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

2022
ANNUAL REPORT 年報

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

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

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

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

CONTENTS

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Kong Ting
Mr. Wong Kam Tai
Ms. Kwong Yuk Ying

AUDIT COMMITTEE

Mr. Wong Kam Tai *(Chairman)*
Mr. Cheung Kong Ting
Ms. Kwong Yuk Ying

REMUNERATION COMMITTEE

Mr. Cheung Kong Ting *(Chairman)*
Mr. Tang Yiu Sing
Mr. Wong Kam Tai
Ms. Kwong Yuk Ying

NOMINATION COMMITTEE

Mr. Tang Yiu Sing *(Chairman)*
Mr. Yeung Ka Wing
Mr. Cheung Kong Ting
Mr. Wong Kam Tai
Ms. Kwong Yuk Ying

RISK MANAGEMENT AND INTERNAL CONTROL COMMITTEE

Mr. Wong Kam Tai *(Chairman)*
Mr. Tang Yiu Sing
Mr. Yeung Ka Wing
Mr. Cheung Kong Ting
Ms. Kwong Yuk Ying

COMPLIANCE OFFICER

Mr. Yeung Ka Wing

COMPANY SECRETARY

Mr. Suen Fuk Hoi

AUTHORISED REPRESENTATIVES

Mr. Tang Yiu Sing
Mr. Yeung Ka Wing

REGISTERED OFFICE

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As to Cayman Islands law
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PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

WEBSITE

www.etsgroup.com.hk

STOCK CODE

8031

Dear Shareholders,

On behalf of the board of directors (the "Board") of ETS Group Limited (the "Company"), I herewith present the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2022 (the "Year") to all shareholders and investors.

For the financial year under review, the Group recorded a consolidated revenue of approximately HK$86 million with a 13% decrease from HK$99 million in the year ended 31 December 2021. Net loss attributed to the owners of the Company amounted to approximately HK$9.3 million with a 50% decrease from a loss of 18.6 million in the year ended 31 December 2021. The Board of Directors has approved a final dividend of HK$1.5 cent per share for the year ended 31 December 2022 (2021: 0 cent per share).

During the Year, the overall business environment in Hong Kong continued to be heavily impacted by the ongoing pandemic, cross-border travel restrictions, continual brain drain, China-US tension and interest rate hike. The Hong Kong market fell along with the global market with the Hang Seng Index (HIS) and Hang Seng China Enterprise Index (HSCEI) down 15.5% and 18.6%, representing a 13- and 17- year lows respectively. The overall decline in stock market trading together with increasing competition in trading platforms resulted in a lackluster performance of our financial service business during the period. And the Group plans to manage this business sector cautiously in the coming future.

With labour force of Hong Kong continues to decline but the overall workforce demand continues to rise, the resulting talent shortage becomes a heavy burden on the future development of Hong Kong's economy. In the coming year, the Group will stay focus on adopting aggressive methods to attract, train and retain talents in order to meet the continuous demand of our business.

As an ongoing corporate strategy to stay competitive in the call centre system industry, the Group will continue to enhance our Marvel Contact Centre System Solution with the latest technologies through our own research and development capacity as well as collaborating with expert partners in the respective fields.

As Hong Kong picking up the pace on its road to recovery by reopening border, removing social distancing restriction, scrapping mandate face mask order, etc., the local business environment has significantly turned more active in the past months. The Group has also experienced more vibrant business activities since the beginning of 2023, and is confident that business environment will become more positive this year, and so will be our business with more opportunities to come.

On behalf of the Board, I would like to express my great appreciation to the Company's management team and all employees for their commitment and hard work over the past year. I would also like to express my gratitude to our shareholders, customers and business partners for their trust and continuous support to the Group. We will remain persistent and pragmatic to strive to create values for our shareholders.

Tang Yiu Shing
CEO

Hong Kong, 21 March 2023

BUSINESS ENVIRONMENT AND BUSINESS REVIEW

With the fifth wave of COVID-19 spanned from early January to late March in 2022, the local economy had faced its most tremendous setback during the period. Although the pandemic gradually calmed down with slight fluctuation for the rest of the year, the overall economic and business situation had yet to recover notably until towards the end of 2022.

Despite the pandemic crisis had gradually eased off in the later part of the period, the overall global geopolitical tension and financial situation had failed to make a positive turn at the same time. In the midst of China-US trade and political strain, prolong Ukraine-Russia war, interest rate hike and looming inflation, the global economy as well as local business environment remained undesirable during 2022.

Uncertainty and weak market sentiment led to an increase in the volatility of Hong Kong stock market. The Hang Seng Index fell to 14,597 points by October 2022, dropping more than 56% from the historical high of 33,484 before the pandemic. Sluggish stock market, fierce competition among trading venues and alternative trading platforms as well as continual interest rate hikes, resulted in poor performance of the Group's financial services business in the period.

Significant rise in interest rates together with a drop in housing demand ascribed to recent exodus of expatriates and local working class had weakened both demand and prices for homes in 2022. Based on the corresponding valuation of our financial assets and collaterals, the Group has decided to make prudent financial adjustment albeit optimistic outcome of the situation.

The talent outflow from Hong Kong had seen its biggest ever increase since early 2022. The tightening local labour market has markedly driven up cost per hire as well as that for retaining staff, and the increasing overhead played a role in eroding the margin of our insourcing business during the period. The management of the Group believes the difficulties in hiring will persist for a considerable period of time, and we tend to focus addressing the issue diversely, including but not limited to, through expanding our recruiting channels, referral networks, offering persistent training, attractive career path as well as better fringe benefits.

The need for technology and digital transformation has reached fever pitch during the period of COVID-19 pandemic. Organizations have rushed to quickly apply digital solutions to allow for efficient remote working conditions and adapt to changing customer behavior, worsening the IT talent gap. As the demand for tech talents escalates, so does the cost of labor. The Group has experienced a busy year of system development especially followed the award of a sizable contract in the middle of 2022. Despite a shortage of IT talents in the market, the Group has been able to expand our development team to address the additional demand and workload so far. And it is the intention of the Group to stay vigilant in managing the growth of our system solution business in the midst of this challenging period.

To capture the next important wave of blockchain technology adopted in the financial industry, the Group acquired 1,000,000 shares ("Subscription Shares") on 31 March 2022, representing approximately 40% of the issued share capital of MetaSTO Group Limited ("META") at HK$1 million. META is an unlisted company that provides services in regard of securities tokenization and related businesses. The management of the Group believes that the investment in META can further maximize the synergy and investment in Hong Kong Virtual Asset Exchange Limited ("VAX"), a company which is currently applying to the Hong Kong Securities and Futures Commission ("SFC") for obtaining licenses to carry out Type 1 (dealing in securities) and Type 7 (providing automated trading services) regulated activities under the Securities and Futures Ordinance ("SFO") for virtual asset trading platform in Hong Kong.

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

Outsourcing Inbound Contact Service

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

Outsourcing Outbound Contact Service

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

Staff Insourcing Service

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

Contact Service Centre and Service Centre Facilities Management Service

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

Financial services

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

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

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

Others

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

PROSPECT

The management of the Group believes global as well as local economy in the near future will remain uncertain due to a number of unfavorable factors such as interest rate hikes, rising inflation, geopolitical tensions and the Ukraine-Russia war. Besides, with continued labor shortage in Hong Kong keeps driving up the cost of hiring and employment, there will still be pressure on the Group's financial performance in the coming period.

Nevertheless, following the complete uplift of COVID-19 restrictions, reopening of the border with mainland China, resumption of international travelling together with a series of measures to boost future investment and strengthen the economic recovery by the Government, the Group is cautiously optimistic about Hong Kong's business outlook in the near future.

To capture the recovery momentum, a lot of companies are reactivating plans and coming up with new initiatives to speed up the business growth, hence more activities and service demands are expected to increase going into the year. With recently unemployment rate fell down to 3.3%, it is believed that the local labour market will remain tight for a period of time and become one of the major obstacles for our future growth. To address the challenge, the Group intends to stay focus and started increasing our resources on talent recruiting, staff training and retention in order to allow us to fully capture all business opportunities to come.

With digital transformation continued to be a journey taken by big and small corporations, the Group predicts the demand on system development and new technology will remain at a high level in the foreseeable future. In addition to further expand and strengthen our software development capacity, the Group has also been actively pursuing collaboration and partnership with experts in the field so as to speed up the roll up of new technology offered by our Marvel Contact Centre System, as well as maintain our competitiveness in the industry.

Followed the ease off of pandemic, uplift of related restrictions and reopening of border with mainland China, Hong Kong stock market is steadily picking up momentum in the past months. However, with looming inflation, recession, escalating geopolitical conflicts and interest rate hikes as the most pressing risks over economy in the coming year, the local stock market may not be able to climb back to the pre-pandemic level any time soon. Also facing increasing competition among securities trading service providers in the market, the Group may consider to re-allocate our resources to more stable and profitable businesses so as to safeguard the overall financial performance of the Group.

Looking forward, the Group anticipates substantial improvement on business environment while local economy returns to a growth track this year. With increasing service activities as well as demand, the Group has confidence to be able to enjoy the strong rebound of the economic recovery and resulting in a better performance in the coming year.

FINAL 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.

The Board has resolved to recommend the payment of final dividend of HK$1.5 cents per share to the shareholders of the Company (the "Shareholders") on the register of members of the Company (the "Register of Members") on 15 May 2023 totaling to approximately HK$4,200,000. Subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company to be held 5 May 2023 (the "AGM"), the proposed final dividend will be paid on or about 29 May 2023 to the Shareholders whose names appear on the Register of Members on 15 May 2023.

CLOSURE OF REGISTER OF MEMBERS

(a) Entitlement to attend and vote at the AGM

The Register of Members will be closed from 2 May 2023 to 5 May 2023 (both days inclusive), during which period no transfers of shares will be registered. To determine the entitlement to attend and vote at 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 28 April 2023 (Friday).

(b) Entitlement to the proposed final dividend

The Register of Members will also be closed from 11 May 2023 to 15 May 2023 (both days inclusive), during which period no transfer of shares will be registered. In order to ascertain shareholders' entitlement to the proposed final dividend, 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 10 May 2023 (Wednesday).

FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

Description of the investments

	2022 HK$'000	2021 HK$'000
Equity securities listed in Hong Kong (FAFVTPL I)	199	235
Unlisted equity securities in Hong Kong (FAFVTPL II)	–	–
Unlisted equity securities in Hong Kong (FAFVTPL III)	1,260	2,200
Total	1,459	2,435
Analysed for reporting purposes as:		
Current asset (FAFVTPL I)	199	235
Non-current asset (FAFVTPL II and FAFVTPL III)	1,260	2,200
	1,459	2,435

FAFVTPL I

The Group had acquired 60,000 shares of the Tracker Fund listed shares (stock code: 2800) ("Listed shares"). Listed shares in the year 2020 amounted approximately HK$1,450,000.

As at 31 December 2022, the Group held 10,000 Listed shares which amount to fair value of approximately HK$199,000.

FAFVTPL II

During 2019, the Group acquired an aggregate amount of 2,470 Shares of an unlisted company incorporated in Hong Kong, Oneshop limited ("Oneshop"), at approximately HK$2 million representing approximately 18% of the total issued share capital of Oneshop.

As at 31 December 2022, the Group held 2,470 Shares with fair value of nil.

FAFVTPL III

The Group invested 165,385 shares ("Subscription Shares"), representing approximately 7.96% 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 2022, the Group held 165,385 shares which amount to fair value of approximately HK$1,260,000.

CONVERTIBLE BONDS

During the year 2021, the Group raised the issue of the Convertible Bonds in the principal amount of HK$9.5 million with reference to the announcements dated 10 May 2021, 5 August 2021 and the circular of the Company dated 15 July 2021. The fund net proceeds after deducting all the relevant costs and expenses from the issue of convertible bonds mainly used for expanding the financial services business of the Group for business development purposes of the Group's securities and asset management business. As at 31 December 2022, the convertible bond is amounted approximately HK$9.2 million.

USE OF PROCEEDS FROM ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

The status of the use of such net proceeds from the issue of Convertible Bonds for the year ended 31 December 2022 is shown as follows:

Purpose of net proceeds	**Amended Intended use of net proceeds** HK$'000	**Actual use of net proceeds until the year ended 31 December 2022** HK$'000	**Remaining balance of unutilised net proceeds as at 31 December 2022** HK$'000
Expansion of the financial services business of the Group, including costs of hiring additional staff ("Staff Hiring") for business development purposes of the Group's securities and asset management business as and when suitable candidates are available ("Financial Services Business Expansion")	6,200	1,183	5,017
Potential office relocation and renovation expenses of the Group's securities and asset management business ("Office Relocation")	807	807	–
Replenishment of working capital and general corporate purposes of the Group ("Working Capital")	1,693	1,693	–
Total	8,700	3,683	5,017

As at 31 December 2022, the Group has applied approximately HK$3,683,000 of the net proceeds from the issue of Convertible Bonds in accordance with the proposed applications as set out in the circular of the Company dated 15 July 2021 and the announcement dated 24 August 2022. As at 31 December 2022, the unutilised net proceeds from the issue of Convertible Bonds amounted to approximately HK$5,017,000 (the "Unutilised Net Proceeds").

Since (i) the Company is continuing to identify suitable candidate(s) in respect of the Staff Hiring; and (ii) in light of the current market condition and the uncertainties brought about by the novel coronavirus disease (COVID-19) pandemic, the Company adopts a cautious and prudent approach in its investment strategy and expansion of its financial services businesses, it is expected that there will be a delay in the application of the Unutilised Net Proceeds. It is expected that the Unutilised Net Proceeds in respect of the Financial Services Business Expansion of approximately HK$5,017,000 will be utilised on or before 31 December 2023.

The above additional information provided in this report does not affect other information contained in the Annual Report and save as disclosed above, the contents in the Annual Report remain unchanged.

FINANCIAL REVIEW

The Group recorded a loss attributable to owners of the Company amounted approximately HK$9.3 million for the year ended 31 December 2022 as compared with the loss attributable to owners of the Company approximately HK$18.6 million for the year ended 31 December 2021. The loss was mainly due to the decrease in revenue as a result of the outbreak of Novel Coronavirus Disease epidemic as discussed in the section "Business Environment and Business Review" in this report, fair value loss of the financial assets and increase of the expected credit loss.

The Group recorded the expected credit loss amounted approximately HK$11.1 million for the year ended 31 December 2022 (2021: approximately HK$7.1 million).

Fair value changes in the financial asset at fair value through profit or loss amounted approximately HK$1 million for the year ended 31 December 2022 (2021: approximately HK$10.7 million).

REVENUE

The Group recorded a decrease in total revenue to approximately HK$12.7 million from approximately HK$98.8 million for the year ended 31 December 2021 to approximately HK$86.1 million for the year ended 31 December 2022.

The following table sets forth the analysis of revenue in terms of business nature of our Group for the years ended 31 December 2022 and 2021 respectively:

	Year ended 31 December 2022 HK$'000	%	Year ended 31 December 2021 HK$'000	%
Outsourcing inbound contact service	12,396	14.4%	12,486	12.7%
Staff insourcing service	48,941	56.8%	53,844	54.5%
Contact service centre facilities management service	12,792	14.9%	14,101	14.3%
Financial services	6,050	7.0%	13,060	13.2%
Others	5,951	6.9%	5,266	5.3%
Revenue	86,130	100%	98,757	100%

Outsourcing Inbound Contact Services

The revenue of outsourcing inbound contact services slightly decreased from approximately HK$12.5 million for the year ended 31 December 2021 to approximately HK$12.4 million for the year ended 31 December 2022.

Staff Insourcing Services

The revenue of staff insourcing services segment decreased from approximately HK$53.8 million for the year ended 31 December 2021 to approximately HK$48.9 million for the year ended 31 December 2022. The decrease of the revenue is mainly due to decrease of the demand of the staff insourcing services.

Contact Service Centre and Service Centre Facilities Management Services

The revenue of the contact service centre and service centre facilities management services decreased from approximately HK$14.1 million for the year ended 31 December 2021 to approximately HK$12.8 million for the year ended 31 December 2022. 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$13.1 million for the year ended 31 December 2021 to approximately HK$6.1 million for the year ended 31 December 2022.

The revenue of the financial services related to securities business decreased from approximately HK$4.3 million for the year ended 31 December 2021 to approximately HK$1.2 million for the year ended 31 December 2022. The decrease of the revenue is mainly due to decrease in the provision of consultancy services related to security products.

The revenue of the financial services related to asset management business decreased from approximately HK$5.2 million for the year ended 31 December 2021 to approximately HK$1.2 million for the year ended 31 December 2022. The decrease of the revenue is mainly due to decrease in the demand of asset management services.

The revenue of the financial services related to credit finance business increased from approximately HK$3.5 million for the year ended 31 December 2021 to approximately HK$3.7 million for the year ended 31 December 2022. The increase of the revenue is mainly due to increase in the demand of credit finance services.

Others

For the year ended 31 December 2022, the Group recorded a revenue in licencing and sales of system and software of approximately HK$3.9 million (2021: approximately HK$3.2 million), system maintenance income of approximately HK$2.1 million (2021: 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 2022 and 2021 respectively:

	Year ended 31 December 2022		Year ended 31 December 2021	
	HK$'000	GP Margin %	HK$'000	GP Margin %
Outsourcing inbound contact service	964	7.8%	924	7.4%
Outsourcing outbound contact service *(note 1)*	–	N/A	(194)	N/A
Staff insourcing service	3,508	7.2%	4,409	8.2%
Contact service centre facilities management service	3,534	27.6%	3,791	26.9%
Financial services	(7,224)	(119.4%)	(2,148)	(16.4%)
Others	1,947	32.7%	2,066	39.2%
Segment result	2,729	3.2%	8,848	9%

Note:

1. No revenue was generated for the year 2022 and 2021.

The gross profit percentage of our Group decreased from approximately 9% for the year ended 31 December 2021 to approximately 3.2% for the year ended 31 December 2022. The overall decrease in segment result and the gross profit margin is mainly due to decrease in demand of financial service segment which recorded a gross loss margin approximately 119.4% for the year ended 31 December 2022.

Outsourcing Inbound Contact Services

The gross profit margin in outsourcing inbound contact services increased from approximately 7.4% for the year ended 31 December 2021 to approximately 7.8% for the year ended 31 December 2022. The increase in the segment result is mainly attributable to the decrease of the employee benefits.

Outsourcing Outbound Contact Services

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

Staff Insourcing Services

The gross profit margin in staff insourcing services decreased from approximately 8.2% for the year ended 31 December 2021 to approximately 7.2% for the year ended 31 December 2022. The decrease in the gross profit margin mainly due to the decrease of the demand of services.

Contact Service Centre and Service Centre Facilities Management Services

The gross profit margin in contact service centre facilities management services increased from approximately 26.9% for the year ended 31 December 2021 to approximately 27.6% for the year ended 31 December 2022.

Financial Services

The gross loss margin percentage of financial services increased from approximately 16.4% for the year ended 31 December 2021 to approximately 119.4% for the year ended 31 December 2022. The gross loss margin was recorded mainly due to additional provision of expected credit loss.

Others

The "Others" segment principally comprises sale of system and software, licence service fee income and maintenance fee of WISE-xb Contact Centre System. The gross profit margin was decreased mainly due to additional provision of expected credit loss.

OTHER LOSSES

The Group recorded other losses amounted approximately HK$1.1 million (2021: losses HK$11.3 million). The other losses mainly comprise the fair value changes of financial assets amounted approximately HK$1 million.

EXPENSES

During the year under review, the employee benefits expenses decreased from approximately HK$73.5 million for the year ended 31 December 2021 to approximately HK$70 million for the year ended 31 December 2022. The decreases of employee benefit expenses are mainly due to less employees were employed.

The Group recorded other operating expenses amounted to approximately HK$25.5 million (2021: approximately HK$22.2 million). The other operating expenses mainly include auditors' remuneration, insourcing expenses, insurance, legal and professional expenses, rent and rates, repair and maintenance, subcontracting expenses, telephone expenses, travelling, entertainment, utilities expenses and expected credit loss. The other operating expenses to sales ratio increased from approximately 22% for the year ended 31 December 2021 to approximately 30% for the year ended 31 December 2022. The expected credit loss of the financial asset increased from approximately HK$7.1 million for the year ended 31 December 2021 to approximately HK$11.1 million for the year ended 31 December 2022. The increases of the other operating expenses are mainly due to more provision was provided for the expected credit loss.

The Group's depreciation and amortization expenses decreased from approximately HK$9.3 million for the year ended 31 December 2021 to approximately HK$3.8 million for the year ended 31 December 2022. 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$18.6 million for the year ended 31 December 2021 to approximately HK$9.3 million for the year ended 31 December 2022. The loss attributable to owners of the Company was mainly attributable to the fair value loss of financial assets, addition of expected credit loss and decrease of revenue.

PLEDGE OF ASSETS

As at 31 December 2022, the Group had pledged its bank deposits of approximately HK$6.1 million (2021: approximately HK$6.1 million) to secure its banking facilities.

FOREIGN EXCHANGE EXPOSURE

Substantially all the revenue-generating operations of the Group were transacted in Hong Kong dollars during the year under review which is the functional currency of the Company and the presentation currency of the Group. The Group therefore does not have significant foreign exchange risk.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Group had no significant contingent liabilities as at 31 December 2022 (2021: Nil). As at 31 December 2022, there was no capital commitments outstanding but not provided for in the financial statements (2021: Nil).

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

Save for those disclosed in this report, there were no significant investments held as at 31 December 2022, 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 2022.

DIRECTORS

Executive Directors

Mr. Tang Yiu Sing (鄧耀昇), aged 37, was appointed as an executive Director and a director of the relevant members of the Group on 29 July 2015 and is the Chief Executive Officer of the Group, an authorised representative and a member of the remuneration committee, the nomination committee and the risk management and internal control committee of the Company. He has over 11 years of experience in corporate management and property investment. He is the founder and Chief Executive Officer of Stan Group (Holdings) Limited ("Stan Group"), a company engaged in various businesses such as restaurant operation, hotel management, marketing, property investment, storage, wedding planning services and financing, and is responsible for the corporate strategic planning and overall business development of the company. Mr. YS Tang has been appointed as an executive director of Pine Care Group Limited (stock code: 1989), a company listed on the Main Board of Hong Kong Exchanges and Clearing Limited, with effect from 23 March 2020. He is also the Honorary Chairman of the Association for Hong Kong Catering Services Management Limited, a member of Chinese Entrepreneurs Organization, Secretary of Lions Club of Metropolitan Hong Kong and a Director of Innovative Entrepreneur Association. Mr. YS Tang obtained a master's degree in Business Administration from the University of Western Ontario in 2014. He is also the son of Mr. Tang Shing Bor, the late non-executive Director of the Company who passed away on 14 May 2021.

Mr. Yeung Ka Wing (楊家榮), aged 51, was appointed as an executive Director and a director of the relevant members of the Group on 29 July 2015 and is the Compliance Officer, an authorised representative and a member of the nomination committee and the risk management and internal control committee of the Company. He has over 20 years of experience in accounting, auditing, and corporate restructuring. He is the Chief Financial Officer of Stan Group. Prior to joining Stan Group, Mr. Yeung was the managing director of FTI Consulting, a consulting company specialised in, among other things, corporate restructuring, receivership and forensic accounting. Mr. Yeung was an Executive Director of Creative Energy Solutions Holdings Limited (stock code: 8109) ("Creative Energy"), a company listed on GEM, for the period from 30 January 2010 to 29 July 2010. During the term of Mr. Yeung's office as its Executive Director, the group of Creative Energy was principally engaged in the provision of energy saving services and sales of energy saving products. Following the completion of the restructuring of Creative Energy, he resigned as an Executive Director of Creative Energy with effect from 29 July 2010. Mr. Yeung has been appointed as an executive director of Pine Care Group Limited (stock code: 1989), a company listed on the Main Board of Hong Kong Exchanges and Clearing Limited, with effect from 23 March 2020. Mr. Yeung was graduated from Simon Fraser University with a bachelor's degree in Business Administration majoring in Accounting in 1994 and obtained a master's degree in Business Administration from the University of Western Ontario in 2014. He is a member of the American Institute of Certified Public Accountants and a Chartered Global Management Accountant.

Independent Non-Executive Directors

Mr. Cheung Kong Ting (張江亭), aged 60, was appointed as an independent non-executive Director on 30 June 2016 and is the Chairman and a member of the remuneration committee, and a member of each of the risk management and internal control committee, the audit committee and the nomination committee of the Company. He is the chief executive officer of China Israel Consultant Co. Ltd. Prior to that, Mr. Cheung worked as the managing director and head of China Market of Edmond de Rothschild, Hong Kong from 2014 to 2015, as the head of China Market Team of Union Bank of Switzerland from 2011 to 2014, as the head of China Market of Barclays Bank PLC from 2008 to 2011 and as the head of Commercial Division of Bank of China Hong Kong from 1984 to 2008.

Mr. Cheung is an associate of the Hong Kong Institution of Bankers since 1998. He has over 32 years of experience in banking and finance. Mr. Cheung graduated from Hang Seng School of Commerce with Diploma in Business Studies (Banking) in 1984, The Hong Kong Polytechnic University with Higher Certificate in Business Studies (Banking) in 1989 and The Open University of Hong Kong with a Master's Degree in Business Administration in 2003.

Mr. Wong Kam Tai (黃錦泰), aged 49, was appointed as an independent non-executive Director on 12 January 2017 and is the Chairman and a member of each of the audit committee and the risk management and internal control committee, and a member of each of the remuneration committee and the nomination committee of the Company. Mr. Wong had been appointed as a non-executive director of Xinhua News Media Holdings Limited (Stock Code: 309), a listed company under the Main Board of Hong Kong Exchanges and Clearing Limited with effect from 8 November 2019, and his directorship ceased on 29 February 2020. He has obtained a Master of Business Administration (Strategic Financial Management) from the University of Hull in the United Kingdom in 2001, a Master of Law (Commercial Law) from the University of Northumbria at Newcastle in the United Kingdom in 2002 and a Master of Arts from Macquarie University in Australia in 2011. Mr. Wong is also a member of the Hong Kong Institute of Certified Public Accountants, a member of the Chartered Institute of Public Finance and Accountancy in the United Kingdom and a fellow member of CPA Australia. Mr. Wong has worked in the accounting field for ten years before becoming an accounting academic in 2002.

Ms. Kwong Yuk Ying (鄺玉瑩), aged 36, was appointed as an independent non-executive Director on 1 January 2023 and is a member of each of the Nomination Committee, the Audit Committee, the Remuneration Committee and the Risk Management and Internal Control Committee.

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 approximately 15 years of experience in auditing, finance and accounting.

SENIOR MANAGEMENT

Ms. Chang Men Yee Carol (張敏儀), aged 59, 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 58, 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 56, 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 60, 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 44, 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 15 to the GEM Listing Rules of the Stock Exchange.

For the year ended 31 December 2022, the Company has complied with all the code provisions as set out in the Code.

The Company continues to enhance its corporate governance practices appropriate to the conduct and growth of its business, and to review and improve such practices from time to time to ensure that business activities and decision making processes are regulated in a proper and prudent manner in accordance with international best practices.

CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specified enquiry with the Directors, all Directors confirmed that they had complied with the required standard of dealings concerning securities transactions by the Directors throughout the year ended 31 December 2022.

BOARD OF DIRECTORS

Board composition

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

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

Independent Non-Executive Directors
Mr. Cheung Kong Ting
Mr. Wong Kam Tai
Ms. Kwong Yuk Ying

The particulars of the Directors and other senior management are disclosed in the section headed "Particulars of Directors and Senior Management" on pages 17 to 19 in this report. Save as disclosed in this report, there is no relationship, including financial, business, family or other material/relevant relationship(s) among members of the Board. The Board formed the view that the composition of the Board is well balanced. Each of the Directors has relevant expertise and extensive corporate and strategic planning experiences that may contribute to the business of the Group.

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

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

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

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

Directors' training

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

The Directors, namely Mr. Tang Yiu Sing, Mr, Yeung Ka Wing, Mr. Wong Sik Kei (ceased as Director on 1 January 2023), Mr. Cheung Kong Ting, Mr. Wong Kam Tai and Ms. Kwong Yuk Ying (newly appointed as Director on 1 January 2023), 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 2022. 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	6/7	1/1
Independent Non-executive Directors:		
Mr. Wong Sik Kei (resigned on 1 January 2023)	7/7	1/1
Mr. Cheung Kong Ting	7/7	1/1
Mr. Wong Kam Tai	7/7	1/1
Ms. Kwong Yuk Ying (appointed on 1 January 2023)	N/A	N/A

Notes:

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

The Company Secretary is responsible for assisting the 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 the executive Directors has entered into a renewed service contract with the Company for a term of three years commencing on 29 July 2021.

Mr. Wong Sik Kei, an independent non-executive Director, had entered into a service contract or a appointment letter with the Company for a term of three years commencing on 21 December 2020. However, he resigned as Director taking effect on 1 January 2023.

Each of Mr. Cheung Kong Ting 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 newly 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.

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

BOARD COMMITTEES

Nomination Committee

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

The Nominee Committee is responsible for the formulation of nomination policies, review of the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis, and where necessary, nominating potential candidates to fill casual vacancies or for additional appointments on the Board and senior management of the Company.

The Chairman may in conjunction with other Directors from time to time review the structure, size and composition of the Board in particular to ensure there are appropriate numbers of Directors on the Board. The Board may also identify and nominate qualified individuals for appointment as new Directors based on their qualifications, abilities and potential contributions to the Company.

Below are the nomination procedure and process:

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

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

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

The members of the Nomination Committee currently comprise Mr. Tang Yiu Sing (Chairman), Mr. Yeung Ka Wing, Mr. Cheung Kong Ting, Mr. Wong Kam Tai and Ms. Kwong Yuk Ying, the majority of whom are independent non-executive Directors.

The Nomination Committee held four meetings during the year ended 31 December 2022, and the attendance records of the individual committee members are set out below:

	Number of Meetings Attended/Held[1]
Mr. Wong Sik Kei *(Chairman)* (up to 31 December 2022)	4/4
Mr. Tang Yiu Sing *(Chairman)* (from 1 January 2023 onwards)	4/4
Mr. Yeung Ka Wing	4/4
Mr. Cheung Kong Ting	4/4
Mr. Wong Kam Tai	4/4
Ms. Kwong Yuk Ying (appointed on 1 January 2023)	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");

– identified and nominated a new candidate as an independent non-executive Director for the Board's consideration and approval;

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

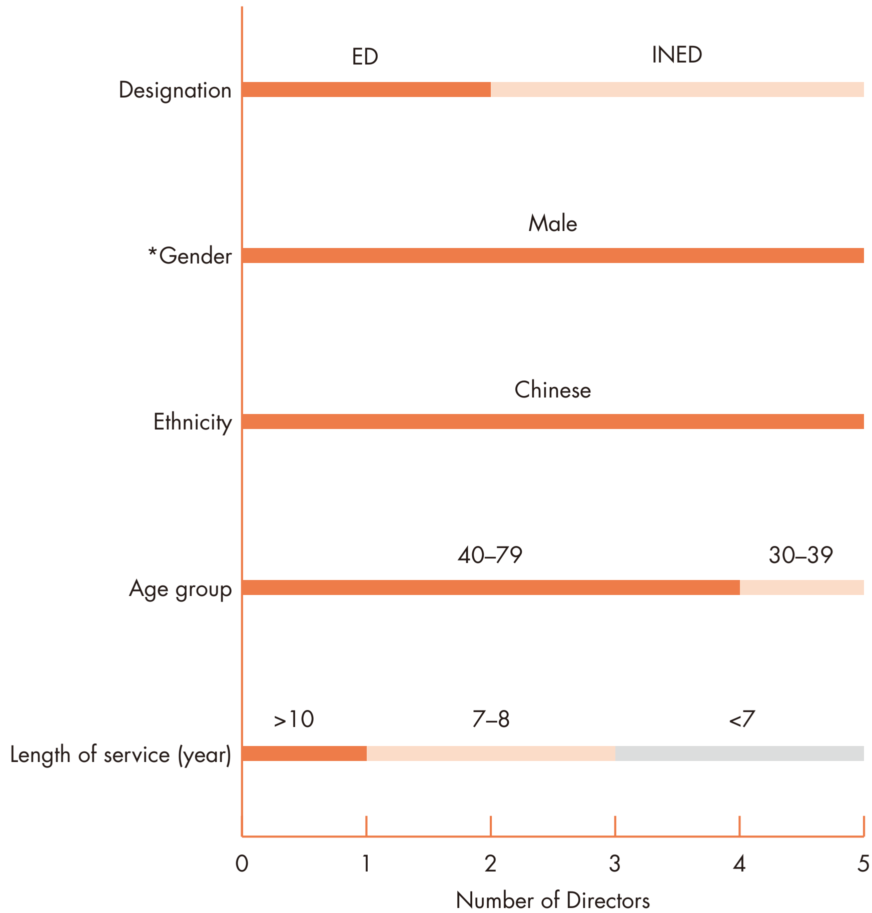
– made recommendation on the retiring Directors at the Annual General Meeting of the Company.

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 2022, the Board's composition under major diversified perspectives was summarized as follows:

BOARD DIVERSITY



ED: Executive Director
INED: Independent Non-Executive Director
* A female INED was appointed taking effect from 1 January 2023

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 2022 is set out in the Independent Auditors' Report on pages 63 to 67. The Board also ensures the timely publication of the financial statements. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The management provides sufficient explanation and information to the Board to enable it to make an informed assessment of financial and other information before approval.

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

Remuneration Committee

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

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

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

The Remuneration Committee held two meetings during the year ended 31 December 2022, and the attendance records of the individual committee members are set out below:

	Number of Meetings Attended/Held[1]
Mr. Cheung Kong Ting *(Chairman)*	2/2
Mr. Tang Yiu Sing	2/2
Mr. Wong Sik Kei (up to 31 December 2022)	2/2
Mr. Wong Kam Tai	2/2
Ms. Kwong Yuk Ying (appointed on 1 January 2023)	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:

– recommended the director's fee of the newly appointed independent non-executive Director for the Board's consideration and approval;

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

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

Audit Committee

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

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

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

The Audit Committee held four meetings during the year ended 31 December 2022, and the attendance records of individual committee members are set out below:

	Number of Meetings Attended/Held[1]
Mr. Wong Kam Tai *(Chairman)*	4/4
Mr. Wong Sik Kei (up to 31 December 2022)	4/4
Mr. Cheung Kong Ting	4/4
Ms. Kwong Yuk Ying (appointed on 1 January 2023)	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, Mr. Yeung Ka Wing, Mr. Cheung Kong Ting and Ms. Kwong Yuk Ying, the majority of whom are independent non-executive Directors.

The RMICC held two meetings during the year ended 31 December 2022, and the attendance records of the individual committee members are set out below:

	Number of Meetings Attended/Held[1]
Mr. Wong Kam Tai *(Chairman)*	2/2
Mr. Tang Yiu Sing	2/2
Mr. Yeung Ka Wing	2/2
Mr. Wong Sik Kei (up to 31 December 2022)	2/2
Mr. Cheung Kong Ting	2/2
Ms. Kwong Yuk Ying (appointed on 1 January 2023)	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.

Auditors and their remuneration

The accounts for the year ended 31 December 2022 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 2022, 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 (2021: HK$1,000,000) and the non-audit services rendered was nil (2021: 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, there are no changes in the constitutional documents of the Company.

SHAREHOLDERS' RIGHTS

According to the Articles of Association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

And, if a shareholder wishes to propose a person other than a Director retiring at the meeting for election as a Director at an annual general meeting, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting should deposit a written notice of nomination at the head office of the Company or at the office of the Company's Branch Share Registrar at least a 7-day period commencing from the day after the dispatch of the notice of the annual general meeting and ending on no later than seven (7) days prior to the date of such general meeting. The relevant procedures are set out in the circular regarding, among others, the 2023 Annual General Meeting of the Company, which will be delivered together with the 2022 Annual Report of the Company to the shareholders.

THE PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

THE BOARD'S ESG STATEMENT

ETS Group Limited (the "Company") and its subsidiaries (collectively the "Group" or "we" or "us") is pleased to present the Environmental, Social and Governance Report (the "ESG Report") for the period from 1 January 2022 to 31 December 2022 ("2022" 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. We aim to 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.

The Group continues to strengthen communication with stakeholders and extend our corporate responsibility to contribute positively to all stakeholders as well as adding value for the organisation, and ensures it operates in a sustainable way.

ESG Governance Structure

At the core of our ESG management is the ESG Committee (the "Committee"), which consists of senior management and core members from different departments of the Group, while the board of directors (the "Directors") of the Group (the "Board") holds the overall responsibility for the Group's ESG issues. The Board is accountable for setting the approach, strategy, policies, targets and reviewing the performance as well as approving the disclosures in the Group's ESG Report with the assistance of the ESG Committee.

The Committee has the responsibility to support the Board's oversight and systematic management of all ESG related affairs of the Group. The Committee is responsible for collecting and analyzing ESG data, monitoring the Group's on-going ESG performance and trend against the set targets, ensuring compliance with relevant ESG-related regulations, identifying potential risks and making recommendations through regular communications with the Board.

Reporting Scope

The Group is principally engaged in the business of providing contact centre services and system solutions as well as financial services 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 the 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 reporting principles in the ESG Reporting Guide in the preparation of this ESG Report.

Materiality:	Materiality assessment was conducted to identify material ESG issues during the Reporting Year, thereby adopting the confirmed material ESG issues as the focus for the preparation of the ESG Report. The materiality of ESG issues was reviewed and confirmed by the Board and the Committee to ensure that they are sufficiently important to the Group and our stakeholders.
Quantitative:	The standards, methodologies, applicable assumptions and conversion factors used in the calculation of for this Reporting Year were disclosed with explanatory notes.
Balance:	The content and data provided in the ESG Report are unbiased. We discussed both our achievements and room for improvement in all ESG aspects.
Consistency:	This ESG Report adopts consistent methodologies for a meaningful comparison of our performance over time. If there are any changes in the calculation methodologies used that may affect the comparison with previous reports, explanations will be provided to the corresponding data.

Stakeholder Engagement

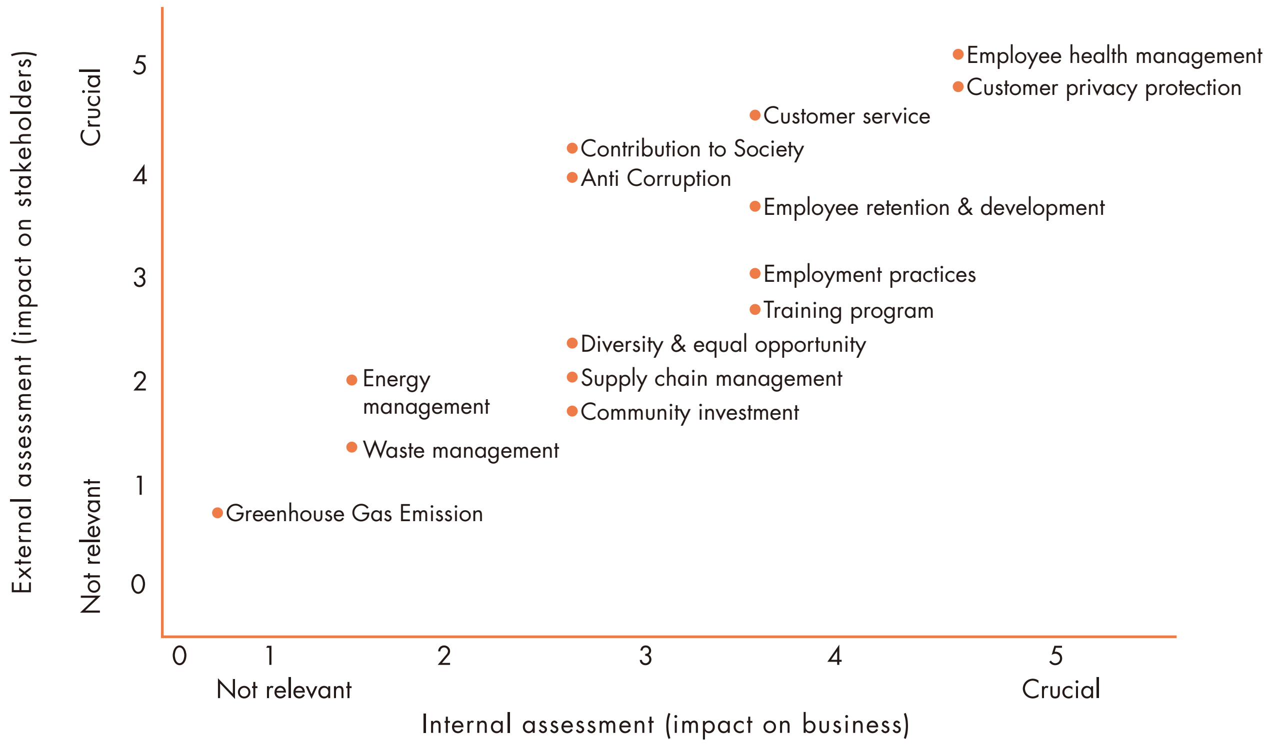
The Group values opinions from stakeholders on our business and ESG issues. The Committee continued to review the list of ESG topics, engaged and collected feedbacks from key stakeholders including shareholders, staff, customers, business partners, regulatory bodies, government authorities, suppliers, non-governmental organizations (NGO) and public through different communication channels. We aim to collaborate with our stakeholders to improve our ESG performance and create greater value for the wider community continuously.

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

MATERIALITY ASSESSMENT

With reference to ESG Reporting Guidelines and peer benchmarking, the Group has identified a total of 14 material ESG topics which serve as the basis for further evaluation and soliciting feedback from key stakeholders. The ESG topics are determined by their significance of economic, environmental and social impacts on the Group as well as the stakeholders. The materiality assessment result as depicted in the following matrix 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 above matrix, the Group noticed that the key material topics in the Reporting Period are employee health management (in the context of the COVID-19 pandemic), customer privacy protection, followed by customer service and employee retention and development, which are quite similar to that of last year. Other topics including contribution to society, anti-corruption, employment practices and training program are material topics of considerable importance compared to the rest of the list.

The results of the materiality assessment points to an important direction for the Group's future ESG planning and policies implementation to drive continuous improvement in sustainable development.

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: ENVIRONMENTAL

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

The Group continued to achieve our target for 2022, which is to maintain the total exhaust air emissions to less than 4,000 g per year. During the Reporting Period, the Group's total exhaust air emissions has slightly increased 4.5% from approximately 3,714 g in 2021 to approximately 3,882 g in 2022. The slight increase in exhaust air emissions was mainly caused by an increase in mileage travelled as a result of better facilitating and protecting the staff for local business traveling during the COVID-19 pandemic period, despite the fact that a lot of business activities had taken place through web-meetings and teleconferences. The Group will continue to responsibly manage exhaust air emission through regular maintenance of the motor vehicle for achieving efficient fuel consumption and plans to migrate to electronic vehicle at the suitable time.

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

Exhaust air emission	Unit	2022	2021	%
Nitrogen Oxides (NO_x)	g	3,565	3,411	4.5%
Sulphur Oxides (SO_x)	g	55	52	4.5%
Particulate matter (PM)	g	262	251	4.5%
Total emission:		3,882	3,714	4.5%

GHG Emissions

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

	Unit	2022	2021	%
Direct GHG emission (Scope 1)	kg	7,545	7,218	4.5
Indirect GHG emission (Scope 2)	kg	276,840	361,755	-23.5
Total GHG emission	kg	284,385	368,973	-22.9
GHG emission intensity per floor area[1]	kg/ft^2	17.8	19.4	-8.2

Note:

1 The Group's total floor area in 2021 and 2022 was approximately 19,000 ft^2 and 16,000 ft^2 respectively, and the data is also used for calculating other intensity data.

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 2022, which is to maintain the total GHG emissions to less than 400,000 kg per year. During the Reporting Period, the Group's total GHG emissions has decreased by approximately 22.9% from approximately 368,973 kg in 2021 to approximately 284,385 kg in 2022, mainly due to a consolidation of operation units in the Reporting Period.

Waste Management

Hazardous Waste Handling

The Group did not generate a significant amount of hazardous waste during the Reporting Period. Our Environmental Policy provides practical guidelines in governing the storage and disposal of hazardous 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 hazardous 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

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 971 kg in 2021 to 611 kg in 2022, representing a drop of approximately 37%. The Group's non-hazardous waste intensity has also decreased by approximately 20% from 0.05 kg per square feet of floor area in 2021 to 0.04 kg per square feet of floor area in 2022.

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 2022. A total of approximately 2,654 kg of paper (2021: 5,179 kg, due to a one-time re-organization of storage inventory) has been collected for recycling in the Reporting Period which is equivalent to planting approximately 68 tree seedlings to the environment.

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 2022, the Group has continued to achieve our target of consuming less than 600,000 kWh per year provided there is no material change in our operation scale and model. The Group's consumption of electricity was 439,428 kWh in 2022, which has reduced by approximately 20.7% from approximately 553,904 kWh in 2021. The Group's total energy consumption intensity has also decreased by approximately 5.8% from 29.2 kWh in 2021 to approximately 27.5 kWh per square foot of floor area in 2022.

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 3,504 cubic meters in 2022 which has decreased by approximately 10.9% from 3,931 cubic meters in 2021. The Group's total water consumption intensity has slightly increased from 0.21 cubic meters in 2021 to 0.22 cubic meters per square feet of floor area in 2022, which was mainly attributed to more frequent cleaning performed during the pandemic period. The Group will keep using water responsibly and also encouraging staff to do the same for the benefit of the environment.

Being located in Hong Kong, the Group does not have any issue in sourcing water that is fit for purpose.

Use of Packing Materials

Due to the nature of our business, the Group does not produce any substantial packaging materials during the year of 2022.

A3. The Environment and Natural Resources

Although our business operation has negligible impact on the environment and natural resources, the Group endeavours to mitigate our negative environmental impact as much as possible through the implementation of our Environmental Policy as part of our corporate responsibility.

A4. Climate Change

Climate change is one of the biggest global challenges faced by the world nowadays. It poses escalating risks to the global economy, and such risks may also negatively impact the Group's financial performance and business. In view of the importance of identifying and mitigating any major climate related impacts to the Group, the Committee has included climate change as one of our material ESG topics, and meets regularly to identify and assess climate change related risks as well as opportunities on the Group's business and operation.

Physical Risks

As climate change getting worse with extreme weather events such as record-breaking high or low temperatures, super typhoons, heavy flooding and drought becoming more frequent and intense, the risks of corresponding negative impact on our business and operation also getting higher. The potential disruptions in the city's infrastructure, supply chain logistics and damage to the Group's assets could lead to lower productivity, higher operating and maintenance cost which resulted in reduced revenue and profit to the Group.

To minimize the risks, 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 purchased relevant insurance for staff and related assets to protect our interests and reduce potential financial loss.

Transition Risks

With increasingly stringent environmental and climate-related standards, legislations and regulations, the Group may face higher operating cost and compliance effort to comply with the relevant laws and policies. Failing to meet the compliance requirements may expose the Group to risks of claims and loss in reputation.

To address the risks, the Group will keep abreast of the existing and emerging climate change regulations and policies to avoid any non-compliance and subsequent risks. The Group will continue to adhere to and promote our Environmental Policy, and at the same assess the effectiveness of our environmental actions 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.

During the Reporting Year, 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 such as:

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.

As at 31 December 2022, the Group had a total of 274 employees (2021: 305) 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 2021 and 2022.

	2022		2021	
	Headcount	%	Headcount	%
By Gender				
Male	129	47%	133	44%
Female	145	53%	172	56%
By Age Group				
≤35	93	34%	115	38%
>35	181	66%	190	62%
By Employment Type				
Full Time	237	86%	268	88%
Part Time	37	14%	37	12%
Total	274	100%	305	100%

The Group's employee turnover rate for the year ended 31 December 2022 was 10.3% (2021: 7.3%) 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.

B2. Health and Safety

Work Safety

The Group is committed to provide a safe, healthy and comfortable working environment to our employees. 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.

With COVID-19 still prevailed in the year of 2022, the Group continued to stay alert and carry out various precautionary measures to ensure safety of the workplace, health of our staff and continuation of business operation during the Reporting Period. On regular basis, we cleaned and sterilized the premises, changed filters of air purifiers, disinfected areas of potential risk, implemented social distancing, enforced wearing of face mask and provided hand sanitizer and alcohol for personal hygiene. We continued to replace face-to-face meetings with teleconferences and/or video conferences to safeguard the health and safety of all parties. The Group also strictly followed the reporting, quarantine and testing guidelines from the Centre for Health Protection in regard to COVID-19 arrangements.

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. Also, the Group did not record any work-related fatalities (2021: 0 and 2020: 0) or loss of working days due to work-related injuries (2021: 0 and 2020: 3) during the Reporting Period.




B3. Development and Training

The Group believes adequate and sufficient training is essential to the provision of quality services and long term success of our business. In addition to basic job-related training for each new staff, the Group also encourages our staff to advance their knowledge and skills in their related discipline. Department managers are advised to actively access the training and development needs of their subordinates for their career advancement based on the needs of the Group's business. The Group offers training allowance and education sponsorship to eligible staff as an encouragement.

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

	Average Training Hours	
	2022	2021
By Gender		
Male	**3.4**	3.3
Female	**3.6**	3.6
By Category – Supervisory Level		
Male	**11.9**	11.0
Female	**17.4**	17.4
By Category – Working Level		
Male	**4.5**	4.5
Female	**5.3**	5.3

B4. Labour Standards

The Group is committed to uphold ethical employment and strictly prohibits child labour and forced labour of any kind. We fully comply 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 was not aware of any material non-compliance with child and forced labour related laws and regulations that would have a significant impact on the Group.

B5. Supply Chain Management

The Group is committed to maintain a sustainable relationship with our suppliers and strive to minimize the environmental and social risks of our supply chain. The Group 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. The Group endeavours to share our ESG policies and standards with the suppliers on regular 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. Supplier who failed to meet our standards or has violated any related laws and regulations will be suspended or deleted from our list of approved vendors.

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 or other individuals having any direct or indirect interest in the supplier are not allowed to be involved in the relevant procurement activity to avoid any conflict of interest.

During the Reporting Period, the Group had a total of 98 suppliers which are all 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 Responsibilities

The Group continued to build up our reputation in the industry based on our quality products and services, and obtained ISO 9001 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.

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 Group values feedbacks and maintains long term working relationship with our customers through constant communication. 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 implemented Information Security Policy to protect third party IP rights and use software according to the corresponding license terms. We prohibit staff from duplicating, installing or using software in violation of relevant copyright or license terms. Free software is only allowed to be installed or used with prior approval from the management, and any violation of the policy is subject to disciplinary actions.

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 ISO 27001 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. Confidential data are regularly deleted or destroyed according to the relevant procedures and guidelines after the expiry period as agreed with the customers.

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 Group is committed to uphold high standard of business ethnics in our operation, and takes a zero tolerance approach when it comes to bribery and corruption. The Group has implemented Anti-Corruption Policy as a 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.

The Group provides regular updates and training to our directors and relevant staff as a reminder of our professional ethnics and the importance of compliance with the Anti-Corruption Policy and the Prevention of Bribery Ordinance of Hong Kong.

Whistle-Blowing Policy

To further uphold the openness, probity and accountability of our business, the Group has established the Whistle-blowing policy which enables stakeholders, including but not limited to employees, customers, suppliers, creditors and debtors, to report any possible misconducts, malpractices or irregularities in any matters related to our business to the Board anonymously 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 Investment

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 tenth 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.

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 2022.

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 2022 and appropriations are set out in the Financial Statements on page 68 and note 13 of this Report respectively.

DIVIDENDS

During the year under review, no interim dividend was declared and paid to the shareholders of the Company.

The Board has resolved to recommend the payment of final dividend of HK$1.5 cents per share to the shareholders of the Company (the "Shareholders") on the register of members of the Company (the "Register of Members") on 15 May 2023 totaling to approximately HK$4,200,000. Subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company to be held 5 May 2023 (the "AGM"), the proposed final dividend will be paid on or about 29 May 2023 to the Shareholders whose names appear on the Register of Members on 15 May 2023.

CLOSURE OF THE REGISTER OF MEMBERS

(a) Entitlement to attend and vote at the AGM

The Register of Members will be closed from 2 May 2023 to 5 May 2023 (both days inclusive), during which period no transfers of shares will be registered. To determine the entitlement to attend and vote at 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 28 April 2023 (Friday). 1 May 2023 is a public holiday in Hong Kong.

(b) Entitlement to the proposed final dividend

The Register of Members will also be closed from 11 May 2023 to 15 May 2023 (both days inclusive), during which period no transfer of shares will be registered. In order to ascertain shareholders' entitlement to the proposed final dividend, 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 Service Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:00 p.m. on 10 May 2023 (Wednesday).

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 159 and 160 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 36 to the Financial Statements and in the consolidated statement of changes in equity on page 71 respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2022, 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$40,954,000 (2021: HK$69,584,000).

MAJOR CLIENTS AND SUPPLIERS

Sales to the Group's five largest clients accounted for approximately 47% of the total sales for the year and sales to the single largest client amounted to approximately 13% of the total sales for the year. The Group's purchases from our five largest suppliers together accounted for approximately 97% of our total purchase for the year. The Group purchases approximately 39% from our single largest supplier for the year.

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

SHARE OPTION SCHEMES

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

DIRECTORS

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

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

Independent Non-executive Directors
Mr. Cheung Kong Ting
Mr. Wong Kam Tai
Mr. Kwong Yuk Ying (appointed on 1 January 2023)
Mr. Wong Sik Kei (resigned on 1 January 2023)

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

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

According to Article 83(3), 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. Tang Yiu Sing, Mr. Yeung Ka Wing and Ms. Kwong Yuk Ying shall retire from office at the 2023 annual general meeting of the Company and, being eligible, offer himself for re-election.

PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

The particulars of Directors of the Company and senior management of the Group are disclosed in the section headed "Particulars of Directors and Senior Management" on pages 17 to 19 of this Report.

DIRECTORS' SERVICE CONTRACTS

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

Mr. Wong Sik Kei, an independent non-executive Director, had entered into a service contract or a appointment letter with the Company for a term of three years commencing on 21 December 2020. However, he resigned as Director taking effect on 1 January 2023.

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

Ms. Kwong Yuk Ying, an independent non-executive Director newly 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.

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 2022 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 38 to the Financial Statements, none of the Directors had material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries, fellow subsidiaries or its parent company was a party during the year under review.

PERMITTED INDEMNITY PROVISION

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

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 2022.

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 2022.

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 2022, none of the Directors and chief executives of the Company (the "Chief Executives") had any interests and short positions 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.

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 2022, the following persons (not being a Director or Chief Executive) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Long positions in the Shares of the Company

Name of substantial shareholders	Capacity	Number of Shares/underlying Shares held	Approximate percentage of the issued share capital of the Company as at 31 December 2021
Million Top Enterprises Limited	Beneficial owner	210,000,000	75%
Pine Care Group Limited ("Pine Care Group")	Interest in a controlled corporation	15,625,000	5.58%
Pine Care Titanium Limited ("Pine Care Titanium") *(Note)*	Beneficial owner	15,625,000	5.58%

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

Save as disclosed above, as at 31 December 2022, 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 20 to 31 of this Report.

EMOLUMENT POLICY

The Company has established a remuneration committee to make recommendations to the Board with regard to the Group's remuneration policy relating to Directors and senior management of the Company, reviewing and evaluating their performance and recommending remuneration package for each of them as well as other employee benefit arrangements. The emoluments of the Directors are decided with reference to their duties and level of responsibilities and the remuneration policy of the Company and the prevailing market conditions. The Company has adopted the Share Option Scheme as an incentive to Directors and eligible participants, details of such scheme is set out in note 33 to the Financial Statements and paragraph headed "Share Option Scheme" in this Report.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 December 2022 are set out in note 35 to the Financial Statements. Those related party transactions constitute continuing connected transactions both exempted and non-exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

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

(1) Lease 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 has been 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.

(2) Service Agreement

Investment Advisory Agreement dated 10 June 2019

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

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

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

– advice and supervision on individual investments and portfolio management;

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

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

(collectively, the "Services").

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

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

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

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

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

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

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

Confirmation of independent non-executive Directors

The independent non-executive Directors reviewed the above continuing connected transactions contemplated under the abovesaid Lease Agreements and the Service Agreement (the "Continuing Connected Transactions") and confirmed that the Continuing Connected Transactions were entered into in the ordinary and usual course of business of the Group, and on normal commercial terms, and the terms of the Continuing Connected Transactions are fair and reasonable and in the interest of the Company and the shareholders as a whole.

The amounts of the Continuing Connected Transactions did not exceed the corresponding annual caps for the financial year ended 31 December 2022 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 2022 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, 21 March 2023

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 68 to 158, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, 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 contract assets and trade and other receivables	How our audit addressed the Key Audit Matter
Refer to Notes 4, 21 and 22 to the consolidated financial statements	
We identified the impairment of contract assets and trade and other receivables as significant management's estimations and judgments are involved in assessing the expected credit losses of contract assets and trade and other receivables.	We obtained an understanding and evaluated the methodologies and assumption used by the Group in assessing expected credit losses. We tested the accuracy of aging analysis of the trade receivables as at 31 December 2022, on a sample basis, by comparing the relevant invoices and other supporting documents. We assessed the reasonableness of recoverability of trade receivables with reference to the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of each individual customer. We also examined the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information in relation to the model taking into account the possible impact of COVID-19, used to determine the expected credit losses.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all the information included in the annual report other than the consolidated financial statements and our auditors' report thereon.

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

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

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

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Lo Kin Kei
Practising Certificate Number: P06413

Hong Kong, 21 March 2023

	Notes	2022 HK$'000	2021 HK$'000
Revenue	5	86,130	98,757
Other income	6	6,382	290
Other losses – net	7	(1,091)	(11,303)
Employee benefits expenses	8	(69,947)	(73,495)
Depreciation and amortization		(3,793)	(9,343)
Other operating expenses		(25,491)	(22,158)
Share of loss of an associate		(170)	–
Operating loss		(7,980)	(17,252)
Finance costs	9	(1,093)	(496)
Loss before tax	10	(9,073)	(17,748)
Income tax expense	11	(223)	(872)
Loss for the year		(9,296)	(18,620)
Other comprehensive income for the year		–	–
Total comprehensive expense for the year		(9,296)	(18,620)
Loss attributable to owners of the Company		(9,296)	(18,620)
Total comprehensive expense for the year attributable to owners of the Company		(9,296)	(18,620)
Loss per share attributable to owners of the Company – Basic and diluted (HK cents)	12	(3.3)	(6.7)

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

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment	15	1,001	1,541
Right-of-use assets	16	370	1,004
Intangible assets	17	2,288	3,771
Interest in an associate	18	830	–
Financial assets at fair value through profit or loss	19	1,260	2,200
Deferred income tax assets	31	669	818
Other assets	20	205	205
		6,623	9,539
Current assets			
Contract assets	21	3,972	3,887
Trade and other receivables	22	28,952	58,472
Financial assets at fair value through profit or loss	19	199	235
Tax recoverable		474	115
Pledged bank deposits	23	6,092	6,091
Time deposits	24	20,000	–
Bank trust account balances	25	6,453	16,593
Cash and cash equivalents	26	46,437	41,709
		112,579	127,102
Current liabilities			
Contract liabilities	21	2,248	1,890
Trade and other payables	27	15,365	25,757
Current income tax liabilities		140	700
Borrowings	28	2,000	–
Lease liabilities	29	376	773
Convertible bonds	30	9,206	–
		29,335	29,120
Net current assets		83,244	97,982
Total assets less current liabilities		89,867	107,521

	Notes	2022 HK$'000	2021 HK$'000
Non-current liabilities			
Deferred income tax liabilities	31	16	18
Lease liabilities	29	–	251
Convertible bonds	30	–	8,105
		16	8,374
Net assets		89,851	99,147
Equity attributable to the owners of the Company			
Share capital	32	2,800	2,800
Share premium	32	25,238	25,238
Reserves		61,813	71,109
Total equity		89,851	99,147

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 21 March 2023 and signed on its behalf by:

Tang Yiu Sing
Director

Yeung Ka Wing
Director

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

	Attributable to owners of the Company					
	Share capital HK$'000 *(Note 32)*	**Share premium** HK$'000 *(Note 32)*	**Convertible bonds equity reserve** HK$'000	**Merger reserve** HK$'000 *(Note 34)*	**Retained profits** HK$'000	**Total equity** HK$'000
Balance as at 1 January 2021	2,800	25,238	–	25,624	62,371	116,033
Loss for the year	–	–	–	–	(18,620)	(18,620)
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive expense for the year	–	–	–	–	(18,620)	(18,620)
Recognition of equity component of convertible bonds	–	–	1,734	–	–	–
Balance as at 31 December 2021 and 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	**2,800**	**25,238**	**1,734***	**25,624***	**34,455***	**89,851**

* These reserve accounts comprise the consolidated reserves of approximately HK$61,813,000 (2021: approximately HK$71,109,000) in the consolidated statement of financial position.

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

	Note	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Loss before tax		(9,073)	(17,748)
Adjustments for:			
Depreciation and amortization		3,793	9,343
Fair value loss on financial assets at fair value through profit or loss		976	10,706
Fair value loss/(gain) on embedded derivatives of convertible bonds		109	(31)
Loss on disposal of property, plant and equipment		5	624
Share of loss of an associate		170	–
Provision for impairment of financial assets and contract assets – net		11,062	7,052
Dividend income		(6)	(11)
Interest income		(179)	(13)
Interest expense		1,093	496
Operating cash flows before changes in working capital		7,950	10,418
Contract assets		(86)	(599)
Trade and other receivables		18,459	(18,798)
Financial assets at fair value through profit or loss		–	1,403
Bank trust account balances		10,140	(4,855)
Contract liabilities		358	2
Trade and other payables		(10,392)	3,902
Amount due to a related company		–	(9)
Cash generated from/(used in) operations		26,429	(8,536)
Income tax (paid)/refunded		(995)	460
Net cash generated from/(used in) operating activities		25,434	(8,076)

	Note	2022 HK$'000	2021 HK$'000
Cash flows from investing activities			
Additions of intangible assets		(690)	(1,242)
Contribution to an associate		(1,000)	–
(Increase)/Decrease in pledged bank deposits		(1)	3,017
Dividend income from equity investments		6	11
Interest received		179	13
Placement of time deposits		(20,000)	–
Purchases of financial asset at fair value through profit or loss		–	(12,900)
Purchases of property, plant and equipment		(213)	(1,758)
Net cash used in investing activities		(21,719)	(12,859)
Cash flows from financing activities			
Interest paid		(101)	(126)
Proceeds from borrowings		2,000	–
Repayments of borrowings		–	(3,000)
Repayments of lease liabilities		(886)	(3,185)
Proceeds from convertible bonds		–	9,500
Net cash generated from financing activities		1,013	3,189
Net increase/(decrease) in cash and cash equivalents		4,728	(17,746)
Cash and cash equivalents at beginning of the year		41,709	59,455
Cash and cash equivalents at end of the year	26	46,437	41,709

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 2022, 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 21 March 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standard ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Hong Kong Stock Exchange and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of the financial assets at fair value through profit or loss ("FVTPL") and the derivative component of convertible bonds which are measured at fair value.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

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

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

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

2.1.2 New standards and amendments to existing standards not yet adopted

Certain new accounting standards and amendments to existing standards have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group:

Standards	**Subject**	**Effective for annual periods beginning on or after**
HKFRS 17	Insurance Contracts and the Related Amendments	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Related Amendments to Hong Kong Interpretation 5 (2020)	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statements 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Disclosure of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "2022 Amendments")	1 January 2024

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED))

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Business combinations (continued)

The excess of the:

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

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

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

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

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

(c) Disposal of subsidiaries

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.2 Separate financial statements

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

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (continued)

(b) Transactions and balances

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

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

(c) Group companies

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

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment

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

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

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

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

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

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

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

2.6 Intangible assets

(a) Goodwill

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets (continued)

(b) Internally generated software development costs

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

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

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

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

(c) Research and development

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

(d) Amortization methods and periods

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

- Internally generated software development costs : 4 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 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. 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 or joint venture), 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.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Interest in an associate (continued)

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

2.8 Impairment of non-financial assets

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

2.9 Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 and debt instruments/receivables subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(b) Financial assets at FVTPL

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 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.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments (Continued)

2.9.1 Financial assets (Continued)

Impairment of financial assets and contract assets (Continued)

(a) Significant increase in credit risk (Continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 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.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments (Continued)

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.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 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.

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

Derecognition of financial liabilities

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

2.10 Offsetting financial instruments

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

2.11 Derivative

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss and are included in "Other losses – net".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed and loans granted to customers in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method.

2.13 Cash and cash equivalents

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

2.14 Share capital

Ordinary shares are classified as equity.

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

2.15 Trade payables

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Borrowings

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

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

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

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

2.17 Borrowing costs

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax (continued)

(c) Offsetting

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

2.19 Employee benefits

(a) Defined contribution plans

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

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

(b) Termination benefits

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits (continued)

(c) Profit-sharing and bonus plans

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

(d) Employee leave entitlements

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

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

2.20 Share-based payments

(a) Equity-settled share-based payment transactions

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Share-based payments (continued)

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

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

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

(b) Share-based payment transactions among group entities

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

2.21 Provisions

Provisions for legal claims, service warranties and make good obligations are recognized when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue from contracts with customers

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue from contracts with customers (continued)

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

(a) Provision of telecommunication and related services

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

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

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

(c) System maintenance services

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

(d) Provision of licensing services

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue from contracts with customers (continued)

(e) Staff insourcing services

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

(f) Commission income from broker business

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

(g) Advisory fees

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

(h) Asset management services

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

(i) Personnel services

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

2.23 Dividend income

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Leases

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

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

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Leases (continued)

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

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

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

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

2.25 Government grants

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Related parties

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

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

- (i) has control or joint control of the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk, interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign currency risk

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

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

(ii) Price risk

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

If prices had been 5% (2021: 5%) higher/lower, the Group's loss before taxation (2021: loss before taxation) for the year would decrease/increase (2021: decrease/increase) by approximately HK$73,000 (2021: approximately HK$122,000) as a result of the changes in fair value of financial assets at FVTPL as at the reporting date.

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

(iii) Interest rate risk

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

The Group is exposed to fair value interest rate risk in relation to fixed-rate lease liabilities. The Group'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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

If interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's loss before taxation would have been increased/decreased by approximately HK$20,000 (2021: Nil). The sensitivity analysis has been determined assuming that the change in interest rates had occurred throughout the year end had been applied to the exposure to interest rate risk for variable-rate bank borrowings in existence at the end of the reporting period. The 100 basis points decreased/increased represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group over the period until the end of next reporting period.

(b) Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, contract assets, other receivables and deposits, other assets, pledged bank deposits, 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 that the credit risks associated with trade receivables from margin clients and loan and interests receivables are mitigated because they are secured over each individual client's securities in their trading accounts and mainly secured over properties located in Hong Kong respectively.

Pledged bank deposits/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.

Other receivables and deposits/other assets

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk and impairment assessment (continued)

Trade receivables and contract assets arising from contracts with customers

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

As at 31 December 2022, the Group has certain concentrations of credit risk as 29% and 52% (2021: 22% and 62%) 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.

Loan and interests receivables

The management estimates the estimated loss rates of loan and interests 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 and interests receivables. Based on assessment by the management, the ECL for loan and interests receivables is approximately HK$6,019,000 (2021: approximately HK$871,000) as at 31 December 2022.

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

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk and impairment assessment (continued)

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

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

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk and impairment assessment (continued)

(i) Trade receivables and contract assets

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

	Within 30 days	Over 31 days and within 60 days	Over 61 days and within 90 days	Over 90 days	Total
Amounts receivables arising from multi-media contact services and contact centre system, and advisory services					
As at 31 December 2022					
Expected loss rate	**0.1%**	**0.3%**	**0.4%**	**86.5%**	
Gross carrying amount (HK$'000)	**6,157**	**3,560**	**1,993**	**30,642**	**42,352**
Loss allowance provision (HK$'000)	**6**	**11**	**8**	**26,515**	**26,540**
As at 31 December 2021					
Expected loss rate	0.1%	0.2%	1.9%	70.7%	
Gross carrying amount (HK$'000)	6,628	2,674	861	29,037	39,200
Loss allowance provision (HK$'000)	9	4	16	20,523	20,552

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk and impairment assessment (continued)

(i) Trade receivables and contract assets (continued)

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

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2021	31	14,124	14,155
Transfer to credit-impaired	(10)	10	–
Impairment losses recognized	29	6,403	6,432
Impairment losses reversed	(21)	(14)	(35)
As at 31 December 2021 and 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	60	26,480	26,540

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk and impairment assessment (continued)

(i) Trade receivables and contract assets (continued)

	Total
Contract assets	
As at 31 December 2022	
Expected loss rate	**0.1%**
Gross carrying amount (HK$'000)	**3,974**
Loss allowance provision (HK$'000)	**2**
As at 31 December 2021	
Expected loss rate	0.1%
Gross carrying amount (HK$'000)	3,888
Loss allowance provision (HK$'000)	1

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

	12m ECL HK$'000
As at 1 January 2021	2
Impairment losses reversed	(1)
As at 31 December 2021 and 1 January 2022	**1**
Impairment losses recognized	**1**
As at 31 December 2022	**2**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk and impairment assessment (continued)

(i) Trade receivables and contract assets (continued)

For receivables arising from financial services business and 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.

	Total
Amounts receivables arising from financial services business	
As at 31 December 2022	
Expected loss rate	**–**
Gross carrying amount (HK$'000)	**–**
Loss allowance provision (HK$'000)	**–**
As at 31 December 2021	
Expected loss rate	–
Gross carrying amount (HK$'000)	1,053
Loss allowance provision (HK$'000)	–

	Total
Loan and interests receivables	
As at 31 December 2022	
Expected loss rate	**34.4%**
Gross carrying amount (HK$'000)	**17,511**
Loss allowance provision (HK$'000)	**6,019**
As at 31 December 2021	
Expected loss rate	2.6%
Gross carrying amount (HK$'000)	33,679
Loss allowance provision (HK$'000)	871

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk and impairment assessment (continued)

(i) Trade receivables and contract assets (continued)

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

As at 31 December 2022, certain loan and interests receivables are overdue by more than six months (2021: more than one year) 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 2021	80	–	–	80
Impairment losses recognized	343	364	85	792
Impairment losses reversed	(1)	–	–	(1)
Transfer to lifetime ECL	(13)	13	–	–
Transfer to credit-impaired	–	(13)	13	–
As at 31 December 2021 and 1 January 2022	409	364	98	871
Impairment losses recognized	247	–	5,538	5,785
Impairment losses reversed	(175)	(364)	(98)	(637)
Transfer to lifetime ECL	(234)	234	–	–
Transfer to credit-impaired	–	(234)	234	–
As at 31 December 2022	247	–	5,772	6,019

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 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 2022	
Expected loss rate	**2.7%**
Gross carrying amount (HK$'000)	**1,162**
Loss allowance provision (HK$'000)	**31**
As at 31 December 2021	
Expected loss rate	1.7%
Gross carrying amount (HK$'000)	6,069
Loss allowance provision (HK$'000)	106

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk and impairment assessment (continued)

(ii) Other receivables and deposits (continued)

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

	12m ECL HK$'000
As at 31 December 2020 and 1 January 2021	241
Impairment losses reversed	(135)
As at 31 December 2021 and 1 January 2022	106
Impairment losses reversed	(75)
As at 31 December 2022	**31**

(c) Liquidity risk

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

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	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 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 2021			
Trade and other payables excluding non-financial liabilities	25,757	–	25,757
Lease liabilities	791	259	1,050
Derivatives component of convertible bonds	–	245	245
	26,548	504	27,052

As at 31 December 2022, the Group has available unutilized banking facilities of approximately HK$10,000,000 (2021: approximately HK$20,000,000) for future operating activities.

3.2 Capital management

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

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management (continued)

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt comprises total debt (including contract liabilities, trade and other payables, borrowings, lease liabilities and convertible bonds as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

The gearing ratios of the Group are as follows:

	2022 HK$'000	2021 HK$'000
Total debt	29,195	36,776
Less: cash and cash equivalents *(Note 26)*	(46,437)	(41,709)
Net debt	(17,242)	(4,933)
Total equity	89,851	99,147
Total capital	72,609	94,214
Gearing ratio	N/A	N/A

3.3 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as at 31 December 2022 by level of the inputs to valuation technique(s) used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

	Fair value as at 31 December 2022 HK$'000	Fair value as at 31 December 2021 HK$'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	235	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	1,260	2,200	Level 3	Market approach	Lack of marketability discount	20.6%	Higher the lack of marketability discount, lower the fair value
					Price to book ratio	1.51	Higher the price to book ratio, higher the fair value
Financial liabilities at FVTPL							
– Derivatives component of convertible bonds	354	245	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

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

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

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

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

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

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

The Group's financial instruments carried at amortized cost are not materially different from their fair values as at 31 December 2022 and 2021.

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 2021	–	–
Purchased	12,900	–
Issued	–	276
Loss/Gain recognized in profit or loss	(10,700)	(31)
Balance as at 31 December 2021 and 1 January 2022	**2,200**	**245**
Loss recognized in profit or loss	(940)	109
Balance as at 31 December 2022	**1,260**	**354**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Offsetting financial assets and financial liabilities

The Group has a legally enforceable right to set off the amounts receivables and payables with brokerage clients and the Group intends to settle these balances on a net basis.

The following table presents the recognized financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements as at 31 December 2022 and 2021. The column "net amount" shows the impact on the Group's statement of financial position if all set-off rights were exercised.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Offsetting financial assets and financial liabilities (continued)

	2022 HK$'000	2021 HK$'000
Trade receivables		
Net amount of receivables as stated above	–	743
Amount not in scope of offsetting disclosures	28,952	57,729
Amount of total trade and other receivables as stated in Note 22	28,952	58,472
Trade payables		
Net amount of payables as stated above	6,453	17,336
Amount not in scope of offsetting disclosures	8,912	8,421
Amount of total trade and other payables as stated in Note 27	15,365	25,757

3.5 Financial instruments by category

	2022 HK$'000	2021 HK$'000
Assets as per consolidated statement of financial position		
Financial assets at FVTPL:		
– Listed equity securities at FVTPL	199	235
– Unlisted equity securities at FVTPL	1,260	2,200
Financial assets at amortized cost:		
– Other assets	205	205
– Trade and other receivables excluding prepayments	28,435	57,748
– Pledged bank deposits	6,092	6,091
– Time deposits	20,000	–
– Bank trust account balances	6,453	16,593
– Cash and cash equivalents	46,437	41,709

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.5 Financial instruments by category (continued)

	2022 HK$'000	2021 HK$'000
Liabilities as per consolidated statement of financial position		
Financial liabilities at FVTPL:		
– Convertible bonds – derivative component	354	244
Financial liabilities at amortized cost:		
– Trade and other payables excluding non-financial liabilities	15,365	25,757
– Borrowings	2,000	–
– Convertible bonds – debt component	8,852	7,861
– Lease liabilities	376	1,024

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 contract assets and trade and other receivables

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

5. SEGMENT INFORMATION AND REVENUE

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

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

(a) Outsourcing inbound contact services;

(b) Outsourcing outbound contact services;

(c) Staff insourcing services;

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

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

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

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

The segment information provided to the board of directors for the reportable segments for the years ended 31 December 2022 and 2021 are as follows:

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
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

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

For the year ended 31 December 2021

	Outsourcing inbound contact services HK$'000	Outsourcing outbound contact services HK$'000	Staff insourcing services HK$'000	Contact service centre and service centre facilities management services HK$'000	Financial services HK$'000	Others HK$'000	Total HK$'000
Segment revenue	12,486	–	53,844	14,101	13,060	5,266	98,757
Segment results	924	(194)	4,409	3,791	(2,148)	2,066	8,848
Depreciation and amortization	255	–	1,072	2,593	2,300	511	6,731
Total segment assets	2,670	–	15,222	4,592	55,894	3,503	81,881
Total segment assets includes: Additions to non-current assets (other than financial instruments)	92	–	932	386	–	184	1,594
Total segment liabilities	1,804	–	4,224	1,318	–	1,357	8,703

There were no inter-segment sales during the years ended 31 December 2022 and 2021. 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:

	2022 HK$'000	2021 HK$'000
Segment results for reportable segments	2,729	8,848
Unallocated:		
Other income	6,382	290
Other losses – net	(1,091)	(11,303)
Depreciation and amortization	(733)	(2,612)
Finance costs	(1,071)	(462)
Corporate and other unallocated expenses	(15,289)	(12,509)
Loss before tax	(9,073)	(17,748)

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:

	2022 HK$'000	2021 HK$'000
Segment assets for reportable segments	40,439	81,881
Unallocated:		
Property, plant and equipment	340	817
Right-of-use asset	60	354
Tax recoverable	474	115
Deferred income tax assets	669	818
Financial assets at FVTPL	1,459	2,435
Corporate and other unallocated assets	75,761	50,221
Total assets per consolidated statement of financial position	119,202	136,641

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:

	2022 HK$'000	2021 HK$'000
Segment liabilities for reportable segments	13,972	8,703
Unallocated:		
Deferred income tax liabilities	16	18
Current income tax liabilities	140	700
Borrowings	2,000	–
Lease liabilities	90	379
Corporate and other unallocated liabilities	13,133	27,694
Total liabilities per consolidated statement of financial position	29,351	37,494

Breakdown of the revenue from all services is as follows:

Analysis of revenue by category

	2022 HK$'000	2021 HK$'000
Service fee income from provision of telecommunication and related services	25,188	26,588
Financial services income	2,389	9,515
Licensing and sales of system and software	3,865	3,214
System maintenance income	2,086	2,052
Staff insourcing services and personnel services	48,941	53,844
Revenue from contracts with customers	82,469	95,213
Interest income arising from		
– Loans	3,657	3,542
– Margin clients	4	2
Total revenue	86,130	98,757

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

The Company is domiciled in the Cayman Islands with the Group's major operations located in Hong Kong. The result of its revenue from external customers in Hong Kong is approximately HK$85,710,000 (2021: approximately HK$97,434,000), and the total of revenue from external customers from other country is approximately HK$420,000 (2021: approximately HK$1,323,000).

The total of non-current assets other than other assets, financial instruments and deferred income tax assets located in Hong Kong is approximately HK$4,489,000 (2021: approximately HK$6,316,000), and none of these non-current assets is located in other countries (2021: Nil).

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:

	2022 HK$'000	2021 HK$'000
Customer A[1]	11,620	12,221
Customer B[1]	N/A[2]	10,321
Customer C[1]	8,680	10,235
Customer D[1]	8,968	N/A[2]

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

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

Disaggregation of revenue from contracts with customers

	2022 HK$'000	2021 HK$'000
By timing of revenue recognition:		
Control transferred over time	77,814	91,015
Control transferred at a point of time	4,655	4,198
	82,469	95,213

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

Transaction price allocated to the remaining performance obligations

	2022 HK$'000	2021 HK$'000
Remaining performance obligations expected to be satisfied during the year ending:		
Within one year	5,821	5,084
More than one year	2,614	616
	8,435	5,700

6. OTHER INCOME

	2022 HK$'000	2021 HK$'000
Dividends from financial assets at FVTPL	6	11
Government grants	6,117	–
Interest income from bank deposits	179	13
Sundry income	80	266
	6,382	290

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. No government grants were recognized during the year ended 31 December 2021.

7. OTHER LOSSES – NET

	2022 HK$'000	2021 HK$'000
Financial assets at FVTPL		
– Fair value loss	(976)	(10,706)
Fair value (loss)/gain on embedded derivatives of convertible bonds	(109)	31
Loss on disposal of property, plant and equipment – net	(5)	(624)
Net foreign exchange losses	(1)	(4)
	(1,091)	(11,303)

8. EMPLOYEE BENEFITS EXPENSES

	2022 HK$'000	2021 HK$'000
Salaries and allowances	67,691	71,635
Pension costs – defined contribution plans	2,946	3,102
Total employee benefits expenses, including directors' remuneration	70,637	74,737
Less: Amounts capitalized in deferred development costs	(690)	(1,242)
	69,947	73,495

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

Five highest paid individuals

None (2021: None) of the five highest-paid individuals in the Group for the year was a director. Directors' emoluments are shown in Note 38. The emoluments paid or payable to the above five individuals (2021: five individuals) for the year are as follows.

	2022 HK$'000	2021 HK$'000
Salaries, allowances and benefits in kind	4,569	4,974
Pension costs – defined contribution plans	172	162
	4,741	5,136

	Number of Individuals	
	2022	2021
Emolument bands (in HK$)		
Below HK$1,000,000	4	3
HK$1,000,001–HK$1,500,000	–	1
HK$1,500,001–HK$2,000,000	1	1

No emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil). None of the directors of the Company waived any emoluments during the year (2021: Nil).

9. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interest on borrowings	76	86
Effective interest expense on convertible bonds	992	370
Interest on lease liabilities	25	40
	1,093	496

10. LOSS BEFORE TAX

	2022 HK$'000	2021 HK$'000
Loss before tax is stated after charging:		
Depreciation and amortization		
Depreciation of owned property, plant and equipment	748	913
Depreciation of right-of-use assets	872	5,522
Amortization of intangible assets	2,173	2,908
Total depreciation and amortization	3,793	9,343
Auditors' remuneration	1,000	1,000
Provision for impairment of financial assets and contract assets – net	11,062	7,052
Expenses relating to short-term leases	2,764	142

11. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at a rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the year.

	2022 HK$'000	2021 HK$'000
Current tax:		
Current tax on profits for the year	201	547
Overprovision in prior years	(125)	–
Total current tax	76	547
Deferred income tax *(Note 31)*	147	325
Income tax expense	223	872

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

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

11. INCOME TAX EXPENSE (CONTINUED)

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

	2022 HK$'000	2021 HK$'000
Loss before tax	(9,073)	(17,748)
Tax calculated at Hong Kong Profits Tax rate of 16.5%	(1,497)	(2,928)
Tax effects of:		
– Income not subject to tax	(894)	(3)
– Expenses not deductible for tax purposes	389	1,968
– Temporary differences not recognized	305	278
– Tax losses for which no deferred income tax asset was recognized	2,337	1,786
– Utilization of previous unrecognized tax losses	(280)	(34)
– Income tax at concessionary rate	–	(165)
– Tax reduction	(12)	(30)
– Overprovision in respect of prior years	(125)	–
Tax charge	223	872

12. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on (i) the loss attributable to owners of the Company for the year; and (ii) the weighted average number of 280,000,000 ordinary shares issued during the year (2021: 280,000,000 ordinary shares).

The diluted loss per share is equal to the basic loss per share as (i) the impact of conversion for convertible bond is anti-dilutive; and (ii) there were no other dilutive potential ordinary shares in issue during the years ended 31 December 2022 and 2021 respectively.

13. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of HK1.5 cents (2021: Nil) per ordinary share, in an aggregate amount of HK$4,200,000 (2021: Nil), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

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 2022	Interest held 2021
Gear Securities Investment Limited	Hong Kong, limited liability company	Dealing in securities and advising in securities	HK$25,000,000 divided into 25,000,000 ordinary shares	100% (indirect)	100% (indirect)
Epro Telecom Holdings Limited	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)
Epro Marketing Limited	Hong Kong, limited liability company	Provision of telecommunication and related services	HK$3,000,000 divided into 3,000,000 ordinary shares	100% (indirect)	100% (indirect)
Gear Asset Management Limited	Hong Kong, limited liability company	Provision of asset management services	HK$9,625,800 divided into 4,107,400 ordinary shares	100% (indirect)	100% (indirect)
Gear 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 2022 and 2021.

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 2021						
Cost	11,555	1,842	3,305	453	–	17,155
Accumulated depreciation	(11,186)	(1,770)	(2,558)	(321)	–	(15,835)
Net book amount	369	72	747	132	–	1,320
Year ended 31 December 2021						
Opening net book amount	369	72	747	132	–	1,320
Additions	216	12	1,405	125	–	1,758
Disposals	(44)	–	(580)	–	–	(624)
Depreciation charge	(301)	(50)	(489)	(73)	–	(913)
Closing net book amount	240	34	1,083	184	–	1,541
As at 31 December 2021						
Cost	9,176	1,795	1,842	558	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**

16. RIGHT-OF-USE ASSETS

	Premises HK$'000	Motor vehicle HK$'000	Total HK$'000
As at 31 December 2022			
Carrying amount	370	–	370
As at 31 December 2021			
Carrying amount	1,004	–	1,004
For the year ended 31 December 2022			
Depreciation charge *(Note 10)*	872	–	872
For the year ended 31 December 2021			
Depreciation charge *(Note 10)*	5,454	68	5,522

	2022 HK$'000	2021 HK$'000
Interest expense *(Note 9)*	25	40
Expense relating to short-term leases and other leases with lease terms end within 12 months	2,764	142
Total cash outflow for leases	3,675	3,354
Additions to right-of-use assets	238	1,280

The Group leases certain motor vehicle and premises for its operations. Leases contracts are entered into for fixed terms of 2 years (2021: 18 months to 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 2022 and 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in Note 10.

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

17. INTANGIBLE ASSETS

	Goodwill HK$'000	Internally generated software development costs HK$'000	Total HK$'000
As at 1 January 2021			
Cost	4,526	57,288	61,814
Accumulated amortization and impairment	(4,526)	(51,851)	(56,377)
Net book amount	–	5,437	5,437
Year ended 31 December 2021			
Opening net book amount	–	5,437	5,437
Additions	–	1,242	1,242
Amortization charge	–	(2,908)	(2,908)
Closing net book amount	–	3,771	3,771
As at 31 December 2021			
Cost	4,526	58,530	63,056
Accumulated amortization and impairment	(4,526)	(54,759)	(59,285)
Net book amount	–	3,771	3,771
Year ended 31 December 2022			
Opening net book amount	**–**	**3,771**	**3,771**
Additions	**–**	**690**	**690**
Amortization charge	**–**	**(2,173)**	**(2,173)**
Closing net book amount	**–**	**2,288**	**2,288**
As at 31 December 2022			
Cost	**4,526**	**59,220**	**63,746**
Accumulated amortization and impairment	**(4,526)**	**(56,932)**	**(61,458)**
Net book amount	**–**	**2,288**	**2,288**

17. INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill

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

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

(b) Internally generated software development costs

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

18. INTEREST IN AN ASSOCIATE

	2022 HK$'000	2021 HK$'000
Cost of unlisted interest in an associate	1,000	–
Share of post-acquisition loss and other comprehensive income, net of dividends received	(170)	–
	830	–

Particulars of the Group's associate at the end of the reporting period are as follows:

Name of associate	Form of entity	Place of incorporation/ operation	Class of shares held	Percentage of ownership interests held by the Group 2022	2021	Principal activities
MetaSTO Group Limited	Incorporated	Hong Kong	Ordinary	40%	–	Provision of services in regard of securities tokenization and related businesses

Note: MetaSTO Group Limited was incorporated on 19 November 2021.

18. INTEREST IN AN ASSOCIATE (CONTINUED)

Summarized financial information of an associate

Summarized financial information in respect of the Group's associate is set out below. The summarized financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

The associate is accounted for using the equity method in these consolidated financial statements.

	2022 HK$'000	2021 HK$'000
Current assets	2,175	–
Non-current assets	–	–
Current liabilities	100	–
Non-current liabilities	–	–
Revenue	–	–
Loss and total comprehensive expense for the year	(425)	–
Dividends received from the associate during the year	–	–

Reconciliation of the above summarized financial information to the carrying amount recognized in the consolidated financial statements:

	2022 HK$'000	2021 HK$'000
Net assets	2,075	–
Proportion of the Group's ownership interest	40%	–
Carrying amount of the Group's interest	830	–

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK$'000	2021 HK$'000
Equity securities listed in Hong Kong	199	235
Unlisted equity securities in Hong Kong	1,260	2,200
	1,459	2,435
Analyzed for reporting purposes as:		
Current assets	199	235
Non-current assets	1,260	2,200
	1,459	2,435

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

20. OTHER ASSETS

	2022 HK$'000	2021 HK$'000
Fidelity fund deposit to The Stock Exchange of Hong Kong Limited ("SEHK")	50	50
Compensation fund deposit to SEHK	50	50
Stamp duty deposit with SEHK	5	5
Admission fee paid to Hong Kong Securities Clearing Company Limited ("HKSCC")	50	50
Guarantee fund deposit to HKSCC	50	50
	205	205

21. CONTRACT ASSETS AND CONTRACT LIABILITIES

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

	2022 HK$'000	2021 HK$'000
Contract assets	3,974	3,888
Less: loss allowance	(2)	(1)
Contract assets – net	3,972	3,887
Contract liabilities	(2,248)	(1,890)
	1,724	1,997

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

Revenue recognized in relation to contract assets and contract liabilities

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

	2022 HK$'000	2021 HK$'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	596	646
Transfers from the contract assets recognized at the beginning of the year to trade receivables	3,888	3,289

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

22. TRADE AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables		
Amounts receivables arising from multi-media contact services, contact centre system and advisory services	42,352	39,200
Amounts receivables arising from financial services business		
– Client-margin	–	310
– Clearing house	–	743
Loan and interests receivables	17,511	33,679
Less: loss allowance	(32,559)	(21,423)
Trade receivables – net	27,304	52,509
Other receivables, deposits and prepayments	1,679	6,069
Less: loss allowance	(31)	(106)
Other receivables, deposits and prepayments – net	1,648	5,963
	28,952	58,472

The average credit period on the Group's sales is 30 days (2021: 30 days). The aging analysis of the trade receivables net of loss allowance based on invoice date is as follows:

	2022 HK$'000	2021 HK$'000
0–30 days	6,151	6,619
31–60 days	3,549	2,670
61–90 days	1,985	845
Over 90 days	4,127	8,514
	15,812	18,648

The settlements of amounts receivables arising from financial services business are two days after trade date. No aging analysis is disclosed as, in the opinion of the directors, the aged analysis does not give additional value in view of nature of these receivables.

Margin clients are required to pledge securities collateral to the Group in order to obtain the margin facilities for securities trading. As at 31 December 2021, loan to margin client is secured by client's securities pledged as collateral with market value of approximately HK$3,033,000. Management has assessed the market value of the pledged securities of each individual client who has margin shortfall at the end of each reporting period. The margin loan is repayable on demand, interest bearing at commercial rates and denominated in HK$.

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group's loan and interests receivables, which arise from the money lending business, are denominated in HK$. The loan and interests receivables are mainly secured by properties located in Hong Kong, personal guarantees and receivables. All the loan receivables are entered with contractual maturity within 1 year. Loan receivables are interest-bearing at a rate range from 12% to 20% (2021: 12% to 22%) per annum.

The fair value of collateral held in respect of the loan and interests receivables as at 31 December 2022 is approximately HK$18,025,000 (2021: approximately HK$58,980,000).

As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$54,490,000 (2021: approximately HK$34,501,000) which are past due as at the reporting date. Out of the past due balances, approximately HK$3,827,000 (2021: Nil) has been past due 90 days or more and is not considered as in default.

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

As at 31 December 2022, the carrying amounts of the Group's trade receivables included approximately HK$1,959,000 (2021: 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.

As at 31 December 2022, the carrying amounts of the Group's trade receivables included approximately HK$17,505,000 (2021: approximately HK$16,357,000) 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.

As at 31 December 2022, the carrying amounts of the Group's trade receivables included approximately HK$3,300,000 (2021: approximately HK$5,300,000) 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.

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

As at 31 December 2021, the carrying amount of the Group's deposits included approximately HK$654,000 is premise rental deposits paid to Stan Group (Holdings) Limited.

As at 31 December 2021, the carrying amount of the Group's deposits included approximately HK$25,000 is premise rental deposits paid to Supreme Leader Limited.

The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the end of the reporting period is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

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

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 (2021: 0.03% per annum). The original maturity of these deposits was 34 days (2021: 33 days). 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.

	2022 HK$'000	2021 HK$'000
Cash at banks and on hand	33,418	37,987
Short-term bank deposits	13,019	3,722
Cash and cash equivalents	46,437	41,709

As at 31 December 2022, the cash and cash equivalents of the Group denominated in RMB amounted to approximately HK$72,000 (2021: approximately HK$73,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

27. TRADE AND OTHER PAYABLES

	2022 HK$'000	2021 HK$'000
Trade payables	4	125
Amounts payable arising from financial services business		
– Clients-cash	6,289	9,566
– Clients-margin	164	7,765
– Clearing house	–	5
Other payables and accruals	8,908	8,296
	15,365	25,757

At 31 December 2022, the aging analysis of the trade payables based on invoice date is as follows:

	2022 HK$'000	2021 HK$'000
0–30 days	2	59
31–60 days	1	49
61–90 days	1	1
Over 90 days	–	16
	4	125

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

	2022 HK$'000	2021 HK$'000
Current		
Secured bank borrowings	2,000	–

All the bank borrowings are analyzed as follows:

	2022 HK$'000	2021 HK$'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$.

The banking facilities of the Group were secured by the followings:

(i) Pledged bank deposits with carrying amount of approximately HK$6,092,000 (2021: approximately HK$6,091,000);

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

29. LEASE LIABILITIES

	2022 HK$'000	2021 HK$'000
Lease liabilities payable:		
Within one year	376	773
More than one year but not exceeding two years	–	251
	376	1,024
Less: Amount due for settlement with 12 months shown under current liabilities	(376)	(773)
Amount due for settlement after 12 months shown under non-current liabilities	–	251

The incremental borrowing rates applied to lease liabilities ranged from 3.2% to 3.24% (2021: from 3.24% to 3.99%).

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 2021	–	–	–
Issue	7,490	276	7,766
Interest charge	370	–	370
Gain arising on changes of fair value	–	(31)	(31)
As at 31 December 2021 and 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	8,852	354	9,206

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:

	2022 HK$'000	2021 HK$'000
Deferred income tax assets	669	818
Deferred income tax liabilities	(16)	(18)
	653	800

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 2021	(1,066)	(59)	(1,125)
Charged/(Credited) to the consolidated statement of profit or loss	332	(7)	325
As at 31 December 2021 and 1 January 2022	(734)	(66)	(800)
Charged to the consolidated statement of profit or loss	97	50	147
As at 31 December 2022	(637)	(16)	(653)

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 2022, the Group has unused tax losses of approximately HK$58,868,000 (2021: approximately HK$46,406,000) 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 AND PREMIUM

	Number of ordinary shares	Ordinary shares of HK0.01 each HK$'000	Share premium HK$'000
Ordinary shares, issued and fully paid up:			
As at 31 December 2022 and 2021	280,000,000	2,800	25,238

33. SHARE OPTION SCHEME

The purpose of the share option scheme (the "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 Scheme include any employee and director of the Group, any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensees) or distributors, landlords or tenants (including any sub-tenants) of the Group.

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

The 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 Scheme is terminated. The exercise period of any option granted under the Scheme shall not exceed the period of ten years from the date of grant but subject to the provisions for early termination of the 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 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.

33. SHARE OPTION SCHEME (CONTINUED)

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

No share options were granted since the adoption of the Scheme and there were no share option outstanding as at 31 December 2022 and 2021.

34. 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.

35. RELATED PARTY TRANSACTIONS

Save as disclosed in Notes 22 and 38 to the consolidated financial statements, the Group entered into the following significant related party transactions during the year:

Name of related party	**Nature of transactions**	*Notes*	2022 HK$'000	2021 HK$'000
Always Beyond Limited	Repayments of lease liabilities	*(i) & (vi)*	–	956
Jiayuan Stangroup Development Company Limited	Asset management services income	*(iii)*	1,148	5,171
Stan Group (Holdings) Limited	Repayment of lease liabilities	*(ii) & (vi)*	445	225
Pacific Paradise Development Limited	Investment advisory services income	*(iv) & (vi)*	–	3,300
Mr. Tang Yiu Sing ("Mr. YS Tang")	Brokerage commission income	*(vii)*	–	13
Pine Care Titanium Limited	Issue of convertible bonds	*(vi) & (viii)*	–	9,500
Star China Development Limited	Short-term lease expenses	*(v), (vi) & (ix)*	2,713	–

35. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

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

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

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

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

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

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

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

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

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

Key management personnel compensation

	2022 HK$'000	2021 HK$'000
Salaries and short-term employee benefits	480	500
Post-employment benefits	6	6
	486	506

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

	As at 31 December	
	2022 HK$'000	2021 HK$'000
Non-current assets		
Investment in a subsidiary	40,151	40,151
Current assets		
Other receivables	7,000	7,270
Amounts due from subsidiaries	57,033	77,350
Tax recoverable	16	–
Time deposits	10,000	–
Cash and cash equivalents	3,917	4,594
	77,966	89,214
Current liabilities		
Other payables	643	730
Amounts due to subsidiaries	22,629	34,176
Current income tax liabilities	–	151
Convertible bonds	9,206	–
	32,478	35,057
Net current assets	45,488	54,157
Total assets less current liabilities	85,639	94,308
Non-current liabilities		
Convertible bonds	–	8,105
Net assets	85,639	86,203
Equity attributable to the owners of the Company		
Share capital	2,800	2,800
Share premium	25,238	25,238
Reserves *(Note (a))*	57,601	58,165
Total equity	85,639	86,203

Approved and authorized for issue by the Board of Directors on 21 March 2023.

Tang Yiu Sing
Director

Yeung Ka Wing
Director

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

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

	Convertible bonds equity reserve HK$'000	Special reserve HK$'000	Retained profits HK$'000	Total HK$'000
As at 1 January 2021	–	40,151	44,278	84,429
Loss for the year	–	–	(27,998)	(27,998)
Recognition of equity component of convertible bonds	1,734	–	–	1,734
As at 31 December 2021 and 1 January 2022	**1,734**	**40,151**	**16,280**	**58,165**
Loss for the year	**–**	**–**	**(564)**	**(564)**
As at 31 December 2022	**1,734**	**40,151**	**15,716**	**57,601**

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.

37. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities:

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

	Convertible bonds HK$'000	Borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
As at 1 January 2021	–	3,000	2,929	5,929
Financing cash flows	9,500	(3,086)	(3,225)	3,189
New leases entered	–	–	1,280	1,280
Fair value adjustment	(31)	–	–	(31)
Recognition of equity component of convertible bonds	(1,734)	–	–	(1,734)
Interest expenses	370	86	40	496
As at 31 December 2021 and 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	9,206	2,000	376	11,582

38. BENEFITS AND INTEREST OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive for the year ended 31 December 2022 is set out below:

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

38. BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

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

The remuneration of every director and the chief executive for the year ended 31 December 2021 is set out below:

Name of director	Fees HK$'000	Salary HK$'000	Discretionary bonus HK$'000	Other benefits HK$'000	Employer's contribution to pension schemes HK$'000	Total HK$'000
Executive directors						
Mr. YS Tang[1]	–	60	–	–	3	63
Mr. Yeung Ka Wing	–	60	–	–	3	63
Non-executive director						
Mr. SB Tang[3]	–	20	–	–	–	20
Independent non-executive directors						
Mr. Wong Sik Kei[2]	120	–	–	–	–	120
Mr. Cheung Kong Ting	120	–	–	–	–	120
Mr. Wong Kam Tai	120	–	–	–	–	120
	360	140	–	–	6	506

Notes:

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

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

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

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

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

	For the year ended 31 December				
	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
Results					
Revenue	86,130	98,757	104,211	132,333	141,741
Operating (loss)/profit	(7,980)	(17,252)	(4,751)	9,703	5,706
Finance costs	(1,093)	(496)	(399)	(326)	(323)
(Loss)/Profit before tax	(9,073)	(17,748)	(5,150)	9,377	5,383
Income tax (expense)/credit	(223)	(872)	13	(1,786)	(1,437)
(Loss)/Profit for the year	(9,296)	(18,620)	(5,137)	7,591	3,946

	At 31 December				
	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
Asset and liabilities					
Property, plant and equipment	1,001	1,541	1,320	5,509	4,574
Right-of-use assets	370	1,004	5,246	10,236	–
Intangible assets	2,288	3,771	5,437	12,379	12,263
Interest in an associate	830	–	–	–	–
Financial assets at fair value through profit or loss	1,260	2,200	–	–	–
Deferred income tax assets	669	818	1,171	805	1,181
Other assets	205	205	205	205	205
Net current assets	83,244	97,982	102,700	94,112	95,700
Total assets less current liabilities	89,867	107,521	116,079	123,246	113,923
Deferred income tax liabilities	(16)	(18)	(46)	(91)	(195)
Borrowings – non-current	–	–	–	–	(149)
Lease liabilities	–	(251)	–	(1,985)	–
Convertible Bonds	–	(8,105)	–	–	–
Net assets	89,851	99,147	116,033	121,170	113,579
Capital and reserves					
Share capital	2,800	2,800	2,800	2,800	2,800
Share premium	25,238	25,238	25,238	25,238	25,238
Reserves	61,813	71,109	87,995	93,132	85,541
Total equity	89,851	99,147	116,033	121,170	113,579
(Loss)/Earnings per share attributable to owners of the Company – Basic and diluted (HK cents)	(3.3)	(6.7)	(1.8)	2.7	1.4

Notes:

1. The results of the Group for the year ended 31 December 2022 and 2021 are those set out on page 68 of this annual report.

2. The consolidated statement of financial position as at 31 December 2022 and 2021 are those set out on pages 69 to 70 in this annual report.

ETS

ETS GROUP LIMITED
易通訊集團有限公司