8,906
Analysis of assets and liabilities over which control was lost	
Deferred income tax assets	12
Other assets	205
Trade and other receivables	63
Bank trust account balances	296
Cash and cash equivalents	6,631
Trade and other payables	(601)
Net assets disposed of	6,606
Gain on disposal of subsidiaries	
Consideration received	8,906
Net assets disposed of	(6,606)
Gain on disposal	2,300
Net cash inflow arising on disposal	
Cash consideration received	8,906
Less: cash and cash equivalents sold	(6,631)
	2,275

	For the year ended 31 December				
	2023 HK$'000	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000
Results					
Revenue	78,719	86,130	98,757	104,211	132,333
Operating (loss)/profit	(7,135)	(7,980)	(17,252)	(4,751)	9,703
Finance costs	(681)	(1,093)	(496)	(399)	(326)
(Loss)/Profit before tax	(7,816)	(9,073)	(17,748)	(5,150)	9,377
Income tax (expense)/credit	(106)	(223)	(872)	13	(1,786)
(Loss)/Profit for the year	(7,922)	(9,296)	(18,620)	(5,137)	7,591

	At 31 December				
	2023 HK$'000	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000
Asset and liabilities					
Property, plant and equipment	**712**	1,001	1,541	1,320	5,509
Right-of-use assets	**535**	370	1,004	5,246	10,236
Intangible assets	**1,642**	2,288	3,771	5,437	12,379
Interest in an associate	**581**	830	–	–	–
Financial assets at fair value through profit or loss	**1,543**	1,260	2,200	–	–
Deferred income tax assets	**755**	669	818	1,171	805
Other assets	**–**	205	205	205	205
Net current assets	**37,387**	83,244	97,982	102,700	94,112
Total assets less current liabilities	**43,155**	89,867	107,521	116,079	123,246
Deferred income tax liabilities	**(8)**	(16)	(18)	(46)	(91)
Lease liabilities	**(262)**	–	(251)	–	(1,985)
Convertible Bonds	**–**	–	(8,105)	–	–
Net assets	**42,885**	89,851	99,147	116,033	121,170
Capital and reserves					
Share capital	**2,956**	2,800	2,800	2,800	2,800
Reserves	**39,929**	87,051	96,347	113,233	118,370
Total equity	**42,885**	89,851	99,147	116,033	121,170
(Loss)/Earnings per share attributable to owners of the Company – Basic and diluted (HK cents)	**(2.8)**	(3.3)	(6.7)	(1.8)	2.7

Notes:

1. The results of the Group for the year ended 31 December 2023 and 2022 are those set out on page 69 of this annual report.

2. The consolidated statement of financial position as at 31 December 2023 and 2022 are those set out on pages 70 to 71 in this annual report.

ETS

ETS GROUP LIMITED

易通訊集團有限公司