LAPCO HOLDINGS LIMITED
立高控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 8472

2024
Annual Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Tam Yiu Shing, Billy (譚耀誠先生)
Mr. Wang Rong (王榮先生)
Ms. Liu Jingjing (劉晶晶女士)
(appointed on 29 August 2024)
Mr. Au Pak Lun, Patrick (區柏崙先生)
(resigned on 29 August 2024)

Independent non-executive Directors

Mr. Mak Kwok Kei (麥國基先生)
Mr. Chow Yun Cheung (周潤璋先生)
(appointed on 1 April 2024)
Mr. Leung Ka Wai (梁嘉偉先生)
(appointed on 1 June 2024)
Ms. Lam Kit Yan (林潔恩女士)
(resigned on 31 May 2024)
Ms. Wan Hoi Shan (尹凱珊女士)
(resigned on 31 March 2024)

AUDIT COMMITTEE

Mr. Chow Yun Cheung (周潤璋先生) *(Chairman)*
(appointed on 1 April 2024)
Mr. Mak Kwok Kei (麥國基先生)
Mr. Leung Ka Wai (梁嘉偉先生)
(appointed on 1 June 2024)
Ms. Lam Kit Yan (林潔恩女士)
(resigned on 31 May 2024)
Ms. Wan Hoi Shan (尹凱珊女士)
(resigned on 31 March 2024)

REMUNERATION COMMITTEE

Mr. Chow Yun Cheung (周潤璋先生) *(Chairman)*
(appointed on 1 April 2024)
Mr. Tam Yiu Shing Billy (譚耀誠先生)
Mr. Mak Kwok Kei (麥國基先生)
Ms. Wan Hoi Shan (尹凱珊女士)
(resigned on 31 March 2024)

NOMINATION COMMITTEE

Mr. Tam Yiu Shing Billy (譚耀誠先生) *(Chairman)*
Mr. Mak Kwok Kei (麥國基先生)
Mr. Chow Yun Cheung (周潤璋先生)
(appointed on 1 April 2024)
Ms. Wan Hoi Shan (尹凱珊女士)
(resigned on 31 March 2024)

COMPANY SECRETARY

Mr. Pang Wai Ho (彭韋豪先生)
(appointed on 29 August 2024)
Certified Public Accountant
Mr. Au Pak Lun, Patrick (區柏崙先生)
(resigned on 29 August 2024)
Certified Public Accountant

AUTHORISED REPRESENTATIVES

Mr. Pang Wai Ho (彭韋豪先生)
(appointed on 29 August 2024)
Certified Public Accountant
Mr. Wang Rong (王榮先生)

AUDITOR

CL Partners CPA Limited
Registered Public Interest Entity Auditors
3203A-05 Tower 2, Lippo Centre
Admiralty
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
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

REGISTERED OFFICE

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STOCK CODE

08472

STATEMENT FROM BOARD OF DIRECTORS

Dear Shareholders,

On behalf of the Board of Directors of Lapco Holdings Limited, I am pleased to present the audited consolidated annual results for the year ended 31 December 2024. This year represented a significant period of transformation for our Group as we strategically repositioned our business for future growth while navigating an evolving market environment.

Our traditional environmental hygiene services business continued to face industry-wide challenges, including persistent labor shortages and rising operational costs. In response, we maintained our disciplined approach to tender bidding, focusing on contracts with sustainable margins. The disposal of a key subsidiary during the year, while resulting in a reduction of our revenue base, was a deliberate strategic decision that has allowed us to reallocate resources more efficiently.

Recognizing the need to diversify our business and capture new growth opportunities, we made the strategic decision to enter the online game industry. This exciting new venture represents a significant expansion of our business scope into the dynamic digital entertainment sector. We believe our strong operational capabilities and service-oriented culture position us well to succeed in this fast-growing industry. Initial investments have been made to establish our presence, and we are actively exploring partnerships and opportunities in game development, publishing, and related digital services.

In our core environmental services division, we continue to adapt to market conditions while maintaining our commitment to service quality. The post-pandemic emphasis on hygiene standards continues to drive demand, though we remain mindful of cost pressures from rising wages and regulatory requirements. We are implementing technological solutions and operational improvements to enhance efficiency across our service delivery.

Looking ahead, we are focused on carefully managing this transition period. Our priorities include nurturing our new online game business while maintaining stability in our environmental services operations. The Board remains confident that our diversified strategy, supported by prudent financial management and operational expertise, will create sustainable long-term value. We extend our sincere appreciation to our employees, customers, and shareholders for their continued support during this important phase of our development.

Tam Yiu Shing, Billy
Executive Director

28 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

We are an established and one-stop environmental service provider based in Hong Kong. Our environmental hygiene services cover four types, namely (a) cleaning services; (b) pest management services; (c) waste management and recycling services; and (d) landscaping services. We provide our environmental hygiene services to a wide range of venues including streets, cultural, leisure and recreational premises, residential premises, commercial buildings, markets, restaurants and academic institutions etc. Our major customers during the year ended 31 December 2024 include various departments of the Hong Kong Government, property management companies and other corporations in the private sector.

During the Reporting Period, the competition in the environmental hygiene service industry remained keen. Shortage of labour and high operating costs, particularly the insurance expenses, labour costs, vehicle expenses, legal and professional expenses continued to be the challenges of the business.

Looking ahead, the Group will maintain its strategic focus to achieve on profitability and strengthen its competitive edge by delivering greater value to its customers through quality management, competitive pricing and customer service. The Group will also cautiously explore and identify any new business opportunities with an objective to broaden its business scope and benefit from diversified return from the future.

During the Reporting Period, the Group first expanded its principal business in the online game industry by entering into its first online game licensing agreement with game developers in April 2024, pursuant to which, the licensor granted to the Group the exclusive, transferable and sub-licensable rights to promote, operate, publish, reproduce and distribute the licensed games and the products and services related thereto. After the Reporting Period, the Group further entered into more online game licensing agreements which on an aggregate basis with its first online game licensing agreement entered into in April 2024 constitute a discloseable transaction of the Company under the GEM Listing Rules. The Group will continue to use its best endeavours to market and promote its licensed games to expand its online game business.

Financial Results

Revenue of the Group decreased by approximately 39.6% from approximately HK$948.7 million for the year ended 31 December 2023 to approximately HK$573.4 million for the Reporting Period. The Group, recorded a decrease in the cost of services by approximately 39.6% to approximately HK$537.5 million (2023: approximately HK$890.7 million) and an decrease of approximately 38.2% in gross profit to approximately HK$35.9 million (2023: approximately HK$58.0 million). Gross profit margin also increased by approximately 0.2% to 6.3% (2023: increased approximately 1.1% to 6.1%). Due to decrease in business scale as a result of disposal of subsidiary and overall administrative expenses remained relatively stable despite of the decrease in business cycle for the Reporting Period, the Group recorded a profit attributable to equity shareholders of the Company (the "**Shareholders**") for the year ended 31 December 2024 which amounted to approximately HK$3.4 million (as compared to a profit of approximately HK$14.1 million for the corresponding period in 2023).

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2024 (2023: nil).

HUMAN RESOURCES

As at 31 December 2024, the Group employed 645 employees, including both full time and part time (31 December 2023: 3,279). Remuneration packages are generally structured by reference to market terms, individual qualifications and experience.

During the Reporting Period, various training activities, such as training on operational safety, administrative and management skills, were conducted to improve the quality of front-end services, office support and management. In addition, employees are also encouraged, subsidised and sponsored to attend job-related seminars and courses organised by professional and/or educational institution to ensure the smooth and effective management of the Group's business.

FINANCIAL REVIEW

Revenue

The Group's revenue for the years ended 31 December 2024 and 2023 were approximately HK$573.4 million and HK$948.7 million, respectively, representing an decrease of approximately 39.6%. The decrease was mainly driven by the decrease in business scale as a result of disposal of subsidiary.

The following table sets forth our revenue by business segments during the years ended 31 December 2024 and 2023:

	For the year ended 31 December			
	2024		2023	
	HK$'000	***%***	*HK$'000*	*%*
Cleaning services	**447,619**	**78.1**	816,547	86.1
Pest management services	**13,404**	**2.3**	24,111	2.5
Waste management and recycling services	**99,406**	**17.3**	107,284	11.3
Landscaping services	**149**	**0.1**	741	0.1
Online game integrated services	**12,812**	**2.2**	–	–
Total	**573,390**	**100.0**	948,683	100.0

The revenue from cleaning services decreased by approximately 45.2% for the year ended 31 December 2024 as comparing with that of the previous year as the decrease in business scale as a result of disposal of subsidiary. The revenue from pest management services decreased by approximately 44.4% for the Reporting Period as compared to the previous year the decrease in business scale as a result of disposal of subsidiary. The revenue from waste management and recycling services decreased by approximately 7.3% for the Reporting Period as compared to the previous year as certain waste management and recycling services contracts were expired during the year.

More details of the Group's performance for the Reporting Period by business segments are set out in note 5 to the consolidated financial statements.

Cost of Services

For the years ended 31 December 2024 and 2023, the cost of services of the Group amounted to approximately HK$537.5 million and HK$890.7 million respectively, representing approximately 93.7% and 93.9% of the Group's revenue for the corresponding years. Our cost of services mainly consists of direct labour costs, vehicle expenses, consumables, and direct overheads. The decrease in cost of services was mainly caused by the decrease in business scale as a result of disposal of subsidiary.

Gross Profit

The Group's gross profit for the Reporting Period was approximately HK$35.9 million, representing an decrease of approximately 38.2% from approximately HK$58.0 million for the year ended 31 December 2023. The decrease was mainly caused by the decrease of revenue.

Gross Profit Margin

The gross profit margins of the Group for the years ended 31 December 2024 and 2023 were approximately 6.3% and 6.1% respectively.

Other income

The Group's other income for the years ended 31 December 2024 and 2023 were approximately HK$11.9 million and HK$3.8 million respectively. The significant increase was mainly due to supportive management fee from a subsidiary with HK$9.5 million after the disposal at 25 June 2024.

Administrative Expenses

The administrative expenses incurred by the Group for the years ended 31 December 2024 and 2023 were approximately HK$35.8 million and HK$37.3 million respectively, representing an decrease of approximately 4.2%, and approximately 6.2% and 3.9% of the respective year's total revenue. The decrease was mainly due to the decrease in business scale as a result of disposal of subsidiary for the year ended 31 December 2024.

Finance Costs

The finance costs of the Group amounted to approximately HK$3.8 million and HK$5.9 million for the years ended 31 December 2024 and 2023 respectively, representing approximately 0.7% and approximately 0.6% of the Group's revenue in the respective years.

Profit Attributable to Owners of The Company

As a result of the foregoing, the profit attributable to the Shareholders for the Reporting Period amounted to approximately HK$3.4 million as compared to the approximately HK$14.1 million for the year ended 31 December 2023.

FOREIGN CURRENCY EXPOSURE

The Group's foreign currency exposure is limited as most of its transactions, assets and liabilities are denominated in Hong Kong dollars. There were no foreign currency investments hedged by foreign currency borrowings and other hedging instruments during the Reporting Period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Right Issue

On 1 March 2024, the Company raised gross proceeds of up to approximately HK$43.2 million by way of the issue of up to 72,000,000 Rights Shares, at the Subscription Price of HK$0.60 per Rights Share on the basis of three (3) Rights Share for every one (1) Share held on 30 January 2024. The net proceeds from the Rights Issue after deducting the expenses were approximately HK$41.7 million.

As at 31 December 2024, total bank borrowings of the Group amounted to approximately HK$9.2 million (2023: approximately HK$54.7 million) which represented the secured and guaranteed bank borrowings including loans from factoring of trade receivables with full recourse, unsecured and unguaranteed other borrowings, exchangeable bond and unsecured and unguaranteed loan from a director of the Company's subsidiaries. As at 31 December 2024, the cash and cash equivalents and pledged bank balances of the Group amounted to approximately HK$76.7 million (2023: approximately HK$102.0 million). As at 31 December 2024 and 2023, the Group is in net cash position. Debt to equity ratio is calculated by dividing the net debt, which is defined to include bank borrowings and lease liabilities net of pledged bank balances and bank balances and cash, by total equity at the end of the respective years. Current ratio as at 31 December 2024 was approximately 3.7 time (2023: approximately 1.3 time).

The Group maintained sufficient working capital as at 31 December 2024 with bank balances and cash of approximately HK$59.0 million (2023: approximately HK$72.3 million). The Board of Directors will continue to follow a prudent treasury policy in managing its cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business.

As at 31 December 2024, the Group's net current assets amounted to approximately HK$117.2 million (2023: approximately HK$61.8 million). The Group's operations are financed principally by operating cashflow generated from its business operation, available cash and bank balances, bank and other borrowings and lease liabilities.

CONTINGENT LIABILITIES

As at 31 December 2024, performance guarantee of approximately HK$39,412,000 (2023: HK$154,494,000) and HK$7,922,000 (2023: 6,490,000) was given by bank and insurance companies respectively in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers. If the Group fails to provide satisfactory performance to its customers to whom performance guarantee have been given, such customers may demand the banks to pay the sum stipulated in such demand. The Group will become liable to compensate such banks accordingly. The performance guarantee will be released upon completion of the service contracts.

USE OF PROCEEDS

Use of Proceeds from Initial Public Offer

The net proceeds from the issue of new shares of the Company through the Public Offer of an aggregate of 10,000,000 Public Offer Shares and the placing of 90,000,000 ordinary shares of HK$0.01 each in the share capital of the Company at the price of HK$0.50 per share, after deducting the underwriting commission and listing expenses borne by our Group and excluding the net proceeds of the Sale Shares, were approximately HK$18.7 million ("**Actual Proceeds**"), as compared to the estimated net proceeds of approximately HK$20.8 million as disclosed in the prospectus dated 30 June 2017 of the Company (the "**Prospectus**"), there was a shortage of approximately HK$2.1 million mainly due to the additional listing expenses at final payment. Accordingly, the Group has adjusted the use of proceeds on a pro-rata basis. The utilization of net proceeds as at 31 December 2024 is set out below:

Summary of use of proceeds

Use of net proceeds	Total planned amount to be used *HK$' million*	Actual amount utilised up to 31 December 2023 *HK$' million*	Actual amount utilised during the year ended 31 December 2024 *HK$' million*	Actual amount utilised up to 31 December 2024 *HK$' million*	Unutilised balance as at 31 December 2024 *HK$' million*
Procure additional vehicles	9.0	9.0	–	9.0	–
Procure additional equipment	0.9	0.9	–	0.9	–
Hire additional staff	1.4	1.4	–	1.4	–
Enhance information technology application system to enhance operational efficiency	2.7	2.4	0.3	2.7	–
Repay a bank loan	2.9	2.9	–	2.9	–
General working capital	1.8	1.8	–	1.8	–
Total	18.7	18.4	0.3	18.7	–

Use of Proceeds from Rights Issue

The Company raised gross proceeds of up to approximately HK$43.2 million by way of the issue of up to 72,000,000 Rights Shares, at the Subscription Price of HK$0.60 per Rights Share on the basis of three (3) Rights Share for every one (1) Share held on the 1 March 2024. The net proceeds from the Rights Issue after deducting the expenses were approximately HK$41.7 million. The utilisation of the placing net proceeds as at 31 December 2024 is set out below:

Use of placing net proceeds	Original allocation of placing net proceeds *HK$ million*	Actual use of net proceeds up to 4 October 2024 *HK$ million*	Revised allocation of unutilised net proceeds as at 4 October 2024 *HK$ million*	Placing net proceeds utilised from 5 October 2024 to 31 December 2024 *HK$ million*	Unutilised placing net proceeds as at 31 December 2024 *HK$ million*	Expected timeline for utilising the remaining placing net proceeds
Financing the provision of performance guarantee	26.0	0.6	12.7	1.1	11.6	31 December 2025
Acquisition of additional vehicles	7.0	0.4	6.6	–	6.6	31 December 2025
Repayment of the Group's bank loans and payables	4.8	4.8	12.7	12.7	–	
General working capital for business operation and general administrative and operating expenses	3.9	3.9	–	–	–	
Total	41.7	9.7	32.0	13.8	18.2	

The Directors will constantly evaluate the Group's business objectives and will change or modify the plans against the changing market condition to suit the business growth of the Group.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2024, the amount of lease liabilities within one year was approximately HK$7.0 million (31 December 2023: HK$11.4 million), and after one year but within five years was approximately HK$11.6 million (31 December 2023: HK$22.3 million).

As at 31 December 2024, we had approximately HK$8.7 million (31 December 2023: HK$54.7 million) of secured bank borrowings and exchangeable bond. Such loans were primarily used in financing the working capital requirement of our operations.

In addition, we have (i) pledged bank balances of approximately HK$17.7 million as at 31 December 2024 (31 December 2023: HK$29.7 million), (ii) pledged trade receivables of approximately HK$32.7 million as at 31 December 2024 (31 December 2023: HK$126.5 million) and (iii) pledged motor vehicles of approximately HK$16.0 million (31 December 2023: HK$35.2 million).

As at 31 December 2024, the gearing ratio of the Group was approximately 0.2 times (2023: 0.9 times), which was calculated based on the total interest-bearing bank borrowings, non-interest bearing loan from exchangeable bond and lease liabilities over total equity of the Group.

Save as mentioned above in this section, we did not have any outstanding mortgages or charges, borrowings or indebtedness including bank overdrafts, loans or debentures, loan capital, debt securities or other similar indebtedness, finance lease or hire purchase.

ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT HELD

Save as disclosed below, there were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2024.

Exercise of the Exchangeable Bond

On 17 February 2023, the Company issued an exchangeable bond (the "**Exchangeable Bond**") to Mr. Tam Wai Tong ("**Mr. Tam**") at a principal amount of HK$20,000,000, payable by automatically and immediately setting off in its entirety against the Company's obligation to repay loans in an aggregate principal amount of HK$20,000,000 due from the Company to Mr. Tam. Mr. Tam was a connected person at the subsidiary level of the Company under Chapter 20 of the GEM Listing Rules at the time of issue of the Exchangeable Bond.

The issue of the Exchangeable Bond grants the bondholder an exchange right (the "**Exchange Right**") to exchange the Exchangeable Bond into 100% of the issued share capital of Shiny Glory Services Limited ("**Shiny Glory**") during the period from the first day of the fourth month from the issue date of the Exchangeable Bond and up to the day immediately prior to 31 December 2024, which will be deemed to be a disposal of interest in Shiny Glory to the bondholder under the GEM Listing Rules. For details of the terms of the Exchangeable Bond, please refer to the Company's announcements dated 19 January 2023 and 17 February 2023 and the circular of the Company dated 20 January 2023.

Mr. Tam subsequently disposed of the Exchangeable Bond to an independent third party (the "**Bondholder**"). On 25 June 2024, the Bondholder exercised the Exchange Right to exchange all the outstanding principal amount of the Exchangeable Bond for the entire issued share capital of Shiny Glory, upon which, Shiny Glory ceased to be a subsidiary of the Company.

Disposal of vehicles

On 24 June 2024, Shiny Hope Limited and ET Global Limited, each being an indirect wholly-owned subsidiary of the Company, as transferors (the "**Transferors**"), entered into a vehicles purchase agreement with Global Start Development Limited, an independent third party, as transferee (the "**Transferee**"), pursuant to which each of the Transferors has agreed to sell and the Transferee has agreed to purchase, 163 specialised cleaning vehicles used in the Group's business for, among others, waste compaction and street washing, at the consideration of HK$19,000,000.

As one or more of the applicable percentage ratios (as calculated in accordance with Rule 19.07 of the GEM Listing Rules) are more than 5% but less than 25%, the transaction constitutes a discloseable transaction of the Company under the GEM Listing Rules. For details of the transaction, please refer to the announcements of the Company dated 24 June 2024 and 16 July 2024.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Tam Yiu Shing, Billy (譚耀誠), aged 44, is our executive Director and financial controller of the Group. He was appointed as our executive Director on 25 January 2019.

Mr. Tam Yiu Shing, Billy joined our Group on 3 May 2016 as an assistant financial controller and is responsible for the overall financial administration. Prior to joining our Group, he served Eddingpharm (Hong Kong) Company Limited, a pharmaceutical company, as a finance and administrative manager from June 2012 to February 2016 and he was primarily responsible for the management of accounting and financial operations. From March 2007 to May 2012, he served PricewaterhouseCoopers Ltd., an international auditing firm, as a manager as his last position in the firm and was primarily responsible for auditing, accounting, financial due diligence, works associated with initial public offerings and mergers and acquisitions.

Mr. Tam Yiu Shing, Billy graduated from the Hong Kong Polytechnic University with a bachelor degree in Accountancy in November 2004 and was admitted as a member of Hong Kong Institute of Certified Public Accountants in May 2010.

Mr. Wang Rong (王榮) ("Mr. Wang"), aged 42, is our executive Director of the Group. He was appointed as our executive Director on 12 May 2023.

Mr. Wang has extensive experience in the finance and private equities sectors. From March 2009 to July 2011, Mr. Wang was manager at Chief Securities Limited (致富證券有限公司), a licensed securities firm that provides stock/securities trading solutions and wealth management services to clients. From August 2011 to March 2013, he joined as senior manager at Essence International Securities (Hong Kong) Limited (安信國際證券(香港)有限公司), a licensed securities firm that offers solutions in investment, assets management and cross-border mergers and acquisitions. From April 2013 to February 2021, Mr. Wang served as vice president at Fulbright Financial Group (富昌金融集團(香港)有限公司), a securities firm that provides stock/securities trading solutions to clients. From April 2021 to April 2023, he was a director, of Zhong Zi Xin Rong (Hainan) Private Equity Fund Management Co., Limited* (中資鑫融(海南)私募基金管理有限公司), and is responsible for strategic development and investment and fund management. Upon his appointment as an executive Director of the Company, he will be responsible for managing the Group's investment profile, strategic development and business expansion in the PRC. In addition, Mr. Wang has been serving as an executive Director of CROSSTEC Group Holdings Limited (stock code: 3893) since 13 July 2023.

Mr. Wang obtained a diploma in English language education from Yunyang Teachers' College (鄖陽師範高等專科學校) (currently known as Hanjiang Normal University (漢江師範大學)) in June 2006. He further obtained a bachelor's degree in finance, through distance learning, from Dongbei University of Finance & Economics (東北財經大學) in July 2021.

Ms. Liu Jingjing (劉晶晶) ("Ms. Liu"), aged 41, is our executive Director of the Group. She was appointed as our executive Director on 29 August 2024.

Ms. Liu has over 15 years of experience in the securities industry, being responsible for various areas, including daily operation and compliance management, sales management, and products and business development. From May 2016 to May 2023, Ms. Liu served as a senior institutional business manager* (資深機構業務經理) of Shenzhen Branch Office of Guotai Junan Securities Co., Ltd.* (國泰君安證券股份有限公司深圳分公司). Since June 2023, Ms. Liu has been serving as an institutional sales director* (機構銷售總監) of Zijing Capital Limited, a licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**"). In June 2005, Ms. Liu obtained a bachelor degree in engineering (computer science and technology)* (工學學士(計算機科學與技術)) from the Wuhan Institute of Science and Technology* (武漢科技學院), and a bachelor degree in economics (finance)* (經濟學學士(金融學)) from the Zhongnan University of Economics and Law (中南財經政法大學). In August 2021, Ms. Liu obtained a master degree of arts in applied Buddhist studies from the Chu Hai College of Higher Education.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Mak Kwok Kei (麥國基) ("Mr. Mak"), aged 39, was appointed as our independent non-executive Director on 24 June 2017.

Mr. Mak has over ten years of experience in securities dealing and capital markets advisory, specialising in capital fund raising for companies in China and Hong Kong. He worked as a trainee in Credit Agricole Corporate and Investment Bank (Hong Kong Branch), a financial services company, where he was mainly engaged in transacting high grade corporate and government bonds with central banks in Asia, from September 2009 to November 2010. From November 2010 to August 2015, he worked at Nomura International (Hong Kong) Limited, a financial services company, as associate where he was mainly engaged in both primary and secondary equity fund raising activities for listed companies and high-net-worth individuals in Asia. From October 2015 to June 2018, he served as a managing director and Head of Equity Capital markets in Zhongtai International Capital Limited, a corporate finance advisory company. He is primarily responsible for providing capital markets advisory services to clients and operating and managing the equity capital markets franchise. From January 2019 to July 2021, he has served as Head of Investment Banking Division of China Investment Securities (Hong Kong) Financial Holdings Limited, which was subsequently acquired by Soochow Securities International Financial Holdings Limited where Mr. Mak is a Member of Executive Committee and Head of Investment Banking Division. He oversees the investment banking division, including IPO sponsoring, capital fund raising and financial advisory.

Mr. Mak has been a limited partner in WI Harper Fund VIII LP, which is mainly engaged in venture capital investments in healthcare and technology sectors, since May 2016.

Mr. Mak is currently an independent non-executive director of Renco Holdings Group Limited (formerly known as China HKBridge Financial Holdings Limited) (stock code: 2323), the issued shares of which are listed on the Main Board of the Stock Exchange.

Mr. Mak obtained a bachelor degree with first class honour in Applied Business Management from Imperial College London, United Kingdom in August 2008 and subsequently obtained a master degree in philosophy from University of Cambridge, United Kingdom in October 2009.

* *For identification purposes only*

Mr. Chow Yun Cheung (周潤璋) ("Mr. Chow"), aged 45, is our independent non-executive Director of the Group. He was appointed as our independent non-executive Director on 1 April 2024.

Mr. Chow has over 20 years of experience in the accounting, corporate finance and compliance fields. Mr. Chow obtained a bachelor's degree of business administration in 2001 from The Chinese University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chow had served as an independent non-executive director of various listed companies in Hong Kong, including (i) Hon Corporation Limited (stock code: 8259, the shares of which were delisted on 22 June 2022) from January 2022 to May 2022; (ii) Echo International Holdings Group Limited (stock code: 8218) from January 2021 to March 2023; and (iii) Gaodi Holdings Limited (formerly known as China Shenghai Group Limited) (stock code: 1676) from November 2022 to July 2023. Further, Mr. Chow has been serving as an independent non-executive director of (i) Moody Technology Holdings Limited (stock code: 1400) since February 2018; and (ii) Sterling Group Holdings Limited (stock code: 1825) since January 2024. The issued shares of both of the companies are listed on the main board of the Stock Exchange. From February 2018 to September 2023, Mr. Chow had been appointed as a non-executive director of Industronics Berhad (stock code: 9393), the issued shares of which are listed on Bursa Malaysia (the stock exchange in Malaysia). He has been re-designated as an independent non-executive director of the same company since September 2023.

Mr. Leung Ka Wai (梁嘉偉) ("Mr. Leung") aged 32, is our independent non-executive Director of the Group. He was appointed as our independent non-executive Director on 1 June 2024.

Mr. Leung has over 10 years of experience in business management and customer development. From May 2012 to April 2015, Mr. Leung served as a manager of Skydragon Logistics Co., Limited, where he was principally responsible for the liaison of logistic arrangements with external parties and overseeing the operation of its Hong Kong branch office. He then served as a customer service officer of SecureCom Media Limited from October 2015 to March 2017 and was mainly responsible for overseeing the operation of the said company and develop new customers in Hong Kong and the People's Republic of China. Mr. Leung has also been serving as an executive director of Sterling Group Holdings Limited (a company whose shares are listed on the main board of the Stock Exchange, stock code: 1825) since January 2024.

The Board is pleased to present the report of the Directors and the audited consolidated financial statements of the Group for the year ended 31 December 2024.

1. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its major subsidiaries are set out in note 37 to the consolidated financial statements. During the Year, except that the Company has entered into online game industry, there were no significant changes in the nature of the Group's principal activities.

2. BUSINESS REVIEW

A review of the Group's business during the Reporting Period is provided in the section headed "Management Discussion and Analysis" on pages 5 to 11 of this annual report. A description of the Group's corporate governance and the Group's risk management and internal control system is provided in the section headed "Corporate Governance Report" on pages 22 to 31 of this annual report.

The Group recognises its social responsibility to protect the environment from its business activities and achieve environmental sustainability. The Group endeavours to comply with the laws and regulations regarding environmental protection and adopt effective measure to achieve efficient use of resources, energy saving and waste reduction. A discussion on the Group's environmental policies, relationships with its key stakeholders and the relevant laws and regulations that have a significant impact on the Group are provided in the section headed "Environmental, Social and Governance Report" on pages 32 to 50 of this annual report.

3. SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to results by principal operating activities and geographical information and the Group's assets and liabilities by reportable segments of operations for the Reporting Period is set out in note 5 to the consolidated financial statements.

4. RESULTS AND FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Reporting Period (2023: nil).

5. RESERVES

Details of movements in the reserves of the Company and of the Group during the Reporting Period are set out in note 38 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

6. SHARE CAPITAL

Details of movements in the Company's share capital during the Reporting Period are set out in note 28 to the consolidated financial statements.

7. DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company has HK$24,004,000 distributable reserves available for distribution to shareholders of the Company (2023: HK$3,807,000).

8. PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group during the Reporting Period are set out in note 14 to the consolidated financial statements.

9. BANK AND OTHER BORROWINGS

Particulars of the bank and other borrowings of the Group as at 31 December 2024 are set out in the note 23 to the consolidated financial statements.

10. PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company (the "**Articles**") or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

11. PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Reporting Period.

12. FINANCIAL SUMMARY

A summary of the results for the Reporting Period and of the assets and liabilities of the Group as at 31 December 2024 and for the previous four financial years are set out on page 120.

13. DIRECTORS

The Directors during the Reporting Period and up to the date of this report are as follows:

Executive Directors:

Mr. Tam Yiu Shing, Billy
Mr. Wang Rong
Mr. Au Pak Lun, Patrick (resigned on 29 August 2024)
Ms. Liu Jingjing (appointed on 29 August 2024)

Independent Non-executive Directors:

Mr. Mak Kwok Kei
Mr. Chow Yun Cheung (appointed on 1 April 2024)
Mr. Leung Ka Wai (appointed on 1 June 2024)
Ms. Lam Kit Yan (resigned on 31 May 2024)
Ms. Wan Hoi Shan (resigned on 31 March 2024)

Pursuant to article 84 of the Articles, Mr. Wang Rong, Ms. Liu Jingjing and Mr. Leung Ka Wai will retire from office as Directors at the forthcoming annual general meeting ("**AGM**") and, being eligible, will offer themselves for re-election.

The Company has received an annual confirmation of independence pursuant to rule 5.09 of the GEM Listing Rules from each of the independent non-executive Directors and, as at the date of this report, still considers them to be independent.

14. BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors as of the date of publication of this report are set out on pages 12 to 14.

15. DIRECTORS' SERVICE CONTRACTS

Mr. Tam Yiu Shing, Billy, being an executive Director, has entered into a service agreement with the Company for an initial term of three years commencing from 25 January 2019 and continuing thereafter until terminated by either party by giving not less than one month's prior written notice to the other.

Mr. Wang Rong, being an executive Director, has entered into a service agreement with the Company for an initial fixed term of one year commencing from 12 May 2023 unless terminated by at least seven-days' notice in writing served by either party on the other and is subject to retirement and re-election in accordance with the Articles.

Ms. Liu Jingjing, being an executive Director, has entered into a service agreement with the Company for an initial fixed term of one year commencing from 29 August 2024 unless terminated by at least seven-days' notice in writing served by either party on the other and is subject to retirement and re-election in accordance with the Articles.

Mr. Mak Kwok Kei, being an independent non-executive Director, has entered into a service agreement with the Company for a term of three years commencing from 24 June 2017 which has been renewed for a further term of three years and may be terminated by either party by giving not less than one month's prior written notice to the other.

Mr. Chow Yun Cheung, being an independent non-executive Director, has entered into a service agreement with the Company for an initial fixed term of one year commencing from 1 April 2024 unless terminated by at least seven-days' notice in writing served by either party on the other and is subject to retirement and re-election in accordance with the Articles.

Mr. Leung Ka Wai, being an independent non-executive Director, has entered into a service agreement with the Company for an initial fixed term of one year commencing from 1 June 2024 unless terminated by at least seven-days' notice in writing served by either party on the other and is subject to retirement and re-election in accordance with the Articles.

None of the Directors (including those proposed for re-election at the AGM) has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

16. DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period except as disclosed under the section headed "Continuing Connected Transactions" in this annual report and note 34 to the consolidated financial statements.

17. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this report, none of the Directors of the Company and directors of the Company's subsidiaries, or their respective associates had interests in business, which compete or are likely to compete either directly or indirectly, with the business of the Company and its subsidiaries as required to be disclosed pursuant to the GEM Listing Rules.

18. PERMITTED INDEMNITY PROVISION AND INSURANCE

Pursuant to the Articles and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force throughout the Reporting Period. The Company has arranged for appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

19. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2024, none of the Directors and chief executive of the Company had any interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**"), Chapter 571), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

20. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2024, the following persons had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Nature of interest	Number of ordinary shares	Approximate shareholding
Mr. Tam Wai Tong	Beneficial interest	23,920,000	24.92%
Yongxin Global Investment Limited	Beneficial interest	12,702,000	13.23%
He Hangyu	Beneficial interest	12,434,000	12.95%
Ye Yongchun	Beneficial interest	11,262,500	11.73%

All the interests disclosed above represent long positions in the shares and underlying shares of the Company.

Save as disclosed herein, the Company has not been notified of any other person (other than a Director or a chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2024.

21. CONTINUING CONNECTED TRANSACTIONS

The related party transactions as disclosed in note 34 to the consolidated financial statements for the Reporting Period constituted de minimis continuing connected transactions of the Company ("**CCTs**") and are fully exempt from the reporting, annual reviews, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

22. CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section headed "Continuing Connected Transactions" in this report of the Directors:

(i) No contract of significance between the Company or any of its subsidiaries and a controlling shareholder of the Company or any of its subsidiaries during the Reporting Period or at the end of the Reporting Period; and

(ii) No contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries during the Reporting Period or at the end of the Reporting Period.

23. MAJOR CUSTOMERS AND MAJOR SUPPLIERS

The Group's five largest customers accounted for 85.4% (2023: 91.1%) of the total revenue for the Reporting Period and revenue contributed by the largest customer amounted to 71.9% (2023: 85.5%). The Group's five largest suppliers accounted for 56.1% (2023: 22.7%) of the total purchases for the Reporting Period and purchases from the largest supplier amounted to 19.5% (2023: 6.4%).

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

24. NON-COMPETITION UNDERTAKINGS

Upon Listing, each member of Gold Cavaliers International Limited, Max Super Holdings Limited, Mr. Lam Pak Ling, Ms. Wong Siu Fan, Beatrice, Magic Pioneer Limited, Mr. Xiong Jianrui, Mr. Choi Chung Yin, Mr. Tam Wai Tong, Mr. Tam Wai Ho, Croydon Capital Advisors Limited, Earnmill Holdings Limited, TTNB Profit Limited, and Kiteway Assets Limited, or together as a group, became our Group of Controlling Shareholders (the "**Controlling Shareholders**"), being the controlling shareholders (as defined under the GEM Listing Rules) of the Company, have given a non-competition undertaking in favour of the Company (the "**Non-Competition Undertaking**"). Each of the Controlling Shareholders has undertaken under the Non-Competition Undertaking that he or it shall provide to the Company from time to time with all information necessary for the annual review by the independent non-executive Directors with regard to compliance of the terms of the Non-Competition Undertaking by the Controlling Shareholders and the enforcement of the Non-Competition Undertaking. Details of the Non-Competition Undertakings have been disclosed in the section headed "Relationship with Our Group of Controlling Shareholders" of the Prospectus.

Each of the Controlling Shareholders has confirmed his or its compliance with the terms of the Non-Competition Undertaking and the independent non-executive Directors were not aware of any non-compliance of the Non-Competition Undertaking given by the Controlling Shareholders during the year ended 31 December 2024 and up to the date of the annual report.

25. MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the Reporting Period.

26. EMOLUMENT AND REMUNERATION POLICY

The Company has a remuneration committee for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

27. REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five highest paid individuals (including the senior management of the Company) are set out in notes 8 and 9 to the consolidated financial statements.

28. CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 22 to 31.

29. DIVIDEND POLICY

In deciding whether to propose a dividend and in determining the dividend amount, the Board shall consider the following factors before declaring or recommending dividends:

(a) the Company's actual and expected financial performance;

(b) retained earnings and distributable reserves of the Company and each of the members of the Group;

(c) the Group's working capital requirements, capital expenditure requirements and future expansion plans;

(d) the Group's liquidity position;

(e) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

(f) other factors that the Board may consider relevant and appropriate.

Such declaration and payment of dividend by the Company is also subject to any restrictions under the Cayman Islands laws, any applicable laws, rules and regulations and the Company's articles of association.

30. SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital is held by the public as at the date of this report.

31. AUDITORS

The consolidated financial statements for the year ended 31 December 2024 have been audited by CL Partners CPA Limited. A resolution will be proposed at the forthcoming AGM of the Company to re-appoint CL Partners CPA Limited as auditor of the Company.

32. COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Reporting Period, as far as the Board and the management are concerned, there was no material breach or non-compliance with the applicable laws and regulations by the Group that has material impact on the business and operations on the Group.

On behalf of the Board

Mr. Tam Yiu Shing, Billy
Executive Director

Hong Kong, 28 March 2025

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The corporate governance practices of the Group are based on the principles and the code provisions in the Corporate Governance Code (the "**Code**") as set out in Appendix 15 to the GEM Listing Rules.

During the year ended 31 December 2024, the Company has complied with all the applicable code provisions of the Code.

APPOINTMENT, RE-ELECTION AND RETIREMENT OF THE DIRECTORS

In accordance with article 84 of the Articles, at each AGM 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 provided that every Director shall be subject to retirement at an AGM at least once every three years.

Pursuant to article 84 of the Articles, Mr. Wang Rong, Ms. Liu Jingjing and Mr. Leung Ka Wai will retire from office as Directors at the forthcoming AGM, and being eligible, will offer themselves for re-election.

Mr. Tam Yiu Shing, Billy, being an executive Director, has entered into a service agreement with the Company for an initial term of three years commencing from 25 January 2019 and continuing thereafter until terminated by either party by giving not less than one month's prior written notice to the other.

Mr. Wang Rong, being an executive Director, has entered into a service agreement with the Company for an initial fixed term of one year commencing from 12 May 2023 unless terminated by at least seven-days' notice in writing served by either party on the other and is subject to retirement and re-election in accordance with the Articles.

Ms. Liu Jingjing, being an executive Director, has entered into a service agreement with the Company for an initial fixed term of one year commencing from 29 August 2024 unless terminated by at least seven-days' notice in writing served by either party on the other and is subject to retirement and re-election in accordance with the Articles.

Mr. Mak Kwok Kei, being an independent non-executive Director, has entered into a service agreement with the Company for a term of three years commencing from 24 June 2017 which has been renewed for a further term of three years and may be terminated by either party by giving not less than one month's prior written notice to the other.

Mr. Chow Yun Cheung, being an independent non-executive Director, has entered into a service agreement with the Company for an initial fixed term of one year commencing from 1 April 2024 unless terminated by at least seven-days' notice in writing served by either party on the other and is subject to retirement and re-election in accordance with the Articles.

Mr. Leung Ka Wai, being an independent non-executive Director, has entered into a service agreement with the Company for an initial fixed term of one year commencing from 1 June 2024 unless terminated by at least seven-days' notice in writing served by either party on the other and is subject to retirement and re-election in accordance with the Articles.

None of the Directors (including those proposed for re-election at the AGM) has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules, as the code of conduct for securities transactions by the Directors in respect of the shares of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealing and the code of conduct for securities transactions by directors during the Reporting Period.

BOARD OF DIRECTORS

The Directors who held office during the Reporting Period and as at the date of this report are as follows:

Executive Directors:

Mr. Tam Yiu Shing, Billy
Mr. Wang Rong
Mr. Au Pak Lun, Patrick (resigned on 29 August 2024)
Ms. Liu Jingjing (appointed on 29 August 2024)

Independent Non-executive Directors:

Mr. Mak Kwok Kei
Mr. Chow Yun Cheung (appointed on 1 April 2024)
Mr. Leung Ka Wai (appointed on 1 June 2024)
Ms. Lam Kit Yan (resigned on 31 May 2024)
Ms. Wan Hoi Shan (resigned on 31 March 2024)

The brief biographic details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 12 to 14 of the annual report.

The Company has complied with the requirements under Rule 5.05(1) and (2), and 5.05A of the GEM Listing Rules during the Reporting Period. All independent non-executive Directors also meet the guidelines for assessment of their independence as set out in Rule 5.09 of the GEM Listing Rules.

FUNCTIONS OF THE BOARD

The Board supervises the management of the business and affairs of the Company. The Board's primary duty is to ensure the viability of the Company and to ensure that it is managed in the best interests of the Shareholders as a whole while taking into account the interests of other stakeholders. The management is delegated with the authority and responsibility by the Board for the management and administration of the Group. The Group has adopted internal guidelines in setting forth matters that require the Board's approval. Apart from its statutory responsibilities, the Board approves the Group's strategic plan, key operational initiatives, major investments and funding decisions. It also reviews the Group's financial performance, identifies principal risks of the Group's business and ensures implementation of appropriate systems to manage these risks. Daily business operations and administrative functions of the Group are delegated to the management.

The Board is also delegated with the corporate governance functions under code provision D.3.1 of the Code. The Board has reviewed and discussed the corporate governance policy of the Group and is satisfied with the effectiveness of the corporate governance policy.

BOARD MEETINGS AND PROCEDURES

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly. In compliance with code provision C.5.3 of the Code, at least 14 days' notice has been given for a regular Board meeting to all Directors an opportunity to attend. Notice, agenda and board papers of regular Board meetings are sent to all Directors within reasonable time and at least 3 days prior to the meetings. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered having conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. Full minutes are prepared after the meetings and the draft minutes are sent to all Directors for their comments before the final version of which are endorsed in the subsequent Board meeting.

Details of the attendance of the Board meetings, audit committee (the "**Audit Committee**") meetings, remuneration committee (the "**Remuneration Committee**") meetings and nomination committee (the "**Nomination Committee**") meetings and general meetings of the Company held during the Reporting Period are summarised as follows:

	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	Annual General meeting	Extraordinary General meeting
Executive Directors						
Mr. Tam Yiu Shing, Billy	8/8	*5/5	3/3	3/3	1/1	1/1
Mr. Au Pak Lun, Patrick (resigned on 29 August 2024)	6/6	N/A	N/A	N/A	1/1	1/1
Mr. Wang Rong	8/8	N/A	N/A	N/A	1/1	1/1
Ms. Liu Jingjing (appointed on 29 August 2024)	2/2	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors						
Mr. Mak Kwok Kei	8/8	5/5	3/3	3/3	1/1	1/1
Ms. Lam Kit Yan (resigned on 31 May 2024)	2/3	2/2	N/A	N/A	1/1	1/1
Ms. Wan Hoi Shan (resigned on 31 March 2024)	2/2	2/2	1/1	1/1	N/A	1/1
Mr. Chow Yun Cheung (appointed on 1 April 2024)	7/7	3/3	2/2	2/2	1/1	N/A
Mr. Leung Ka Wai (appointed on 1 June 2024)	6/6	3/3	N/A	N/A	N/A	N/A

* Non-member of the committee at the relevant time but attended the meeting by invitation.

BOARD COMMITTEES

The Board has established specific committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

The written terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are posted on the respective websites of the Stock Exchange and the Company.

The table below sets out the membership information of these committees on which each Board member serves.

Director/Board Committee	Audit Committee	Remuneration Committee	Nomination Committee
Mr. Tam Yiu Shing, Billy		Member	Chairman
Mr. Mak Kwok Kei	Member	Member	Member
Mr. Chow Yun Cheung	Chairman	Chairman	Member
Mr. Leung Ka Wai	Member		

AUDIT COMMITTEE

The Company established the Audit Committee on 24 June 2017 with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee comprises the three independent non-executive Directors, namely Mr. Chow Yun Cheung, Mr. Mak Kwok Kei and Mr. Leung Ka Wai. Mr. Chow Yun Cheung currently serves as the chairman of the Audit Committee. The duties of the Audit Committee include reviewing, in draft form, the annual report and accounts, half-year report and quarterly reports and providing advice and comments to the Board. In this regard, members of the Audit Committee will liaise with the Board, the senior management, and auditors. The Audit Committee will also consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and give consideration to any matters that have been raised by the accounting staff, compliance officers or auditors. Members of the Audit Committee are also responsible for reviewing our Group's financial reporting process and internal control and risk management systems.

During the Reporting Period and up to the date of this report, the Audit Committee had reviewed the final results of the Group for the year ended 31 December 2023 and the interim results (and interim report) of the Group for the six months ended 30 June 2024. The Group's final results for the Reporting Period had been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee is of the view that the annual results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 24 June 2017 which comprises one executive Director and two independent non-executive Directors, namely Mr. Tam Yiu Shing, Billy, Mr. Mak Kwok Kei and Mr. Chow Yun Cheung. Mr. Chow Yun Cheung currently serves as the chairman of the Remuneration Committee. The Remuneration Committee is mainly responsible for making recommendations to the Board on appointment of the Directors and succession planning for the Directors.

The majority of the members of the Remuneration Committee are independent non-executive Directors. The remuneration of the Directors was determined with reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group. The Remuneration Committee makes recommendations to the Board on remuneration packages of individual executive Directors and the members of senior management.

The Remuneration Committee held two meetings during the Reporting Period to review the remuneration packages and performance bonus of the Directors and the senior management.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 24 June 2017 which comprises one executive Director and two independent non-executive Directors, namely Mr. Tam Yiu Shing, Billy, Mr. Mak Kwok Kei and Mr. Chow Yun Cheung. Mr. Tam Yiu Shing, Billy currently serves as the chairman of the Nomination Committee. The Nomination Committee is mainly responsible for making recommendations to the Board on appointment of the Directors and succession planning for the Directors. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, assess the independence of the independent non-executive Directors, review the qualifications of the Directors, the progress on the implementation of the board diversity policy and other related matters of the Company.

The majority of the members of the Nomination Committee are independent non-executive Directors.

The Nomination Committee held two meetings during the Reporting Period to review the structure, size and composition of the Board, consider and recommend to the Board on the appointment of directors and re-election of directors and assess the independence of the independent non-executive Directors.

DIVERSITY OF THE BOARD

The Group has adopted policy in relation to the diversity of the members of the Board and the summary of the policy is as follows:

(1) selection of Board members will be based on a range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service; and

(2) the Nomination Committee will monitor the implementation of the diversity policy from time to time to ensure the effectiveness of the diversity policy.

DIRECTORS' INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

Each newly appointed Director receives a formal, comprehensive and tailored induction on the first occasion of his appointment to ensure that he has a proper understanding of the Company's operations and business and is fully aware of the director's responsibilities under the statues and common law, the GEM Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. The Directors had attended training sessions on obligations, duties and responsibilities of directors conducted by the Company's then Hong Kong legal advisers.

The Company will from time to time provide briefings to all Directors to refresh their duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, the trainings received by each of the Directors (including directors' induction training) up to 31 December 2023 are summarised as follows:

Name of Director	Type of trainings
Mr. Tam Yiu Shing, Billy	A, B
Ms. Liu Jingjing	A, B
Mr. Wang Rong	A, B
Mr. Mak Kwok Kei	A, B
Mr. Chow Yun Cheung	A, B
Mr. Leung Ka Wai	A, B

A: attending seminars/conferences/forums

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

The Company has arranged appropriate insurance coverage on directors' and officers' liabilities of the Company and its subsidiaries in respect of any legal actions taken against the Directors and officers of the Company and its subsidiaries arising out of corporate activities.

COMPANY SECRETARY

Mr. Pang Wai Ho, a member of the Hong Kong Institution of Certified Public Accountants, has been the joint company secretary of the Company since 29 August 2024.

All Directors have access to the advice and services of the company secretary. The company secretary reports to the Chairman on board governance matters, and is responsible for ensuring that board procedures are followed, and for facilitating communications among Directors as well as with shareholders of the Company (the "**Shareholders**") and management. During the Reporting Period, the company secretary has taken no less than 15 hours of relevant professional training.

During the Reporting Period, Mr. Pang Wai Ho had received no less than 15 hours of relevant professional training to refresh his skills and knowledge.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements of the Group for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period in accordance with accounting principles generally accepted in Hong Kong. The statement by the auditor of the Company about its responsibilities for the financial statements is set out in the independent auditor's report contained in the annual report. The Directors adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

EXTERNAL AUDITOR'S REMUNERATION

The Company engaged CL Partners CPA Limited as its principal auditor for the Reporting Period. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the principal auditor. During the Reporting Period, the fee payable to CL Partners CPA Limited in respect of its statutory audit service provided to the Group were HK$700,000.

RISK MANAGEMENT AND INTERNAL CONTROL

The main features of the risk management and internal control systems are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage it risks across business operations.

The Group has established a risk management framework, which consists of the Board of Directors, the Audit Committee and the Risk Management Taskforce ("**RMTF**"). The Board of Directors determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems.

The Group has formulated and adopted Risk Management Policy in providing direction in identifying, evaluating and managing significant risks. At least on an annual basis, the RMTF identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

In addition, the Group has engaged an independent professional advisor to assist the Board of Directors and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board of Directors on a timely basis to ensure prompt remediation actions are taken.

Risk management report and internal control report are submitted to the Audit Committee and the Board of Directors at least once a year. The Board of Directors had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board of Directors in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board of Directors considers the Group's risk management and internal control systems are effective.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Principal Risks

During the Reporting Period, the following principal risks of the Group were identified and classified into strategic risks, operational risks, financial risks and compliance risks.

Risk Areas	Principal Risks
Strategic Risks	No material risks identified
Operational Risks	No material risks identified
Financial Risks	No material risks identified
Compliance Risks	No material risks identified

PROCEDURE AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with requirements of Securities & Futures Ordinance ("**SFO**") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

THE SHAREHOLDERS' RIGHTS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to article 58 of the Articles, extraordinary general meetings shall be convened on the requisition of 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 having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 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.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

In order to keep Shareholders well informed of the business activities and direction of the Group, information about the Group has been provided to the Shareholders through financial reports and announcements. The Company has established its own corporate website (www.lapco.com.hk) as a channel to facilitate effective communication with its Shareholders and the public. The Company will continue to enhance communications and relationships with its Shareholders and investors. A shareholders communication policy was adopted on 18 July 2017 to comply with code provision E.1.4 of the Code.

Shareholders, investors and interested parties can make enquiries directly to the Company through the following e-mail: info@lapco.com.hk.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing. Contact details are as follows:

Lapco Holdings Limited

Address:	Flat 05, Blk B, 8/F, Hoplite Industrial Centre, 5 Wang Tai Road, Kowloon Bay, Kowloon, Hong Kong
Tel:	(852) 2758-8999
Fax:	(852) 2758-8666
E-mail:	info@lapco.com.hk

Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant committees of the Board, where appropriate, to answer the Shareholders' questions.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

Pursuant to article 113 of the Articles, no person (other than a retiring Director) shall be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the office of the branch share registrar and transfer office of the Company in Hong Kong no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days. The procedures for Shareholders to propose a person for election as a Director is posted on the website of the Company.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

There had been no significant changes in the constitutional documents of the Company during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Lapco Holdings Limited ("**Lapco**", the "**Company**", "**We**", or "**Our**") presents this Environmental, Social and Governance ("**ESG**") Report for the year ended 31 December 2024 (the "**Reporting Period**" or "**FY24**"). The report covers information on our approach, commitments and accomplishments on our sustainability efforts, with an aim to provide a comprehensive picture on our ESG performance over the period of 1 January 2024 to 31 December 2024.

REPORTING SCOPE

This report is prepared in compliance with the requirements set forth in Appendix C2 – Environmental, Social and Governance Reporting Guide ("**ESG Reporting Guide**") of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited ("**GEM Listing Rules**"). The report covers the Company's principal businesses in cleaning and pest management, waste management and recycling, and landscaping services in Hong Kong. Key ESG issues that are discussed in this report are identified by the Company's ESG working group through materiality assessment. The report is adhered to several principles, including:

Materiality: Important and relevant information pertaining to environmental and social issues are identified through stakeholder engagement and materiality assessment. Please refer to section headed "Materiality Assessment" for detailed information.

Quantitative: Quantitative information with comparative data, where appropriate, are provided and discussed to enable an objective assessment of the Company's ESG performance and progress.

Consistency: Consistent methodologies are adopted in preparation of ESG data and the comparison of data to previous results where appropriate. Any changes and updates in methodology that may affect the comparison of the data and performance will be explained accordingly.

Balance: The report provides an unbiased picture of the Company's performance. ESG performance is reported in a fair and objective manner.

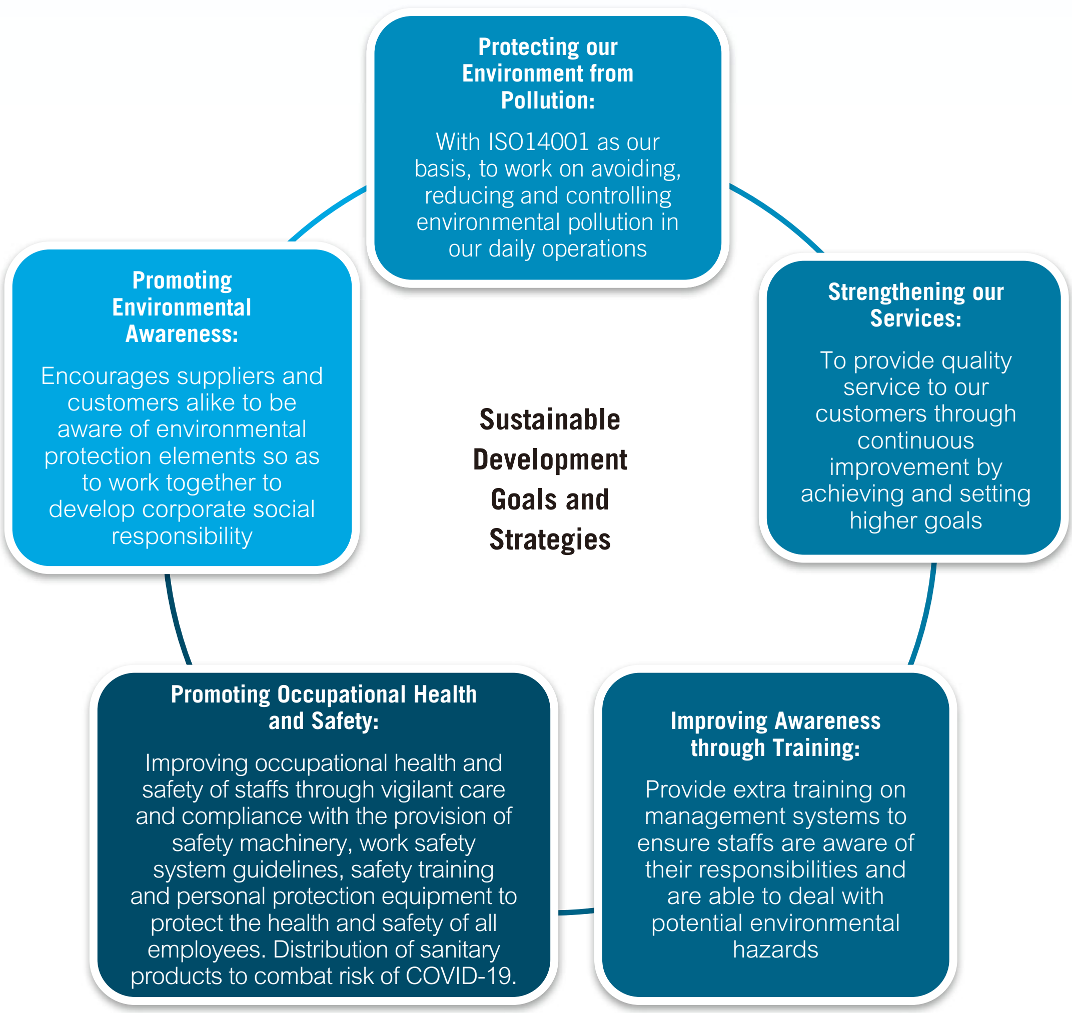
Transparency: Disclosures of all relevant and material data as mandated by HKEX adhere to a high level of transparency and authenticity.

The Board recognizes the critical importance of transparently reporting and addressing the Company's ESG performance. With due diligence, the Board has conducted a comprehensive review and approval of the report pertaining to the Company's material sustainability issues, along with the associated risks and opportunities. This process ensures the accuracy, truthfulness, and adherence to reporting principles, with the ultimate objective to create value for all stakeholders.

ESG Strategy and Governance

The Company acknowledges and pledges in fulfilling stakeholders' expectations on our ESG practices. We incorporate sustainable development visions in our corporate strategy, where we envision to integrate environmentally friendly practices into all dimensions of our business services in order to maintain sustainable development for our society. We are committed to uphold our quality of services for our clients and to establish a solid and long-lasting relationship with our stakeholders based on our core values through mindfulness of social, economic and environmental responsibilities to our society.

In order to align with these goals, ESG development plans have been established, with sustainable development strategies focused on the following aspects:



To streamline our ESG visions with our defined strategies, we have strengthened our governance structure for efficient and effective implementation:

The Board of Directors of the Company holds the overall responsibility for the Company's ESG strategy and reporting, which includes the review of progress made towards ESG targets and the relevance of targets set. The Company aims to better manage ESG performance and corresponding issues and risks that may hinder with the effectiveness of ESG management systems. As such, the Company has established an ESG working group to formulate and translate policies into actions, while facilitating the exchange of best practices with other benchmarking companies. The ESG working group consists of the management, administrative and functional departments working together to collect and analyse relevant data to ensure compliance with ESG-related laws and regulations. The ESG working group arranges regular meetings to discuss and monitor current and upcoming plans in managing the Company's strategic goals in sustainable development, and to mitigate any potential risks or issues that could be material to the Company's environmental and labour performance, minimising the impact to business operations. At the same time, the ESG working group also comes together to evaluate the effectiveness of existing policies, and develop remedies to enhance ESG policy performances.

Specific to the risk management framework, the Company has established a risk management working group consisting of the Board of Directors, the Audit Committee, and the Risk Management Taskforce ("**RMTF**"). The Board of Directors determines the nature and extent of risks, including ESG-related risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems. In addition to the Company's robust risk management models, a third party professional consultant has been engaged for the Company's annual assessment of internal controls so as to identify potential risk and control deficiencies and recommend on necessary improvements.

STAKEHOLDER ENGAGEMENT

The Company acknowledges the importance of engaging with and addressing the needs stakeholders in creating sustainable long-term business success. Recognizing the immense value of stakeholder input, the Company takes an extra mile in integrating the expectations of our stakeholders to gain a deep understanding of their concerns, with the aim to maximise greater economic output and business value while keeping in line with the Company's long term sustainable development goals.

To achieve this, the Company launched a comprehensive internal and external stakeholder engagement process that involves the identification and clarification of such expectations with our stakeholders, which includes employees, clients, investors and stockholders, suppliers and business partners, government and supervising authorities, social groups and public, and the media. We continuously and actively engage with our stakeholders through diverse stakeholder engagement methods as listed below:

Stakeholder Groups	Engagement Methods
Employees	Internal emails and publications Meetings and briefings Training Sessions Employee Activities Performance Appraisal Surveys and Interviews
Customers	Corporate Website Client Service Hotline Client Surveys Client Meetings
Investors and Stockholders	Annual General Meeting Annual and Interim Report Press Release and Announcements
Suppliers and Business Partners	Business Meetings Performance Evaluation Field Visitation Supplier Assessments Business Meetings Surveys
Government and Regulators	Consultations
Community	Community Events
Media	Press Releases

MATERIALITY ASSESSMENT

We conducted a materiality assessment through a stakeholder engagement process based on the outlined established channels with our stakeholder groups. Recognizing the impact of the Company's activities on stakeholders, this assessment serves to assists the Company in prioritizing material issues and responding stakeholder's expectations. The following outlines the procedures of the assessment:

Identify Potential ESG Issues

- **ESG Reporting Guide:** Pinpointing initial ESG issues through making reference to the ESG Reporting Guide of the Stock Exchange.
- **Peer Benchmark:** Tracking and comparing material ESG issues against comparable peer companies.

In FY24, a total of 22 sustainability topics has been identified as potential material ESG issues.

Stakeholder Evaluation

- **Questionnaires and Interviews:** Assessing and evaluating key material ESG issues through invitation of internal and external stakeholders to rank the importance of each ESG issue. In FY24, the Company engaged the stakeholders through a survey to collect feedback on potential sustainability concerns.

Prioritise

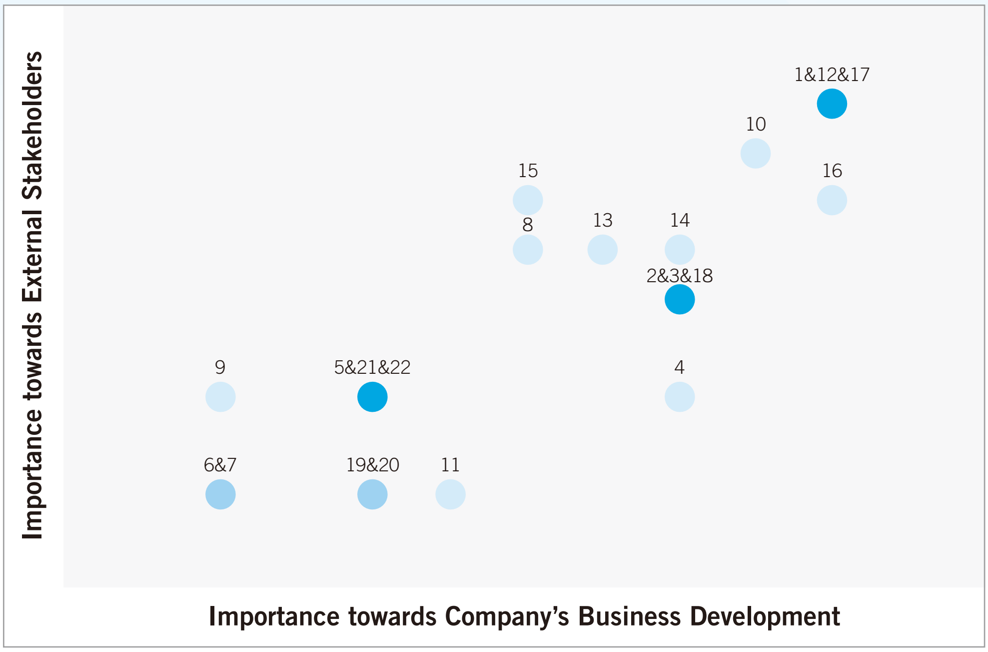
- **ESG Materiality Ranking:** Taking results from issues identification and stakeholder evaluation to generate ESG materiality ranking.

Validate

- **Validation:** Management and ESG working group of the Company to validate and confirm the applicable material ESG issues, and how it links to the respective HKEx Aspects, KPIs, and listing rules requirements.

Allocating equal weighting to the score responses of each external stakeholder group, their average scores plot on the "Importance towards external stakeholders" axis, while the responses by the Group's management and employees that possesses greater understanding of the company's business operations are recorded on the "Importance towards company's business development" axis.

The result of the material assessment is presented below:



KPI	#	ESG Issues
General	1	Compliance
A1	2	Non-hazardous waste and greenhouse gas emissions
	3	Waste Disposal and Management
A2	4	Energy Usage
	5	Water Usage
	6	Packaging Material Usage
A3	7	Noise Pollution
	8	Environmental Impacts from Investments
A4	9	Management on Climate-related Issues
B1	10	Human Resources Practices
	11	Equal Opportunity
B2	12	Workplace Health and Safety
B3	13	Employee Development
B4	14	Anti-child and Forced Labour
B5	15	Supply Chain Management
	16	Environmental and Labour performance of suppliers and subcontractors
B6	17	Product Safety
	18	Service Quality
	19	Data Privacy and Protection
B7	20	Anti-corruption and Money Laundering
	21	Training on Anti-Corruption and Bribery
B8	22	Community Investment

ESG PERFORMANCE HIGHLIGHT

With a steadfast dedication to sustainable development, the Group upholds its commitment to sustainability. Despite the challenging and uncertain business environment, the Group strives to deliver qualitative services while continuously enhancing its ESG performance in different aspects. Below are key highlights of the results achieved:

ENVIRONMENTAL PROTECTION

Compared to FY23, in FY24, we achieved:

- Absolute GHG emission **(-55%)**
- Paper waste generated **(-34%)**
- Diesel consumption **(-26%)**
- Petroleum **(-45%)**

EMPLOYEE DEVELOPMENT

100% of all employees trained with average training hours:

- Director level – **20 hours**
- Management level – **15 hours**
- Normal employees in **2 hours**

ENVIRONMENT

Having a clean environment is crucial for the sustainable development of our society. Lapco recognises that as a corporate citizen, it is our responsibility to minimise the environmental impact of our business operations. As such, we are driving environmental sustainability by innovating in the highest impact areas of our business. We incorporate ESG practices fundamentally into the core of our business strategy and operational practices, with a clear aim of conducting our businesses in the most environmentally friendly manner, in order to create long-term value for both the Company and the environment alike.

Aspect A1: Emissions

As a service company in the cleaning and pest management businesses, our services often rely on our large vehicle fleet and machineries for business operations. Owing to such nature, we are highly committed to controlling the air and greenhouse gas emissions and waste generation arising from our business operations. We also strictly comply with relevant environmental laws and regulations.

During the Reporting Period, we have not identified any material cases of non-compliance on environmental laws and regulations.

Air Emission and Carbon Footprint

Mobile vehicles are our major source of air emission. Hence we have taken a step to integrate vehicle emissions reduction in our sustainable business practice. One of the measures to reduce the environmental impact of vehicles is the selection of green vehicles. In our vehicle procurement process, environmental performance of vehicles is one of the critical determinant factors in our selection and comparison. We prefer vehicles with higher fuel efficiency and fewer pollutants. We also aim to enhance fuel consumption efficiency of the vehicles through regular maintenance and repair services performed by qualified personnel, which at the same time help ensure vehicle emissions comply with the emission standards as stipulated in the Air Pollution Control Ordinance (Cap. 311) of Hong Kong.

In FY24, over 90% of Lapco's vehicles were Euro V standard vehicles or above and Lapco has been increasing the use of such environmentally friendly models. During the reporting period, the Company has also purchased over 10 Euro VI vehicles. Adoption of Euro V vehicles could bring striking environmental benefits, notably an 80% reduction of sulphur dioxide from motor vehicles. All of our Euro V standard vehicles below 2.5 tonnes consume Euro V petroleum, which could reduce motor vehicle emissions of carbon monoxide, nitrogen oxides and hydrocarbons by approximately 10%[1]. All of our Euro V standard vehicles above 2.5 tonnes consume Euro V diesel, which is effective in reducing respiratory suspended particulates by 5%[1]. The table below shows the generation of Nitrogen Oxides, Sulphur Oxides and Particulate Matter from the use of vehicles during the Reporting Period:

Emission	Unit	2024	2023
Nitrogen Oxides (NO_x)[2]	Kg	12,330	27,110
Sulphur Oxides (SO_x)[3]	Kg	18	40
Particulate Matter (PM)[2]	Kg	751	2,106

From the above data disclosure, we could see an decrease in the generation of Nitrogen Oxides, Sulphur Oxides and Particulate Matter which is result from the decrease in consumption of fuel.

We will continue to keep our efforts in lowering the vehicle emissions arising from our services rendered, for example by efficient planning on methods of delivery to reduce journeys made. We will continue to keep to our efforts in adopting clean and energy efficient fuel in the operations of our car fleet, which has shown to be effective as reflected in the decrease in intensity of emissions.

Apart from the fuel combustion of vehicles, another major source of greenhouse gases is electricity consumption. Details of our continued initiatives in reducing our carbon footprint are covered in Section A2 Efficient Use of Resources.

1 The figures in reference to the reduction in the amount of Sulphur Dioxide, Carbon Monoxide, Nitrogen Oxides and Hydrocarbons are taken in reference to the data obtained from Hong Kong's Environment Protection Department – Advisory Council on the Environment, ACE paper 17/2009 'Introduction of Euro V Standard for Motor Vehicle Fuel'.

2 The emission of Nitrogen Oxide and Particulate Matter is calculated by using the emission factors, and the distance travelled by the vehicle fleet which was estimated based on the fuel consumption ratio of the vehicle fleet. The emission factor was based on the information from Stock Exchange of Hong Kong Limited's "Reporting Guidance on Environmental KPIs".

3 The emission of Sulphur Oxide is calculated by using the emission factors, and the units of fuel consumed by the vehicle fleet, which was estimated based on the total amount of purchased fuel for the vehicle fleet. The emission factor was based on the information from Stock Exchange of Hong Kong Limited's "Reporting Guidance on Environmental KPIs".

Carbon footprint

Aligning with the global sustainability agenda towards decarbonisation, we have taken measures to monitor and reduce carbon emissions. The majority of our GHG emissions are direct GHG emissions generated through the use of petroleum from our vehicles, indirect GHG emissions consists of solely electricity consumption by the company.

Emission Type	Emission Amount			Intensity		
	2024	2023	**Unit**	**2024**	2023	**Unit**
Scope 1 – Direct GHG Emissions	**2,907**	6,515	Tonnes of CO_2 equivalent (tCO_2e)	**25.06**	52.54	tCO_2e/project
Scope 2 – Indirect GHG Emissions	**29**	27	tCO_2e	**0.25**	0.22	tCO_2e/project
Total	**2,936**	6,542	tCO_2e	**25.31**	52.76	tCO_2e/project

In 2024, we recorded a 55% decrease in absolute GHG emission and a 52% decrease in GHG emission intensity. The decrease in GHG emission intensity is largely due to smaller scale of each project service during the Reporting Period, as compared to those of last year. However, the decrease in absolute GHG emission reflects our efforts in fuel saving and energy efficiency. Going forward, we are aiming to limit or reduce the intensity of GHG emissions generated at 2021 levels by 2030. We have been exploring carbon reduction measures and methods to increase our energy efficiency to help reduce overall emissions. Although the future sustainability outlook for us is highly dependent on the demand of our services and the availability of sustainable technologies, we will ensure to operate with decarbonisation as our direction and core value within our company.

Waste Management

We are constantly monitoring our waste generation and the methods in handling and disposal of waste. We uphold the principles of waste management and is committed to the proper handling and disposal of all wastes from our business activities. We ascertain that all of our waste management practices comply with the relevant laws and regulations in all material aspects, namely the Waste Disposal Ordinance (Cap. 354) of Hong Kong. We aim to reduce adverse consequences on the environment and the public through our waste management policies. We currently apply the principle of waste hierarchy which we prefer to prevent and reuse waste than disposing them, and this principle is incorporated into our daily operational procedures. For instance, bulk purchasing for cleaners and disinfectants has been adopted to reduce the number of containers to be disposed of. We also continuously optimise recycling processes and increasing recycling rates to implement our green practices.

We strive to minimise the usage of common office consumables, such as paper and plastic water bottles. We promote the use of electronic communication and encourage employees to reduce, reuse, and recycle waste paper. In addition, the used plastic water bottles would be collected and returned to vendors for re-use, while other operational waste would be collected and disposed at public refuse collection points under the Food and Environmental Hygiene Department of Hong Kong. Responsible supervisors are also assigned to regularly review environmental performances for our operations.

During the Reporting Period, no material hazardous waste was produced. The major non-hazardous waste generated was 2,125 kg (3,200 kg in FY23) of paper with an intensity of 0.02 tonnes/project (0.03 tonnes/project in FY23) while 5,514.42 kg (11,715.03 kg in FY23) of plastic water bottles were used, collected and returned to vendors with an intensity of 0.066 tonnes/project (0.094 tonnes/project in FY23). Going forward, we are aiming to limit or reduce applicable waste levels generated through paper and plastic bottle use at 2021 levels by 2030. Employees will continue to be reminded to minimise unnecessary consumption of resources and shall continue to implement green efforts in reducing resource consumption from its source to reflect the Company's efforts in aligning with our green workplace and green operations mission.

Aspect A2: Uses of Resources

Efficient Use of Resources

Our major sources of resource consumption are the fuel consumed by the vehicles for cleaning services and electricity used for lighting, air-conditioning, and daily office utilities for office operation. The Company is committed to embed sustainability concepts into our normal business reservation. Therefore, we value the conservation of natural resources for the long-term sustainability in the community. We aim to improve efficiency on the use of resources and thereby reduce consumption of such resources in our business operations. To this end, we have implemented various initiatives, including using energy efficiently, reducing water consumption and driving behavioral changes of employees. Employee education and engagement in this stage is equally important. Training is regularly initiated and provided to ensure continuous awareness of resource efficiency among our employees. Relevant environmental awareness messages are promoted to all levels of staffs, such as tips for saving electricity saving, fuel and water.

The following table summarises our resource consumption during the Reporting Period:

Resource	Consumption			Intensity		
	2024	2023	Unit	**2024**	2023	Unit
Electricity	**73,468**	68,691	kWh	**8.4**	11.4	kWh/ft^2
Petroleum	**4,155**	7,530	L	**36**	61	L/project
Diesel	**1,806,713**	2,452,201	L	**15,575**	19,776	L/project

Note: Owing to our business nature, no packaging materials were used and the related disclosure was not applicable.

Per the data stated above, both total petroleum consumption and total diesel consumption from our business operations decreased. The intensity of petroleum has decreased to 36 L/project (61 L/project in FY23) and that of diesel has decreased to 15,575 L/project (19,776 L/project in FY23) respectively. Consequently, general decreases in total petroleum consumption, total diesel consumption and the intensity of petroleum have been observed. The reason behind this trend is due to the decrease of projects in FY24 which reduce the amount of fuel and energy consumed. We are still continuing our efforts in fuel saving and energy efficiency. The Company constantly monitors our vehicle fleets energy usage closely during our project services, which has benefitted the Company in general cost saving and in turn promote environmentally friendly practices socially.

Our electricity consumption across the Company during the Reporting Period has increased to 73,468 kWh (68,691 kWh in FY23), with a resulting intensity of 8.4 kWh/ft^2. The decrease reflects our efforts in energy consumption saving through green commitments practiced throughout our business operations and services. The Company is also continuing to transform the modes of communication to digital platforms, for example greater use of video conferencing, resulting in less office utilisation and hence contributing to minimising energy consumption over the Reporting Period.

Owing to our operation model and terms of contracts with clients, our electricity and water for the cleaning services are directly provided and controlled by the clients and the amount of usage highly depends on external environmental factors such as cleanliness of the street areas and specific demand from clients. Hence, the Company is in a passive position to measure and control electricity and water usage for our services. However, we still endeavour to improve efficiency of resource usage in all aspects of our operations and we are aiming to limit or reduce electricity and water consumption at 2021 levels by 2030 and improve energy efficiency no less than 2021 levels by 2030. In order to achieve our targets, we are introducing advanced technologies, regular maintenance of machinery and tools, adopting green practices in office, implementing water stewardship efforts, as well as employee education and engagement. These are covered in detail below.

i. Advanced Technologies

Advanced technologies are introduced to reduce the use of resources. We have continued to adopt measures in replacing our old fleet of vehicles to Euro V vehicles. Such replacement could significantly reduce fuel consumption for each kilometre travelled. In our office premises, we have upgraded our green technology by redirecting our preference in energy products, including the use of fluorescent bulbs, LED lamps, as well as using electric appliances that consume less energy.

ii. Regular Maintenance

Other than adopting the use of advanced vehicles and machinery for our business operations, we promote the efficient use of resources through regular maintenance of machinery and tools. The annual inspection on our assets is used to make sure that they are up to standards, to prevent reduction in fuel efficiency, increase durability of our assets, and hence promote efficient use of resources for the Company.

iii. Green Practice

Shortage of natural resources is a global area of concern. We work to establish a more sustainable business by focusing on our resource conservation and water stewardship efforts where we can have the greatest impact. We have developed several energy-saving principles and green practice in our workplace. Examples of such green practice include:

- Switching off idle office equipment, lighting and air-conditioning;
- Visual reminders throughout the office to remind employees to be mindful in usage of office consumables;
- Preference in usage of energy efficient products in our offices such as fluorescent bulbs, LED lamps, electrical appliances with higher energy consumption efficiency;
- Maintain the average indoor temperature of our office workspace between 24°C and 26°C during the summer time in active support of the "Energy Saving Charter on Indoor Temperature" established by the Government of Hong Kong Special Administrative Region.

We would constantly monitor the electricity consumption from our office operations, and evaluate the existing action plans on environmental protection in order to demonstrate our long-term support on green practice.

iv. Water Stewardship

Owing to our operational business model, our water consumption is directly provided by our clients or publicly sourced by government, therefore we have no difficulty in sourcing water. Such consumption quantity is based on client's demand and is not directly controllable by us. As such, relevant disclosure is considered not applicable. Despite the Company's passive position in controlling water consumption, we continue to establish a more sustainable business by focusing our water stewardship efforts on areas where we can have the greatest impact. Such areas include improving water-use efficiency and reuse, and helping to manage water resources in our supply chain, for example the water coming from our clients and/or the government.

v. Employee Education and Engagement

We provide our employees with regular training to maintain their awareness on energy and water conservation. Relevant environmental awareness messages such as tips for saving electricity saving, fuel and water are also communicated to all levels of staffs via emails and posters. We hope the involvement of our employees into energy and water saving practices could assist in alerting them the importance of resource conservation and if possible in enhancing our energy efficiency methods.

Aspect A3: The Environment and Natural Resources

Environmental Impacts from Business Operations

We are fully committed to minimising environmental impacts associated with our business activities, and strive to uphold our environmental performance standards through the establishment of an Environmental Management System ("**EMS**"). We currently possess the certification for ISO 14001:2015, an accreditation in the EMS in the provision of cleaning, pest control and waste management services. The ISO 14001 has strengthened our company-wide focus on continuous improvement and enabled a common vision in managing environmental processes across the Company. The EMS also includes an incident management mechanism to deal with all incidents arising from our operations which will bring adverse impact to the environment. An incident response team has been established to be responsible for incident handling processes such as incident detection and recording, investigation and analysis, resolution and incident closure. Operation personnel would also ensure that cleaning detergents and disinfectants sourced for each service project are non-hazardous products and bring minimal impacts on to the environment. The management system is reviewed at the beginning of each business year and environmental performance is measured based on the results of reviews conducted for each individual service projects. Internal reviews are also supplemented by regular external inspections.

Aspect A4: Climate Change

Climate Change and Other Associated Risks

The issue of climate change is undoubtedly one of the greatest issues confronting our world today. Lapco believes that building climate resilience provides the Company with the capacity to adapt and succeed in the face of direct and indirect impacts of climate change, and the ability to capitalize on the strategic opportunities presented by the shift to a lower-carbon economy. As such, Lapco shares the responsibilities to reduce emissions and relieve the impact from climate change, and adopts a forward-thinking approach in integrating climate risk factors into our strategic business planning.

In assessing the potential risks stemming from climate change, we have summarized the following dimensions of risks that are potentially vulnerable to our business operations, as well as approaches to cope with such risks:

Physical risks

Given the nature of our business in cleaning and pest management, the delivery of our services is dependent on our physical assets. As such, the Company is prone to physical risks when facing extreme weather conditions, no matter whether it is heavy precipitation, typhoon, fire, or flood. The Company has developed an Emergency Preparedness and Response Guideline to address emergency situations, including prevention of potential environmental or safety incidents and response actions in the event of an emergency. Trainings and drills are also provided to relevant employees to ensure their personal safety.

Transition risks

As policy changes are expected to be moving towards a low-carbon economy, new climate-related regulations are expected to be introduced and tightened. This could result in loss of asset value, and trigger reputational and legal risks from inability to adapt to changes. As such, the Company takes a step further to ensure compliance to latest climate-related regulations, and build resilience through increasing our resource productivity (e.g. upgrading our car fleet to latest energy efficiency standards). This enables the Company to take competitive advantage in cost reduction in the long run, while aligning with our green visions.

Reputational risks

Extreme weather events may disrupt operations, which may pose reputational risk to our Company. Given the broad-based impacts of climate change, our strategy leverages on the depth of our expertise and insights to climate-related opportunities and to manage climate risk. The Company continues to adopt best practices to reduce our own carbon footprint and integrate resiliency into our business operations.

Lapco recognizes the impact of climate change and its associated risks to our business operations and our long term growth. We strive to embed considerations of climate change risks into our corporate strategy and risk management systems. We target to use a three-step approach in measuring our vulnerability to climate change, where we would (1) assess the degree of climate vulnerability of our operations, equipment and facilities; (2) consider climate risks into enterprise risk assessments, and; (3) conduct scenario analysis to assist management in decision making on risks and opportunities associated climate change. With this approach, we aim to adopt the best practices to reduce our own carbon footprint, and build greater resilience for our operations.

SOCIAL

Aspect B1: Employment

Recruitment, Compensation, Promotion, Dismissal, and other Employee Benefits

Lapco regards people as the most valuable assets for supporting its business growth. We deeply appreciate the contributions made by our employees, and are committed to improving their welfare and wellbeing in their tenure. We aim to create a harmonious working environment with cooperation and respect in order to enhance our staff's sense of belonging and retain talents.

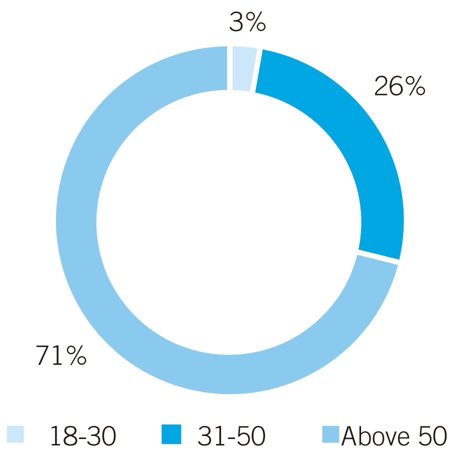
We have developed the Human Resources Policy to govern compensation, dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare, in accordance with relevant employment rules and regulations stipulated in the Employment Ordinance (Cap. 57) and Employees' Compensation Ordinance (Cap. 282) of Hong Kong. Our Human Resources Policy is regularly reviewed and updated to ensure compliance with the latest labour laws and regulations, while Human Resources Department will strictly adhere to such Policy by imposing adequate internal controls in their operations.

During the Reporting Period, the composition of our employees in this reporting year is stated below:

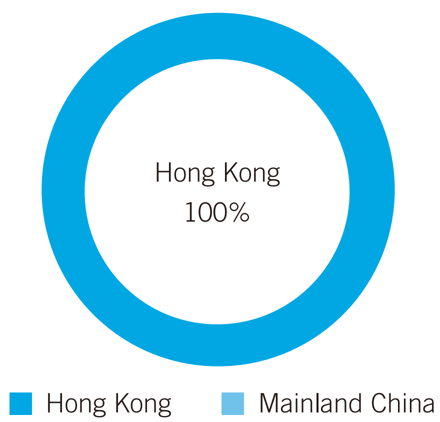
Employee breakdown

	2024		2023	
	Number of Employees	Percentage (%)	Number of Employees	Percentage (%)
Male	300	47%	1,438	44%
Female	345	53%	1,841	56%
Total	645	100%	3,279	100%

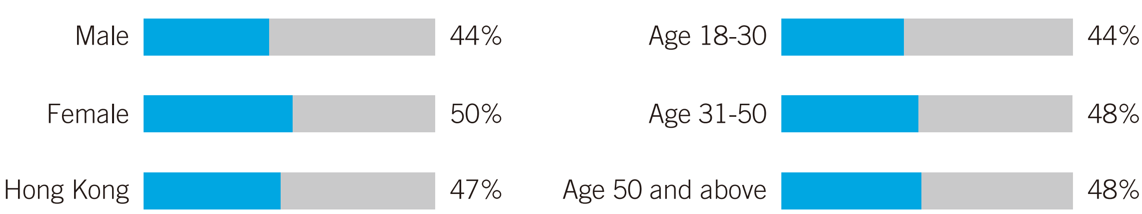
Employees by age group



Employees by geographical region



Employee turnover rate breakdown



In 2024, we have continued to work to increase the ratio of female employees to male employees to further demonstrate our agenda for equality in opportunity and diversity within the company. We offer our employees with an attractive remuneration package in order to retain talents. Remuneration is based on the four key principles: fairness, ability, competitiveness and timeliness. The level of compensation of the Company's employees is established according to their abilities and reviewed annually based on their performance and the market conditions. The remuneration package also includes a range of benefits to all employees such as mandatory provident fund, life insurance, medical insurance, annual leave, overtime leave, wedding leave, and maternity leave.

In addition, we perform annual performance appraisal on our staff through a coherent performance management mechanism, which includes the following principles: specific, measurable, actionable, realistic, and timely. Such performance appraisal provides a basis for employees to understand their strengths and weaknesses, and to strengthen mutual understanding and communication between staff and the Company. Results could also be used as reference for related personnel decisions including salary increment, bonus allocation, promotion, transferral, job rotations and other arrangements.

Maintenance of appropriate work-life balance has been effective in reducing working pressure of employees and enhancing the overall productivity. In previous years, the Company has actively held social activities to promote bonding between our employees, and to recognize their efforts and contributions to the Company. As the global pandemic has restricted our social activities during the year, social gatherings are instead held on digital platforms, which enable our employees to mingle and bond without compromising social distancing measures. This enables the Company to strengthen interactions and relationships between staff level and senior management. In addition, the Company has introduced an employee award scheme starting from 2019 to recognise the performance of our staff talents as the Company's token of appreciation.

Employee satisfaction is one of our key concerns and we have put continuous effort to maintain and enhance their morale. Employee surveys are regularly conducted to understand the views of the employees on the Company or the working environment. The management will review the result of the survey and implement improvement measures if necessary.

Diversity and Equal Opportunity

We respect the diversity of employees by promoting gender equality and equal opportunity in the workplace. We want to create an inclusive and harmonious workplace by strictly adopting non-discriminatory employment practices, which prohibits less favourable treatment to anyone on the basis of their personal characteristics, including but not limited to race, gender, religion, age, disability, nationality and family status. As an equal opportunity employer, we emphasise fairness, openness and objectivity and have incorporated these principles into our human resources management practices. Opportunities of recruitment, promotion and training programs would be given to employees based on the pre-defined criteria and systematic assessment conducted by a group of assessors.

By adopting the above practices, we comply with, in all material respects, the corresponding ordinances and its respective codes of practices, which includes the Sex Discrimination Ordinance (Cap. 480), Disability Discrimination Ordinance (Cap. 487), Family Status Discrimination Ordinance (Cap. 527), and Race Discrimination Ordinance (Cap. 602) supported by the Hong Kong Equal Opportunities Commission ("**EOC**").

During the Reporting Period, we have not identified any material non-compliance of labour laws and regulations.

Aspect B2: Health and Safety

Workplace and Occupational Health and Safety

A healthy workforce is the foundation of long-term success to any company, and it is not an exception to Lapco. As such, occupational health and safety has been the top priority of our business operations. Lapco contributes to promoting and sustaining the physical and mental performance of its employees. To ensure this, our service line is certified in accordance with the internationally recognised OHSAS 18001, the Occupational Health and Safety Assessment Series, that ensures sound performance and promotes a robust workplace safety management system. The implementation of such system also ensure tight compliance with the Occupational Safety and Health Ordinance (Cap. 509) of Hong Kong.

Lapco has established the Safety Manual for providing instructions to employees on work safety. The Safety Manual is being reviewed each year to ensure that it is up to date, and circulated to related staff to promote awareness of any implemented changes. In addition, we have implemented a set of workplace safety measures to protect our employees. These measures are periodically reviewed to ensure continuous improvement to the health and safety conditions prevailing in the workplace.

Employees are required to receive training on how to use relevant machines and tools and must be well equipped before they provide services to our clients. Supervisors are assigned to take the responsibility of overseeing the operations, make immediate responses, and notify the management if any hazards in the workplace are noted. Other activities such as periodic safety training and fire and evacuation drills are conducted in order to maintain and raise our employees' safety awareness and knowledge in safety. Employees are also encourage to give opinions on safety procedures to the management. Furthermore, we conduct periodic risk assessment in order to timely identify, evacuate and mitigate any new risks from workplace and to ultimately provide our employees with a healthy and safe working environment.

Though the outbreak of the coronavirus disease has come to the end in FY23, the Company is well aware of the importance of proper hygiene and we have implemented several health and safety measures to protect our employees throughout the Reporting Period. The Company has procured and distributed hygiene supplies, such as disinfectants, alcohol swaps and face masks across our office for employees' use. The office has also enhanced cleaning and ventilation for good environmental hygiene. Employees are also recommended to implement flexible working arrangements, where appropriate, and practice social distancing in common areas. The Company has referred to the advices provided by the Occupational Safety and Health Council on how to minimize infection risk in the workplace, and has provided guidance to our employees on how to maintain personal hygiene.

The Company also actively monitors records of employees' health and travel history on a regular basis. We would make alternative working arrangement for employees who feel unwell or may have the risk of being exposed to infected cases. These measures have been effective in minimizing risk of workplace infection, ensuring the health of our employees.

During the Reporting Period, we have recorded 2,880 lost days as a result of work injury. We have not identified any material cases of non-compliance on health and safety related laws and regulations. No work-related fatalities were recorded in the Reporting Period.

Aspect B3: Development and Training

Employee Development and Training

To accomplish our corporate objectives as well as personal development of employees, Lapco encourages and supports our employees in continuous personal and professional training. We have incorporated employee development into one of the key components of our business development plan. Various training programs are provided by the Company, such as in-house training programmes, seminars, workshops, conferences, peer learning, sharing sessions, and on-job training. One of our most important training programmes is the Pest Control Training, which aims to enhance the knowledge of employees on technical skills of pest control and occupational safety and is conducted by professional consultants specialised in areas such as laws and regulations, hazardous materials handling and first aid procedures. Apart from the in-house training provided to them, we encourage employees to attend external training programmes to further improve their knowledge and share them with other employees afterwards.

During the Reporting Period, 100% (100% in FY23) of our employees received appropriate training. Male employees averaged 2.18 hours (2.11 hours in FY23), female employees averaged 2.12 hours (2.07 hours in FY23) of training, director level employees averaged 20 hours (20 hours in FY23) of training, management level employees averaged 15 hours (15 hours in FY23) of training and normal employees averaged 2 hours (2 hours in FY23) of training.

Aspect B4: Labour Standards

Anti-Child and Forced Labour

We strictly comply with the Labour Law in Hong Kong, in particular the Employment Ordinance (Cap. 57), and prohibit the employment of child and forced labour of any kind in our operations and services. Labour being forced to work by means of physical punishment, abuse, involuntary servitude, peonage or trafficking is strictly prohibited. Children who are below the age as set by the Labour Law are not allowed to be employed with the strict screening procedures by Human Resources Department. All employees are encouraged to report to the Company at any time for any suspected non-compliance incidents such as employment of child and forced labour during the course of our recruitment and operation.

During the Reporting Period, we have not identified any material cases of non-compliance on child and forced labour laws and regulations.

Aspect B5: Supply Chain Management

Sustainable Procurement

We closely monitor our supply chain and have implemented a sustainable procurement practice to minimise the adverse impact on the environment and maintain cost effectiveness. We encourage all our suppliers to maintain high standards of business ethics and conduct, and put effort into maintaining satisfactory environment and social performance. During the selection process of all new suppliers, authorised management would evaluate and select the suppliers based on the Company's pre-set criteria including the quality and durability of the products, service quality, price competitiveness, and sustainability efforts made by our suppliers. Examples of sustainability efforts include production methodology, waste management methods, choice of raw materials and labour practices.

We maintain an open and fair relationship with our suppliers. Tendering procedures are conducted during the selection process of major suppliers and the tendering process is closely monitored at all times to ensure the process conforms to our principles of fairness, transparency and sustainability requirements.

The Company has devised a mechanism to evaluate the performance of existing suppliers and conducted such evaluation periodically. Each supplier is assigned a grade during the evaluation to indicate its recent performance including sustainability performance. The management will handle cases of unsatisfactory performance in accordance with established policies and procedures (e.g. issue of warnings or suspension for a specified period from invitation to bid) and will remove the suppliers with persistent adverse performance from the approved list or suspend them permanently from bidding as appropriate with proper approval. The measures indicated above applied to all 105 of Lapco's suppliers during the Reporting Period, all of which were based in Hong Kong.

Aspect B6: Product Responsibility

Service Quality and Product Safety

We are devoted to high quality of services and are certified with ISO 9001:2015 for our provision of cleaning, pest control and waste management services. We uphold the highest level of integrity through ethical marketing and sourcing, ensuring that we procure products from suppliers with high transparency and accountability, fair trade principles and good working conditions, and ensure that we market our products and services in an open, fair and honest way. We have invested in the areas of human resources, information management, infrastructure and equipment, professional skills and techniques in order to maintain a high quality service. Management support in investment of resources and their active participation in daily operations of business also contribute to the maintenance and enhancement of service quality.

Customers are welcome to provide comments on our services. If customer has a complaint, a dedicated customer service team is responsible for handling the complaint. The complaint will be investigated by various management personnel. All complaint cases will be reported to senior management for review and approval. Proper inspection on individual cases will be conducted and remedial measures will be implemented to reduce the chance of re-occurrence of the same kind of compliant in the future.

During the Reporting Period, there were a total of 83 written complaints received, all of which were properly handled. The number of complaints have significantly decreased when compared to that of FY23 which demonstrate our commitment and effort in deliver high quality services. In addition, as Lapco is a service company, there were no products sold or shipped subject to recalls for safety and health reasons.

Data Privacy and Protection

We value the confidentiality of personal data and are committed to protecting customer information with care. Therefore, we have implemented the appropriate data protection measures in order to comply with the Personal Data (Privacy) Ordinance (Cap. 486) ("**PDPO**").

Data Protection Principles from the Ordinance are applied to our business operations. Specifically, Lapco would only be collecting personal data from clients that we believe are relevant and required in our business operations. The personal data would only be used for the purpose of which the data was being collected for, or for a directly related purpose. Our personnel would always seek for consent for the use of data in the event that the data is to be used for new purposes. In line with our Standards and Code of Ethics, disclosure or transfer of personal data to any entity that is not a member of the Company without consent is strictly prohibited unless required by law, or was previously notified. The Company has appropriate security controls in place and has designed measures for prevention of any unauthorised access to personal data. Only designated personnel will be granted the access rights to personal data, and such list of designated personnel will also be regularly reviewed to ensure that access rights are still applicable.

During the Reporting Period, we have not identified any material cases of non-compliance on service quality and data privacy related laws and regulations.

Intellectual Property Rights

We recognise the importance of intellectual property rights. Employees are required to comply with our internal policies on intellectual property rights that protects intellectual property owners as well as relevant laws and regulations in place. Any software used by the company must be properly licensed and operated in a manner that complies with the terms and conditions listed by the service providers.

During the Reporting Period there were no cases of non-compliance against company policy or laws and regulations regarding intellectual property rights.

Aspect B7: Anti-corruption

Anti-corruption and Anti-fraud

There is zero tolerance to corruption, bribery, extortion, money-laundering and other fraudulent activities in connection with any of our business operations. Employees must comply with all local laws and regulations (for example, the Prevention of Bribery Ordinance of Hong Kong) when conducting their duties, and also those in other jurisdictions when conducting business there.

The Company has established the Code of Ethics and Employee Handbook which stipulates the proper work ethics and practices for employees' reference. Employees are required to declare potential conflicts under their job responsibilities and anti-corruption trainings are provided to directors and staff. A whistle-blowing mechanism is established as an anonymous and confidential communication channel for employees and external parties if they suspect any potential or actual irregularities and conflicts. Any reported cases will be investigated and the results will be reported to the senior management of the Company directly. The Company will never punish or reprimand anyone for reporting breaches and violations of these kinds in good faith.

Internal controls are also in place to mitigate risk on fraudulent activities and the effectiveness of internal controls are regularly assessed.

During the Reporting Period, we have not identified any material cases of non-compliance on corruption-related laws and regulations.

Aspect B8: Community Investment

Community Support and Social Responsibility

Lapco strives to be a responsible company, and we take pride in serving and strengthening the wider community through continuous encouragement of our employees and other stakeholders to support the community. Therefore, we are engaged in various community activities such as public fundraising, donations, sponsorships and volunteering services.

Regarding this year's community service agenda, our staff participated in a 24 hour community service. We also donated 5,000 HKD in the reporting period to demonstrate our support for community.

In the near future we plan to continue collaborating with non-profit organisations and play a part in hosting community events. We also encourage our employees to actively participate in volunteer events to raise their awareness, and with hopes to redress disadvantages of the less privileged, create impact and drive change. As recognition for our long-term commitment, Lapco has been accredited for the Caring Company award from the Hong Kong Council of Social Services for more than ten years since 2007. The award highlights the steps we have taken to caring for the community, our employees, and the environment which are the award qualification criteria.

CCL Partners

TO THE SHAREHOLDERS OF LAPCO HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Lapco Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as "**the Group**") set out on pages 56 to 119, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards 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 Auditor's 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 MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

Key audit matter	How our audit addressed the key audit matter
Estimated impairment of trade receivables from non-government customers	
We identified the estimated impairment of trade receivables from non-government customers as a key audit matter due to the use of significant estimates by the management of the Group in assessing the impairment of trade receivables from non-government customers under the expected credit loss ("**ECL**") model. As disclosed in note 4 to the consolidated financial statements, the carrying amount of trade receivables from non-government customers as at 31 December 2024 is HK$22,340,000. In determining the impairment of trade receivables from non-government customers (except for those in online game integrated services segment which are assessed individually), the management of the Group assessed the balance collectively with reference to (i) average loss rates, which are based on the study of other corporates' default and recovery data from international credit-rating agencies, taking into account both quantitative and qualitative information that is reasonable and supportable, and forward-looking information that is available without undue costs or effort; and (ii) past due ageing analysis of trade receivables from non-government customers (except for those in online game integrated services segment which are assessed individually). No impairment of trade receivables from non-government customers (except for those in online game integrated services segment which are assessed individually) was recognised during the year ended 31 December 2024.	Our procedures in relation to estimated impairment of trade receivables from non-government customers included: • Obtaining an understanding of the process on how the management estimates the allowance for ECL on trade receivables from non-government customers; • Challenging management's basis and judgement in determining allowance for ECL on trade receivables as at 31 December 2024, including their identification of trade receivables from government customers and non-government customers in online game integrated services segment who are assessed for ECL individually, the reasonableness of management's grouping of the remaining trade receivables from non-government customers (except for those in online game integrated services segment) into different categories in the collective assessment, and the basis of estimated loss rates applied for each individually assessed customer and in each category in the collective assessment; • Testing the accuracy of the past due ageing analysis of the trade receivables from non-government customers (except for those in online game integrated services segment which are assessed individually), on a sample basis, by comparing with the relevant sales invoices;

Key audit matter	How our audit addressed the key audit matter
In determining the impairment of trade receivables from all non-government customers in online game integrated services segment which are assessed individually, the estimated loss rates are based on internal credit ratings and adjusted for forward-looking information. Impairment of trade receivables from all non-government customers in online game integrated services segment of HK$305,000 was recognised during the year ended 31 December 2024.	• Re-performing the calculation of the impairment based on the average loss rates and the past due ageing analysis of the trade receivables from non-government customers (except for those in online game integrated services segment which are assessed individually); and • Assessing the reasonableness of the key data inputs used in determination of average loss rates, on a sample basis, and evaluating the assumptions, including both historical settlement history and forward-looking information used.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion on those statements on 26 March 2024.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's 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 THOSE CHARGED WITH GOVERNANCE 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S 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 auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, 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 auditor's 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 auditor's 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, we determine the matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe this matter in our auditor's 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.

CL Partners CPA Limited
Certified Public Accountants
Lo Chi Kin
Practising Certificate Number: P08415

Hong Kong
28 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	**2024** **HK$'000**	2023 *HK$'000*
Revenue	5	**573,390**	948,683
Cost of services		**(537,536)**	(890,662)
Gross profit		**35,854**	58,021
Other income	6	**11,915**	3,805
Other losses, net	6	**(138)**	(29)
Net impairment losses on financial assets		**(305)**	–
Loss on disposal of a subsidiary	27	**(2,431)**	–
Administrative expenses		**(35,761)**	(37,343)
Finance costs	7	**(3,848)**	(5,864)
Profit before taxation	10	**5,286**	18,590
Income tax expense	11	**(1,901)**	(4,530)
Profit and total comprehensive income for the year attributable to owners of the Company		**3,385**	14,060
			(Restated)
Earnings per share			
– Basic *(HK$)*	13	**0.04**	0.38

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Notes	**2024** **HK$'000**	2023 HK$'000
Non-current assets			
Plant and equipment	14	**22,707**	30,761
Right-of-use assets	15	**20,515**	40,942
Intangible asset	16	**160**	–
Deposits and prepayments	18	**2,175**	14,008
Deposits for acquisition of plant and equipment		**–**	2,578
Deferred tax assets	26	**763**	481
		46,320	88,770
Current assets			
Trade receivables	17	**46,330**	126,503
Other receivables, deposits and prepayments	18	**37,837**	12,880
Tax recoverable		**–**	188
Pledged bank balances	19	**17,700**	29,700
Bank balances and cash	19	**58,994**	72,277
		160,861	241,548
Current liabilities			
Trade payables	20	**4,249**	12,263
Other payables	21	**17,625**	70,762
Provisions	22	**3,321**	30,297
Bank borrowings	23	**8,701**	34,674
Lease liabilities	24	**7,041**	11,382
Loan from a director of the Company	34	**540**	–
Exchangeable bond	25	**–**	20,000
Tax payable		**2,152**	321
		43,629	179,699
Net current assets		**117,232**	61,849
Total assets less current liabilities		**163,552**	150,619
Non-current liabilities			
Provisions	22	**2,809**	22,003
Deferred tax liabilities	26	**2,721**	5,038
Lease liabilities	24	**11,646**	22,299
		17,176	49,340
Net assets		**146,376**	101,279

	Note	2024 HK$'000	2023 HK$'000
Capital and reserves			
Share capital	28	**19,200**	4,800
Reserves		**127,176**	96,479
Equity attributable to owners of the Company		**146,376**	101,279

The consolidated financial statements on pages 56 to 119 were approved and authorised for issue by the Board of Directors on 28 March 2025 and are signed on its behalf by:

Tam Yiu Shing, Billy
DIRECTOR

Wang Rong
DIRECTOR

	Share capital *HK$'000*	Share premium *HK$'000*	Other reserve *HK$'000* *(note)*	Retained profits *HK$'000*	Total *HK$'000*
At 1 January 2023	4,000	31,362	11,051	32,896	79,309
Placing of shares *(note 28)*	800	7,200	–	–	8,000
Transaction costs attributable to placing of shares	–	(90)	–	–	(90)
Profit and total comprehensive income for the year	–	–	–	14,060	14,060
At 31 December 2023	4,800	38,472	11,051	46,956	101,279
Issue of ordinary shares under rights issue *(note 28)*	**14,400**	**27,312**	**–**	**–**	**41,712**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**3,385**	**3,385**
At 31 December 2024	**19,200**	**65,784**	**11,051**	**50,341**	**146,376**

Note: Other reserve represented (i) the difference between the share capital of Lapco Service Limited, Shiny Glory Services Limited and Shiny Hope Limited and that of Sharp Idea Global Limited issued pursuant to a group reorganisation completed in 2017 amounted to HK$10,200,000; and (ii) the fair value adjustment on the non-current shareholder loans using the effective interest rate of 7.5% per annum in 2019 amounted to HK$851,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	2024 *HK$'000*	2023 *HK$'000*
OPERATING ACTIVITIES		
Profit before taxation	**5,286**	18,590
Adjustments for:		
Depreciation of plant and equipment	**11,862**	11,657
Depreciation of right-of-use assets	**10,314**	12,029
Amortisation of intangible asset	**24**	–
Interest income	**(2,177)**	(2,229)
Gain on disposal of plant and equipment, net	**(8,966)**	(4,065)
Gain on disposal of right-of-use assets	**–**	(27)
Finance costs	**3,848**	5,864
Loss on disposal of a subsidiary	**2,431**	–
Net impairment losses on financial assets	**305**	–
Operating cash flows before movements in working capital	**22,927**	41,819
(Increase) decrease in trade receivables	**(36,320)**	37,303
Increase in other receivables, deposits and prepayments	**(25,937)**	(321)
Increase (decrease) in trade payables	**34**	(1,924)
Increase (decrease) in other payables	**717**	(2,416)
Increase in provisions	**9,577**	12,361
Cash (used in) generated from operations	**(29,002)**	86,822
Net income tax paid	**(1,988)**	(2,317)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(30,990)**	84,505
INVESTING ACTIVITIES		
Interest received	**2,177**	2,229
Deposits paid for acquisition of plant and equipment	**–**	(2,578)
Purchases of plant and equipment	**(795)**	(1,199)
Purchases of intangible asset	**(184)**	–
Proceeds from disposal of plant and equipment	**19,316**	4,547
Refund of deposits for acquisition of plant and equipment	**1,732**	–
Proceeds from disposal of right-of-use assets	**–**	18
Net cash outflow on disposal of a subsidiary *(note 27)*	**(23,510)**	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(1,264)**	3,017

	2024 HK$'000	2023 HK$'000
FINANCING ACTIVITIES		
Interest paid	**(3,848)**	(5,864)
Repayment of lease liabilities	**(17,621)**	(14,541)
New bank borrowings raised	**415,613**	748,001
Repayment of bank borrowings	**(417,425)**	(771,835)
Loan from a director of the Company	**540**	–
Placing of shares	**–**	8,000
Transaction costs paid for placing of shares	**–**	(90)
Proceed from rights issue	**41,712**	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**18,971**	(36,329)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(13,283)**	51,193
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**72,277**	21,084
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**58,994**	72,277

1. GENERAL INFORMATION

Lapco Holdings Limited (the "**Company**") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 12 August 2016. The shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 18 July 2017. The addresses of the Company's registered office and the principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1–1111, Cayman Islands and Flat 05, Blk B, 8/F, Hoplite Industrial Centre, 5 Wong Tai Road, Kowloon Bay, Kowloon, Hong Kong respectively.

The Company is an investment holding company and its principal subsidiaries are engaged in provision of environmental hygiene services, including (a) cleaning services; (b) pest management services; (c) waste management and recycling services; (d) landscaping services and (e) online game integrated services.

The functional currency of the Company is Hong Kong dollar ("**HK$**"), which is the same as the presentation currency of the consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HKFRS ACCOUNTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES

Amendments to HKFRS Accounting Standards that are mandatorily effective for the current year

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2024:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

2. APPLICATION OF AMENDMENTS TO HKFRS ACCOUNTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES (Continued)

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11[3]
Amendments to HKAS 21	Lack of Exchangeability[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[4]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[3]

[1] Effective for annual periods beginning on or after a date to be determined.
[2] Effective for annual periods beginning on or after 1 January 2025.
[3] Effective for annual periods beginning on or after 1 January 2026.
[4] Effective for annual periods beginning on or after 1 January 2027.

Except for new and amendments to HKFRS Accounting Standards mentioned below, the directors anticipate the application of all other new and amendments to HKFRS Accounting Standards will have no material impact on the results and financial position of the Group.

HKFRS 18 – Presentation and Disclosure in Financial Statements

HKFRS 18 sets out requirements on presentation and disclosures in financial statements and will replace HKAS 1 Presentation of Financial Statements. HKFRS 18 introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management- defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. Minor amendments to HKAS 7 "Statement of Cash Flows" and HKAS 33 "Earnings per Share" are also made.

HKFRS 18, and the consequential amendments to other standards will be effective for annual periods beginning on or after 1 January 2027, with early application permitted.

The application of the HKFRS 18 is not expected to have material impact on the financial position of the Group. The directors of the Company are in the process of making an assessment of the impact of HKFRS 18, but is not yet in a position to state whether the adoption would have a material impact on the presentation and disclosures of consolidated financial statements of the Group.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY

3.1 Basic of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

3.2 Material accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Note 5.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY (Continued)

3.2 Material accounting policies (Continued)

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 "Leases" ("**HKFRS 16**"), the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY (Continued)

3.2 Material accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use asset includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to plant and equipment.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" ("**HKFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY (Continued)

3.2 Material accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever: the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Plant and equipment

Plant and equipment are tangible assets that are held for use in the supply of services, or for administrative purposes. Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY (Continued)

3.2 Material accounting policies (Continued)

Intangible asset

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses. The intangible assets of the Group are amortised over their estimated useful lives of 5 years.

Impairment loss on plant and equipment, intangible asset and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its plant and equipment, intangible asset and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of plant and equipment, intangible asset and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY (Continued)

3.2 Material accounting policies (Continued)

Impairment loss on plant and equipment, intangible asset and right-of-use assets (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated to the assets on a pro-rata basis based on the carrying amount of each asset in the unit or group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised 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 "Revenue from Contracts with Customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised 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.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY (Continued)

3.2 Material accounting policies (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised 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.

<u>Amortised cost and interest income</u>

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised 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 recognised 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.

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("**ECL**") on financial assets (including trade receivables, other receivables, deposits, pledged bank balances and bank balances) 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. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for all government customers and all non-government customers in online game integrated services segment and collectively for non-government customers (except for those in online game integrated services segment) using a collective assessment with past due status groupings.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY (Continued)

3.2 Material accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

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

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.

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.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY (Continued)

3.2 Material accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

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.

(iii) 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:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) 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

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) 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, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. 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 recognised in profit or loss.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY (Continued)

3.2 Material accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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 trade receivables from non-government customers 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.

The grouping is regularly reviewed by the management of the Group 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 amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY (Continued)

3.2 Material accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

Financial liabilities and equity instruments

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 recognised at the proceeds received, net of direct issue costs.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY (Continued)

3.2 Material accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities at amortised cost

The Group's financial liabilities including trade payables, other payables, bank borrowings and loan from a director of the Company are subsequently measured at amortised cost, using the effective interest method.

Exchangeable bond contains debt and derivative components

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.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible loan notes is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible loan notes using the effective interest method.

Derecognition of financial liabilities

The Group derecognises 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 derecognised and the consideration paid and payable is recognised in profit or loss.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY (Continued)

3.2 Material accounting policies (Continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Employee benefits

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme ("**MPF Scheme**") as defined contribution retirement benefit plan are recognised as an expense when employees have rendered service entitling them to the contributions.

The employees of the Group's subsidiaries established in the People's Republic of China (the "**PRC**") are required to participate in a central pension scheme operated by the local municipal government of the PRC. These subsidiaries are required to contribute a fixed rate of 15% and 16% (2023: 15% and 16%) of their relevant payroll costs to the central pension scheme. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the Scheme.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another Hong Kong Financial Reporting Standard requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY (Continued)

3.2 Material accounting policies (Continued)

Employee benefits (Continued)

Employment Ordinance Long Service Payment ("LSP")

For LSP, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, is reflected immediately in consolidated statement of financial position with a charge or credit recognised in other comprehensive income or expense in which they occur. Remeasurement recognised in other comprehensive income or expense is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability. Components of defined benefit costs are service cost in profit or loss; net interest on the benefit liability in profit or loss; and remeasurement liability in other comprehensive income or expense.

Other income/Other revenue

Management fee income is recognised as income in profit or loss when the supportive management services are rendered by the Group. Income from disposal of motor vehicles is recognised when the control of goods is transferred to the customer at a point in time that the consideration is unconditional and only passage of time is required for payment due.

Taxation

Income tax expense represents the sum of the income tax expense currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY (Continued)

3.2 Material accounting policies (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Borrowing costs

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will apply with the conditions attaching to them and the grants will be received.

Government grants relate to income that are receivable as compensation for expenses or less already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Estimated impairment of trade receivables from non-government customers

The impairment of trade receivables from non-government customers is estimated under the ECL model. The management of the Group assessed (i) the balance from all non-government customers in online game integrated services segment individually based on internal credit ratings and adjusted for forward-looking information; (ii) the balance (except for trade receivables from all non-government customers in online game integrated services segment) collectively with reference to (i) average loss rates, which are based on the study of other corporates' default and recovery data from international credit-rating agencies, taking into account both quantitative and qualitative information that is reasonable and supportable, and forward-looking information that is available without undue costs or effort; and (ii) past due ageing analysis of trade receivables from non-government customers. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables from non-government customers are disclosed in notes 31 and 17 respectively.

The carrying amount of trade receivables from non-government customers in online game integrated services segment is HK$13,282,000 (2023: nil). Impairment of trade receivables from all non-government customers in online game integrated services segment of HK$305,000 (2023: nil) was recognised during the year ended 31 December 2024.

The carrying amount of trade receivables from non-government customers (except for those in online game integrated services segment) is HK$9,058,000 (2023: HK$32,527,000). No impairment of trade receivables from non-government customers (except for those in online game integrated services segment) was recognised during the year ended 31 December 2024 (2023: nil) as the amount of ECL, if any, is insignificant at the end of the reporting period.

5. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue represents the fair value of amounts received and receivable by the Group to external customers. The Group's operations derived from services provided in Hong Kong and the PRC for 2024 (2023: The Group's operations are solely derived from services provided in Hong Kong).

(i) Disaggregation of revenue from contracts with customers

	2024 **HK$'000**	2023 HK$'000
Types of services		
Cleaning services	**440,395**	816,330
Pest management services	**13,382**	24,111
Waste management and recycling services	**95,636**	101,381
Landscaping services	**149**	741
Online game integrated services	**12,812**	–
	562,374	942,563
Types of customers		
Government	**457,795**	830,197
Non-government	**104,579**	112,366
	562,374	942,563
Timing of revenue recognition		
Over time	**562,374**	942,563

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the consolidated statement of profit or loss and other comprehensive income.

	2024 **HK$'000**	2023 HK$'000
Cleaning services	**440,395**	816,330
Pest management services	**13,382**	24,111
Waste management and recycling services	**95,636**	101,381
Landscaping services	**149**	741
Online game integrated services	**12,812**	–
Revenue from contracts with customers	**562,374**	942,563
Income from disposal of motor vehicles	**9,100**	4,093
Leases	**1,916**	2,027
Total revenue	**573,390**	948,683

5. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue (Continued)

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

Provision of cleaning services, pest management services, waste management services and recycling services, and landscaping services

The performance obligation is the promise to provide cleaning services, pest management services, waste management and recycling services and landscaping services over the contract period. These services considered to be distinct as they are both regularly supplied by the Group to other customers on a stand-alone basis and are available for customers from other providers in the market. Under the terms of these contracts, performance obligation satisfied over time as the customers of the Group simultaneously receive and consume the benefits from the Group's performance.

Provision of online game integrated services

The performance obligation is the promise to provide online game integrated promotional services for the game publishers over the contract period. Under the terms of these contracts, performance obligation satisfied over time as the Group's performance 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. Pursuant to the contracts with customers for considerations entitled by the Group, the Group recognises revenue based on certain specified percentage of the cash received from the ultimate gamers. The contracts include payment schedules that customers are offered up to around 150 days credit term after the billing is issued.

The nature of the Group's performance obligation is considered to take primary responsibilities of game promotions, including to determine promotional channels, contract and arrange marketing activities with various vendors and make payments for promotional services organised by the Group. Accordingly, the directors of the Company considered that the Group acts as the principal for the provision of online game integrated services to game publishers as the Group controls the specified service to be provided by the Group before the service is transferred to a customer.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

As a practical expedient, the Group does not disclose the information about its remaining obligations in respect of either (i) provision of cleaning services, pest management services, waste management services and recycling services as the Group has the right to invoice based on the terms of the relevant contracts in which the Group bills a fixed amount monthly or for each hour of service provided; or (ii) provision of online game integrated services as the Group recognises revenue from the satisfaction of the performance obligation in variable consideration which estimated amount would not be included in the transaction price.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information

Information reported to the chief operating decision maker (the "**CODM**") for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. The Group's operating and reportable segments are therefore as follows:

- Cleaning services
- Pest management services
- Waste management and recycling services
- Landscaping services
- Online game integrated services

During the year ended 31 December 2024, the Group commenced a new reportable and operating segment, namely online game integrated services, to provide promotional and other supportive services of online games for the game publishers.

The following is an analysis of the Group's revenue and results by operating and reportable segments.

	Cleaning services *HK$'000*	Pest management services *HK$'000*	Waste management and recycling services *HK$'000*	Landscaping services *HK$'000*	Online game integrated services *HK$'000*	Total *HK$'000*
For the year ended 31 December 2024						
Segment revenue – external customers	**447,619**	**13,404**	**99,406**	**149**	**12,812**	**573,390**
Segment results	**30,386**	**517**	**1,530**	**11**	**3,410**	**35,854**
Other income						**11,915**
Other losses, net						**(138)**
Net impairment losses on financial assets						**(305)**
Loss on disposal of a subsidiary						**(2,431)**
Administrative expenses						**(35,761)**
Finance costs						**(3,848)**
Profit before taxation						**5,286**
For the year ended 31 December 2023						
Segment revenue – external customers	816,547	24,111	107,284	741	–	948,683
Segment results	53,031	384	4,566	40	–	58,021
Other income						3,805
Other gains and losses, net						(29)
Administrative expenses						(37,343)
Finance costs						(5,864)
Profit before taxation						18,590

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

There was no inter-segment revenue for both years.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment results represent the results from each segment without allocation of other income, other gains and losses, net, administrative expenses, net impairment losses on financial assets, loss on disposal of a subsidiary and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

The segment assets and liabilities at the end of the reporting period by operating and reportable segments are as follows:

	Cleaning services *HK$'000*	Pest management services *HK$'000*	Waste management and recycling services *HK$'000*	Landscaping services *HK$'000*	Online game integrated services *HK$'000*	Total *HK$'000*
At 31 December 2024						
Segment assets	18,482	312	57,274	–	36,643	108,711
Certain plant and equipment						1,720
Certain right-of-use assets						4,469
Certain other receivables, deposits and prepayments						14,824
Pledged bank balances						17,700
Bank balances and cash						58,994
Deferred tax assets						763
Total assets						207,181
Segment liabilities	20,226	606	4,492	7	36	25,367
Certain other payables						2,637
Bank borrowings						8,701
Loan from a director of the Company						540
Tax payable						2,152
Lease liabilities						18,687
Deferred tax liabilities						2,721
Total liabilities						60,805

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

	Cleaning services *HK$'000*	Pest management services *HK$'000*	Waste management and recycling services *HK$'000*	Landscaping services *HK$'000*	Total *HK$'000*
At 31 December 2023					
Segment assets	138,425	5,404	64,201	218	208,248
Certain plant and equipment					816
Certain right-of-use assets					5,728
Certain other receivables, deposits and prepayments					12,880
Pledged bank balances					29,700
Bank balances and cash					72,277
Tax recoverable					188
Deferred tax assets					481
Total assets					330,318
Segment liabilities	107,283	3,168	14,096	97	124,644
Certain other payables					10,681
Bank borrowings					34,674
Exchangeable bond					20,000
Tax payable					321
Lease liabilities					33,681
Deferred tax liabilities					5,038
Total liabilities					229,039

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

- all assets are allocated to operating and reportable segments other than certain plant and equipment, certain right-of-use assets, certain other receivables, deposits and prepayments, tax recoverable, pledged bank balances, bank balances and cash and deferred tax assets.
- all liabilities are allocated to operating and reportable segments other than certain other payables, bank borrowings, exchangeable bond, loan from a director of the Company, lease liabilities, tax payable and deferred tax liabilities.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information

	Cleaning services HK$'000	Pest management services HK$'000	Waste management and recycling services HK$'000	Landscaping services HK$'000	Online game integrated services HK$'000	Segment total HK$'000	Unallocated HK$'000	Total HK$'000
For the year ended 31 December 2024								
Additions to plant and equipment	–	–	246	–	–	246	1,395	1,641
Additions to right-of-use assets	–	–	1,958	–	–	1,958	669	2,627
Additions to intangible asset	–	–	–	–	184	184	–	184
Depreciation of plant and equipment	1,593	31	9,859	–	–	11,483	379	11,862
Depreciation of right-of-use assets	1,138	–	7,248	–	–	8,366	1,928	10,314
Amortisation of intangible asset	–	–	–	–	24	24	–	24
Gain on disposal of plant and equipment, net	7,090	22	1,854	–	–	8,966	–	8,966
For the year ended 31 December 2023								
Deposits paid for acquisition of plant and equipment	–	–	1,815	–	–	1,815	763	2,578
Additions to plant and equipment	–	–	3,199	–	–	3,199	677	3,876
Additions to right-of-use assets	1,736	–	6,745	–	–	8,481	5,601	14,082
Depreciation of plant and equipment	3,387	105	7,947	–	–	11,439	218	11,657
Depreciation of right-of-use assets	3,035	32	7,732	–	–	10,799	1,230	12,029
Gain (loss) on disposal of plant and equipment, net	–	–	4,093	–	–	4,093	(28)	4,065

Geographical information

Analysis of the Group's revenue and non-current assets by geographical location is presented as: 97% and 3% (2023: 100% and 0%) of the Group's revenue are derived from Hong Kong and the PRC, respectively, based on the location of services provided and the Group's plant and equipment amounting to HK$22,707,000 (2023: HK$30,761,000), right-of-use assets amounting to HK$20,515,000 (2023: HK$40,942,000) and other non-current assets excluded financial instruments amounting to HK$Nil (2023: HK$2,578,000) at 31 December 2024 represented 97% and 3% (2023: 100% and 0%) of the Group's non-current assets located in Hong Kong and the PRC, respectively by physical location of assets.

Information about major customer

Revenue attributed from a customer that accounted for 10% or more of the Group's total revenue is as follows:

	2024 ***HK$'000***	2023 *HK$'000*
Customer A[1]	**412,104**	811,146

[1] Revenue from cleaning services, waste management and recycling services and pest management services.

6. OTHER INCOME/OTHER LOSSES, NET

Other income

	2024	2023
	HK$'000	*HK$'000*
Management fee income *(note i)*	**9,500**	–
Bank interest income	**2,177**	2,229
Sundry income	**238**	443
Government grants *(note ii)*	**–**	1,133
	11,915	3,805

Note i: After 25 June 2024, the Group continued to provide supportive management services to its former subsidiary, Shiny Glory Services Limited ("**Shiny Glory**"), which was disposed on 25 June 2024 as set out in note 27 and charged Shiny Glory a monthly management fee at approximately HK$1,583,000 for the services rendered.

Note ii: During the year ended 31 December 2023, the Group recognised government grants of HK$1,133,000 related to subsidy of phasing out diesel commercial vehicles. The Group has no government grants during the year ended 31 December 2024.

Other losses, net

	2024	2023
	HK$'000	*HK$'000*
Loss on disposal of plant and equipment, net	**(134)**	(28)
Net foreign exchange losses	**(4)**	(1)
	(138)	(29)

7. FINANCE COSTS

	2024	2023
	HK$'000	*HK$'000*
Interests on:		
Bank borrowings	**2,406**	4,342
Lease liabilities	**1,442**	1,522
	3,848	5,864

8. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

The emoluments paid or payable to the directors of the Company and chief executive of the Company by the Group, disclosed pursuant to the applicable Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Companies Ordinance, are as follows:

	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Discretionary bonus *HK$'000* *(note v)*	Retirement benefits scheme contributions *HK$'000*	Total emoluments *HK$'000*
For the year ended 31 December 2024					
Executive directors:					
Mr. Au Pak Lun Patrick *(note i)*	**159**	**–**	**–**	**8**	**167**
Mr. Wang Rong	**120**	**–**	**300**	**6**	**426**
Mr. Tam Yiu Shing, Billy	**1,146**	**–**	**191**	**18**	**1,355**
Ms. Liu Jing Jing *(note i)*	**164**	**–**	**–**	**8**	**172**
Sub-total	**1,589**	**–**	**491**	**40**	**2,120**

The chief executives of the Company are also the executive directors and the emoluments disclosed above include those services rendered by them as chief executives.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Discretionary bonus *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Total emoluments *HK$'000*
Independent non-executive directors:					
Mr. Mak Kwok Kei	**120**	**–**	**–**	**–**	**120**
Ms. Lam Kit Yan *(note ii)*	**50**	**–**	**–**	**–**	**50**
Ms. Wan Hoi Shan *(note iii)*	**30**	**–**	**–**	**–**	**30**
Mr. Leung Ka Wai *(note ii)*	**28**	**–**	**–**	**–**	**28**
Mr. Chow Yun Cheung *(note iii)*	**90**	**–**	**–**	**–**	**90**
Sub-total	**318**	**–**	**–**	**–**	**318**

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Total					**2,438**

	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Discretionary bonus *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Total emoluments *HK$'000*
For the year ended 31 December 2023					
Executive directors:					
Mr. Au Pak Lun Patrick	153	–	–	8	161
Mr. Wang Rong	76	–	–	–	76
Mr. Tam Yiu Shing, Billy	1,139	–	218	18	1,375
Sub-total	1,368	–	218	26	1,612

8. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (Continued)

	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Discretionary bonus *HK$'000* *(note v)*	Retirement benefits scheme contributions *HK$'000*	Total emoluments *HK$'000*
For the year ended 31 December 2023 (Continued)					
The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.					
Independent non-executive directors:					
Mr. Mak Kwok Kei	120	–	–	–	120
Ms. Lam Kit Yan	120	–	–	–	120
Mr. Ho Kin Wai *(note iv)*	44	–	–	–	44
Ms. Wan Hoi Shan	76	–	–	–	76
Sub-total	360	–	–	–	360
The independent non-executive directors' emoluments shown above were for their services as directors of the Company.					
Total					1,972

Notes:

(i) Mr. Au Pak Lun Patrick was resigned as executive director of the Company and Ms. Liu Jing Jing was appointed as executive director of the Company on 29 August 2024.

(ii) Ms. Lam Kit Yan was resigned as independent non-executive director of the Company on 31 May 2024 and Mr. Leung Ka Wai was appointed as independent non-executive director of the Company on 1 June 2024.

(iii) Ms. Wan Hoi Shan was resigned as independent non-executive director of the Company on 31 March 2024 and Mr. Chow Yun Cheung was appointed as independent non-executive director of the Company on 1 April 2024.

(iv) Mr. Ho Kin Wai was resigned as independent non-executive director of the Company on 12 May 2023.

(v) The discretionary bonus is determined with reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

No emolument was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office for both years. None of the directors of the Company has waived any emoluments during both years.

9. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included one (2023: one) of the directors of the Company for the year ended 31 December 2024 whose emoluments are included in the disclosures in note 8. The emoluments of the four (2023: four) non-director employees for the year ended 31 December 2024 were as follows:

	2024 **HK$'000**	2023 HK$'000
Salaries and other benefits	**5,235**	5,309
Discretionary bonus *(note i)*	**543**	2,275
Retirement benefits scheme contributions *(note ii)*	**72**	72
	5,850	7,656

Note i: The discretionary bonus is determined with reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

Note ii: The Group's contributions under the defined contribution pension schemes in the PRC and/or Hong Kong are charged to profit or loss as they become payable in accordance with the relevant rules and regulations and there is no reduction due to contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

The emoluments of the four (2023: four) highest paid employees were within the following bands:

	2024 **Number of employees**	2023 Number of employees
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**1**	–
HK$3,500,001 to HK$4,000,000	**–**	1

No emolument was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for both years.

10. PROFIT BEFORE TAXATION

	2024 HK$'000	2023 HK$'000
Profit before taxation has been arrived at after charging:		
Auditor's remuneration		
Audit service	**700**	750
Other services	**–**	325
	700	1,075
Depreciation of plant and equipment	**11,862**	11,657
Depreciation of right-of-use assets	**10,314**	12,029
Amortisation of an intangible asset	**24**	–
Directors' and chief executives' remuneration *(note 8)*	**2,438**	1,972
Other staff costs		
Salaries, bonuses and other benefits	**401,878**	712,846
Retirement benefits scheme contributions	**23,738**	42,971
Total staff costs	**428,054**	757,789

11. INCOME TAX EXPENSE

	2024 HK$'000	2023 HK$'000
Hong Kong Profits Tax:		
– Current tax	**4,142**	1,440
– Under (over) provision in previous years	**331**	(749)
	4,473	691
PRC Enterprise Income Tax:		
– Current tax	**12**	–
Deferred tax (credit) charge *(Note 26)*	**(2,584)**	3,839
	1,901	4,530

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, 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 for current year. Hong Kong Profits Tax was calculated at 16.5% on the estimated assessable profit for prior year.

11. INCOME TAX EXPENSE (Continued)

According to the Enterprise Income Tax Law (中華人民共和國企業所得稅法) and the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅實施條例), an entity eligible as a Small Low-profit Enterprise (小型微利企業) is subject to preferential tax treatments. From 1 January 2022 to 31 December 2024, the annual taxable income not more than RMB1,000,000 of a Small Low-profit Enterprise is subject to Enterprise Income Tax calculated at 12.5% of its taxable income at a tax rate of 20% and the annual taxable income between RMB1,000,000 and RMB3,000,000 is calculated at 25% of its taxable income at a tax rate of 20%.

The income tax expense can be reconciled to the profit before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	2024 ***HK$'000***	2023 *HK$'000*
Profit before taxation	**5,286**	18,590
Tax at Hong Kong Profits Tax rate of 16.5%	**873**	3,067
Tax effect of income not taxable for tax purpose	**(451)**	(481)
Tax effect of expenses not deductible for tax purpose	**1,327**	934
Under(over)provision in prior years	**331**	(749)
Utilisation of tax losses not previously recognised	**(59)**	(442)
Tax effect of tax losses not recognised	**–**	146
Tax effect on two-tiered tax rate	**(165)**	(165)
Effect of different tax of subsidiaries operating in other jurisdictions	**19**	–
Others	**26**	2,220
Income tax expense for the year	**1,901**	4,530

12. DIVIDEND

No dividends were paid, declared and proposed by the Company during the year ended 31 December 2024 (2023: nil).

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2024 (2023: nil).

13. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2024 ***HK$'000***	2023 *HK$'000*
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**3,385**	14,060

	2024	2023 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**87,099,956**	37,408,749

The weighted average number of ordinary shares for the years ended 31 December 2024 and 2023 for the purpose of calculating the basic earnings per share, had been adjusted to account for (i) the effect of share consolidation; (ii) the effect of the bonus element of the rights issue of the Company (note 28) which was completed on 1 March 2024 ("**Rights Issue**").

No diluted earnings per share for both years was presented as there were no potential ordinary shares in issue during both years.

14. PLANT AND EQUIPMENT

	Leasehold Improvements HK$'000	Office equipment HK$'000	Site equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 January 2023	**865**	**879**	**17,623**	**189,766**	**209,133**
Additions	**–**	**1,343**	**–**	**2,533**	**3,876**
Transfer from right-of-use assets	**–**	**–**	**–**	**13,764**	**13,764**
Disposals/written-off	**–**	**–**	**(378)**	**(19,415)**	**(19,793)**
At 31 December 2023	**865**	**2,222**	**17,245**	**186,648**	**206,980**
Additions	**898**	**143**	**172**	**428**	**1,641**
Transfer from right-of-use assets	**–**	**–**	**–**	**26,561**	**26,561**
Disposals/written-off	**–**	**–**	**(7,321)**	**(91,105)**	**(98,426)**
Disposal of a subsidiary	**–**	**–**	**(991)**	**–**	**(991)**
At 31 December 2024	**1,763**	**2,365**	**9,105**	**122,532**	**135,765**
DEPRECIATION					
At 1 January 2023	683	834	12,695	158,272	172,484
Provided for the year	59	210	1,410	9,978	11,657
Transfer from right-of-use assets	–	–	–	11,389	11,389
Eliminated on disposals/written-off	–	–	(378)	(18,933)	(19,311)
At 31 December 2023	742	1,044	13,727	160,706	176,219
Provided for the year	183	1,255	338	10,086	11,862
Transfer from right-of-use assets	–	–	–	13,821	13,821
Disposal of a subsidiary	–	–	(768)	–	(768)
Eliminated on disposals/written-off	–	–	(7,321)	(80,755)	(88,076)
At 31 December 2024	925	2,299	5,976	103,858	113,058
CARRYING VALUES					
At 31 December 2024	838	66	3,129	18,674	22,707
At 31 December 2023	123	1,178	3,518	25,942	30,761

The above items of plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the lease terms
Office equipment	20%
Site equipment	20%
Motor vehicles	20%

15. RIGHT-OF-USE ASSETS

	Leased properties HK$'000	Motor vehicles HK$'000	Total HK$'000
At 31 December 2024			
Carrying amount	4,469	16,046	20,515
At 31 December 2023			
Carrying amount	5,728	35,214	40,942
For the year ended 31 December 2024			
Depreciation charge	1,928	8,386	10,314
For the year ended 31 December 2023			
Depreciation charge	1,220	10,809	12,029

	2024 **HK$'000**	2023 HK$'000
Expense relating to short-term leases	**289**	540
Total cash outflow for leases	**21,015**	16,603
Additions to right-of-use assets	**2,627**	14,082
Disposals of right-of-use assets	**–**	234

For both years, the Group leases various properties and motor vehicles for its operation. Lease contracts are entered into for fixed term of 2 years to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, lease liabilities of HK$2,627,000 (2023: HK$14,082,000) are recognised with related right-of-use assets in respect of leased properties and motor vehicles amounting to HK$2,627,000 (2023: HK$14,082,000) during the year ended 31 December 2024.

The Group regularly entered into short-term leases for warehouse. As at 31 December 2024 and 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Restrictions or covenants on leases

At 31 December 2024, lease liabilities of HK$18,687,000 (2023: HK$33,681,000) are recognised with related right-of-use assets in respect of leased properties and motor vehicles amounting to HK$20,515,000 (2023: HK$40,942,000). The lease agreements for leased properties and motor vehicles do not impose any covenants other than the security interests in the leased properties and motor vehicles that are held by the lessors. Leased properties and motor vehicles may not be used as security for borrowing purposes.

16. INTANGIBLE ASSET

	Copyright *HK$'000*
Cost	
At 1 January 2023 and 31 December 2023	–
Additions	184
At 31 December 2024	184
Accumulated amortisation	
At 1 January 2023 and 31 December 2023	–
Provided for the year	24
At 31 December 2024	24
Net carrying amount	
At 31 December 2024	160
At 31 December 2023	–

Note: During the year ended 31 December 2024, the Group acquired a copyright for the online game for its online game integrated services business segment. The copyright is licensed and has been assessed to have a useful life of 5 years. The Group amortise the cost of the copyright on a straight-line basis over the period, reflecting the consumption of the economic benefits associated with the copyright.

17. TRADE RECEIVABLES

At 1 January 2023, trade receivables from contracts with customers amounted to HK$163,806,000.

The following is an analysis of the trade receivables, net of ECL allowance by types of customers.

	2024 ***HK$'000***	2023 *HK$'000*
Government customers	**23,990**	93,976
Non-government customers		
– those in online game integrated services segment	**13,282**	–
– except for those in online game integrated services segment	**9,058**	32,527
	22,340	32,527
	46,330	126,503

17. TRADE RECEIVABLES (Continued)

The Group normally grants credit terms of 90 days to 150 days (2023: 90 days) to its customers, except for certain credit worthy customers with good business relationship and stable repayment patterns, where credit periods are extended to a longer period by additional 30-60 days. An ageing analysis of the trade receivables, net of ECL allowance presented based on the invoice dates which approximated the respective dates on which revenue was recognised at the end of the reporting period.

	2024 ***HK$'000***	2023 *HK$'000*
0–30 days	**18,909**	77,670
31–60 days	**16,889**	32,740
61–90 days	**5,956**	13,091
91–180 days	**4,477**	2,839
Over 180 days	**99**	163
	46,330	126,503

At 31 December 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$962,000 (2023: HK$3,002,000) which are past due at the reporting date. Out of the past due balances, HK$913,000 (2023: HK$2,839,000) has been past due 1-90 days and is not considered as default as the Group has good understanding on the financial position of the counterparties and with satisfactory settlement history. The remaining balance of HK$49,000 (2023: HK$163,000) has been past due over 90 days, the directors of the Company do not consider these receivables as credit-impaired as these customers have good business relationships with the Group and recurring overdue records of these customers were supported by satisfactory settlement history. The Group does not hold any collateral over these balances.

At 31 December 2024, carrying amount of trade receivables amounted to HK$32,670,000 (2023: HK$126,067,000) have been pledged as security for the Group's bank borrowings.

Details of impairment assessment of trade receivables are set out in note 31.

Transfer of financial assets

The followings were the Group's trade receivables at 31 December 2024 and 2023 that were transferred to banks by factoring trade receivables on a full recourse basis. As the Group had not transferred the significant risks and rewards relating to these receivables, it continued to recognise the full carrying amount of the trade receivables and has recognised the cash received on the transfer as secured bank borrowings (see note 23). These financial assets were carried at amortised cost in the Group's consolidated statement of financial position.

	2024 ***HK$'000***	2023 *HK$'000*
Carrying amount of transferred assets	**12,972**	34,673
Carrying amount of associated liabilities	**(8,701)**	(18,291)
Net position	**4,271**	16,382

18. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2024 **HK$'000**	2023 HK$'000
Rental, utilities and other deposits	**3,719**	17,213
Compensation receivable from insurance companies	**1,305**	2,641
Other receivables	**7,153**	1,012
Prepayments	**27,835**	6,022
Total	**40,012**	26,888
Less: Refundable deposits paid for performance guarantee pledge in respect of government cleaning service contracts expiring after 12 months at the end of the reporting period classified as non-current assets	**(495)**	(13,423)
Less: Other deposits and prepayments classified as non-current assets	**(1,680)**	(585)
Portion classified as current assets	**37,837**	12,880

Details of impairment assessment of other receivables and deposits are set out in note 31.

19. PLEDGED BANK BALANCES/BANK BALANCES AND CASH

Pledged bank balances represents balances pledged to banks to secure the banking facilities (including the bank borrowings and performance guarantees) granted to the Group, and carried with prevailing market interest rate ranging from 3.5% to 4% (2023: 3.2% to 4.6%) per annum. The pledged bank balances will be released upon the settlement of relevant bank borrowings.

Bank balances carry interest at prevailing market rates at 0.7% (2023: 0.8%) per annum.

Details of impairment assessment of pledged bank balances and bank balances are set out in note 31.

20. TRADE PAYABLES

The credit period is 30 to 60 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2024 **HK$'000**	2023 HK$'000
0–30 days	**2,279**	5,397
31–60 days	**1,402**	5,366
61–90 days	**523**	1,337
Over 90 days	**45**	163
	4,249	12,263

21. OTHER PAYABLES

	2024 HK$'000	2023 HK$'000
Salaries payables	**14,093**	59,745
Subcontracting fee payables	–	5,133
Payable for acquisition of plant and equipment	–	663
Other payables	**3,532**	5,221
	17,625	70,762

22. PROVISIONS

	Contractual gratuity HK$'000 (note i)	Redundancy cost and annual leave HK$'000 (note ii)	Total HK$'000
At 1 January 2023	25,966	13,973	39,939
Payment during the year	(14,299)	(2,796)	(17,095)
Provided for the year	25,293	4,163	29,456
At 31 December 2023	36,960	15,340	52,300
Payment during the year	(6,337)	(528)	(2,811)
Provided for the year	13,675	2,767	12,388
Disposal of a subsidiary *(note 27)*	(41,057)	(14,690)	(55,747)
At 31 December 2024	**3,241**	**2,889**	**6,130**

	2024 HK$'000	2023 HK$'000
Presented as non-current liabilities	**2,809**	22,003
Presented as current liabilities	**3,321**	30,297
	6,130	52,300

Notes:

(i) The government of Hong Kong Special Administrative Region has implemented improvement measure for enhancing the protection of the employment terms and conditions as well as labour benefits of non-skilled employees engaged by government service contractors since April 2019. The Group as a government service contractor is required to pay contractual gratuity to their non-skilled employees pursuant to the terms of the government service contracts and under the improvement measures. The contractual gratuity is payable to non-skilled employees with no less than one year's service of a continuous contract who complete an employment contract, or whose employment contract is terminated (including resignation by employees, or dismissal by employers except for summary dismissal due to the employee's serious misconduct). The rate of the gratuity is 6% of the total wages earned by the employee during the relevant employment period.

(ii) The Group provides for the probable future redundancy cost expected to be made to the project-based employees with employment period of not less than two years when the employees are dismissed by the Group upon the end of the employment period under the Hong Kong Employment Ordinance. The provision represents the best estimate of probable future payments by the management of the Group which have been earned by the employees from the dismissal of redundancy up to the end of the reporting period.

23. BANK BORROWINGS

	2024 **HK$'000**	2023 HK$'000
Secured and guaranteed bank borrowings:		
Loans from factoring of trade receivables with full recourse	**8,701**	18,291
Other bank loans	**–**	16,383
	8,701	34,674

	2024 **HK$'000**	2023 HK$'000
Carrying amounts repayable*:		
Within one year	**8,701**	23,226
Within a period of more than one year but not exceeding two years	**–**	10,571
Within a period of more than two years but not exceeding five years	**–**	877
	8,701	34,674
Less: Amounts due within one year or contain a repayment on demand clause shown under current liabilities	**(8,701)**	(34,674)
Amounts shown under non-current liabilities	**–**	–

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The banking facilities were secured and/or guaranteed by:

(i) the pledged bank balances of HK$17,700,000 (2023: HK$29,700,000) at 31 December 2024;

(ii) project proceeds from certain service contracts of the Group at 31 December 2024 and 2023;

(iii) the pledge of the Group's trade receivables with aggregate values of HK$32,670,000 (2023: HK$126,067,000) to the factoring loans at 31 December 2024;

(iv) unlimited corporate guarantee provided by the Company and subsidiaries of the Company at 31 December 2024 and 2023;

23. BANK BORROWINGS (Continued)

The bank borrowings are at floating rate which carry interest at HK$ Prime Rate plus or minus a spread (2023: HK$ Prime Rate plus or minus a spread).

The ranges of effective interest rates (which are also equal to contractual interest rates) on the Group's bank borrowings are as follows:

	2024 **HK$'000**	2023 HK$'000
Effective interest rate per annum:		
Floating-rate borrowings	**3.75%–4.38%**	4.13%–4.58%

24. LEASE LIABILITIES

Lease liabilities payable:

	2024 **HK$'000**	2023 HK$'000
Within one year	**7,041**	11,382
Within a period of more than one year but not exceeding two years	**6,959**	9,403
Within a period of more than two years but not exceeding five years	**4,687**	12,896
	18,687	33,681
Less: Amount due for settlement within 12 months shown under current liabilities	**(7,041)**	(11,382)
Amount due for settlement after 12 months shown under non-current liabilities	**11,646**	22,299

Certain of lease liabilities were secured by the motor vehicles and guarantees provided by and a subsidiary of the Company at 31 December 2024 and 2023.

25. EXCHANGEABLE BOND

On 19 January 2023, the Company (as an issuer), Shiny Glory, an indirect wholly-owned subsidiary of the Company, and Mr. Tam Wai Tong (as a subscriber) entered into a subscription agreement (the "**Subscription Agreement**"). Subject to the fulfilment of the conditions precedent to the Subscription Agreement, including the approval by the equity shareholders of the Company (the "**Shareholders**") at the extraordinary general meeting of the Company and obtainment of all necessary consents, approvals, registration and filings required from all relevant governmental, regulatory and other authorities, agencies and departments in Hong Kong or elsewhere or otherwise required from any third parties in connection with the transaction contemplated under the Subscription Agreement, Mr. Tam agreed to subscribe for and the Company has agreed to issue an exchangeable bond (the "**Exchangeable Bond**") at a principal amount of HK$20,000,000, payable by automatically and immediately setting off in its entirety against the Group's loan from a director of the Company's subsidiary.

The Exchangeable Bond shall not bear any interest and has a maturity date on 31 December 2024 (the "**Maturity Date**"). It has an initial exchange price of HK$400 per ordinary share of Shiny Glory ("**Exchange Share**"), as adjusted.

The holder of the Exchangeable Bond (the "**Bondholder**") had right to exchange all the outstanding principal amount of the Exchangeable Bond into 100% of the issued share capital of Shiny Glory, at any time following the first day of the fourth month from the date of issue of the Exchangeable Bond (the "**Issue Date**") up to and including the day immediately prior to the Maturity Date (the "**Exchange Right**").

The Company might elect to redeem the Exchangeable Bond (in whole) then outstanding by paying to the Bondholder a redemption price equal to an aggregate of 100% of the outstanding principal amount of the Exchangeable Bond at any time from the Issue Date and up to the Maturity Date (the "**Redemption Right**").

The Bondholder was, subject to the Company not exercising the Redemption Right, free to exercise the Exchange Right in whole attached thereto from the first day of the fourth month from the Issue Date up to and including the day immediately prior to the Maturity Date. The Company shall confirm in writing to the Bondholder as to whether the Company elects to exercise the Redemption Right upon the Bondholder electing to exercise the Exchange Right. In the event that the Company elects not to exercise the Redemption Right, it shall procure that 100% shareholding interest in the Shiny Glory be transferred to the Bondholder.

25. EXCHANGEABLE BOND (Continued)

The Exchangeable Bond was not transferable, without the consent of the Company, from the date of issue of the Exchangeable Bond and until the last day of the third month from the Issue Date, and would be freely transferable, in whole, from the date thereafter subject to the compliance with the applicable laws, listing rules, securities regulations, the applicable provisions of the Exchangeable Bond and the Subscription Agreement, in particular, the requirements under the Rules Governing the Listing of Securities on GEM ("**GEM Listing Rules**"), and the approval of the Shareholders in a general meeting if so required under, and in compliance with, the GEM Listing Rules if such assignment and/or transfer is proposed to be made to a connected person of the Company.

The Exchangeable Bond did not confer the Bondholder any voting right at any meetings of Shiny Glory nor any dividends, distribution and capital returns.

On 17 February 2023, all the conditions precedent under the Subscription Agreement were fulfilled and the Exchangeable Bond was issued; the Company's obligation to repay the loan from a director of the Company's subsidiary in the aggregate principal amount of HK$20,000,000 to Mr. Tam was automatically and immediately set off in its entirety against the consideration for the issue of the Exchangeable Bond at a principal amount of HK$20,000,000 and its accounts will continue to be consolidated into the consolidated financial statements of the Group.

Should the Exchangeable Bond be exchanged by the Subscriber during the Exchange Period pursuant to the terms of the Exchangeable Bond, assuming there would not be any other change in the issued share capital of Shiny Glory, the Exchangeable Bond would cease to be the Group's liability and the Company would cease to hold any shareholding interest in Shiny Glory and its accounts would no longer be consolidated into the consolidated financial statements of the Group.

As the Company needed to redeem at the redemption price of 100% of the outstanding principal amount of the Exchangeable Bond upon exercising the Redemption Right, the Redemption Right would not be closely related because the repayment amount would not approximately equal the amortised cost on each date that the Redemption Right can be exercised. Therefore, the debt and derivative components were recognised separately.

The directors of the Company considered the fair value of the derivative component was insignificant.

On 24 June 2024, the Exchangeable Bond was transferred by Mr. Tam Wai Tong to an independent third party.

On 25 June 2024, the Exchangeable Bond was derecognised upon the exercise of the Exchange Right with details as set out in note 27.

26. DEFERRED TAXATION

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

	2024 ***HK$'000***	2023 *HK$'000*
Deferred tax assets	**763**	481
Deferred tax liabilities	**(2,721)**	(5,038)
	(1,958)	(4,557)

The following is the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior year:

	Tax losses *HK$'000*	**Accelerated tax depreciation** *HK$'000*	**Total** *HK$'000*
At 1 January 2023	5,631	(6,349)	(718)
Charge to profit or loss *(note 11)*	(2,909)	(930)	(3,839)
At 31 December 2023	2,722	(7,279)	(4,557)
(Charge) credit to profit or loss *(note 11)*	(1,040)	3,624	2,584
Disposal of a subsidiary *(note 27)*	–	15	15
At 31 December 2024	**1,682**	**(3,609)**	**(1,958)**

At 31 December 2024, the Group has unused tax loss of HK$15,107,000 (2023: HK$16,486,000) available for offset against future profits. Deferred tax assets has been recognised in respect of such losses of HK$10,198,000 (2023: HK$16,497,000). Unused tax losses may be carried forward indefinitely.

27. DISPOSAL OF A SUBSIDIARY

On 25 June 2024, upon the exercise of the Exchange Right of an Exchangeable Bond issued by the Company for the entire equity interest in Shiny Glory by the Bondholder, at a total consideration of approximately HK$34,672,000 by way of cash consideration and settlement of the Exchange Bond as set out below. Shiny Glory ceased to be a subsidiary of the Company. Shiny Glory is principally engaged in provision of environmental hygiene services in Hong Kong.

The amounts of assets and liabilities of Shiny Glory as at the date of disposal were as follows:

	HK$'000
Plant and equipment	223
Trade receivables	116,188
Deposits, other receivables and prepayments	14,904
Pledged bank balances	12,000
Bank balances	38,182
Trade payables	(8,048)
Other payables	(55,945)
Bank borrowings	(24,161)
Tax payables	(478)
Provisions	(55,747)
Deferred tax liabilities	(15)
Total identifiable net assets at fair value	37,103
Loss on disposal	(2,431)
	34,672
Total consideration satisfied by:	
Cash received	14,672
Exercise of the Exchangeable Bond	20,000
	34,672

An analysis of the cash flows in respect of the disposal of a subsidiary is as follows:

	HK$'000
Cash consideration	14,672
Cash and bank balance disposed of	(38,182)
Net cash outflow in respect of the disposal of a subsidiary	(23,510)

28. SHARE CAPITAL

Details of the share capital of the Company are disclosed as follows:

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2023	10,000,000,000	100,000
Share consolidation *(note (ii))*	(9,500,000,000)	–
At 31 December 2023 and 31 December 2024	500,000,000	100,000
Issued and fully paid:		
At 1 January 2023	400,000,000	4,000
Placing of shares *(note (i))*	80,000,000	800
Share consolidation *(note (ii))*	(456,000,000)	–
At 31 December 2023 and 1 January 2024	24,000,000	4,800
Issue of ordinary shares under rights issue *(note (iii))*	72,000,000	14,400
At 31 December 2024	96,000,000	19,200

Notes:

(i) On 4 May 2023, the Company entered into a placing agreement with a placing agent for placing a maximum of 80,000,000 ordinary shares (the "**Placing Shares**") of the Company at a placing price of HK$0.1 per Placing Share. On 5 June 2023, 80,000,000 Placing Shares were placed at a subscription price of HK$0.1 per Placing Share. The shares issued rank pari passu with other shares in issue in all aspects.

(ii) Pursuant to an ordinary resolution passed by shareholders at the extraordinary general meeting held on 28 July 2023, the share consolidation of every twenty issued and unissued shares of HK$0.01 each into one consolidated share of HK$0.2 each became effective on 1 August 2023.

(iii) On 24 November 2023, the Company announced to raise gross proceeds of up to approximately HK$43.2 million by way of the issue of up to 72,000,000 new shares ("**Rights Shares**") at the subscription price of HK$0.60 per Rights Share on the basis of three (3) Rights Shares for every one (1) Share held on 30 January 2024. The Rights Issue was completed on 1 March 2024. A total of 72,000,000 Rights Shares were issued. The gross and net proceeds were approximately HK$43.2 million and HK$41.7 million respectively. The net price was approximately HK$0.579 per Rights Share. For details of the Rights Issue, please refer to the Company's announcements dated 24 November 2023, 19 February 2024 and 29 February 2024, the circular of the Company dated 21 December 2023 and the prospectus of the Company dated 30 January 2024.

29. COMMITMENTS

Capital Commitments

	2024 HK$'000	2023 HK$'000
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the consolidated financial statements	–	745

30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged throughout both years. The capital structure of the Group consists of net debt, which includes bank borrowings, lease liabilities, exchangeable bond and loan from a director of the Company as disclosed in notes 23, 24, 25 and 34, respectively, net of cash and cash equivalent and equity of the Group, comprising issued share capital, share premium, other reserve and retained profits.

The management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issuance of new shares and the raise of borrowings or the repayment of the existing borrowings.

31. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2024 HK$'000	2023 HK$'000
Financial assets		
Amortised cost	**132,154**	249,346
Financial liabilities		
Amortised cost	**17,022**	77,954

Financial risk management objectives and policies

The Group's financial instruments include trade receivables, other receivables and deposits, pledged bank balances, bank balances and cash, trade payables, other payables, bank borrowings, exchangeable bond and loan from a director of the Company. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities (note 24).

The Group is also exposed to cash flow interest rate risk in relation to pledged bank balances and bank balances (note 19) as well as floating-rate bank borrowings (note 23).

The Group has not used any interest rate swaps to mitigate its exposure associated with interest rate risk. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

31. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk (Continued)

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HK$ Prime Rate (2023: HK$ Prime Rate) arising from the Group's bank borrowings or other market interest rate from pledged bank balances.

In the opinion of the management of the Group, the expected change in interest rate will not have significant impact on the interest income or expenses, pledged bank balances, bank balances and bank borrowings, hence sensitivity analysis is not presented.

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, other receivables and deposits, pledged bank 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.

The Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management and maximum credit risk exposures are summarised as below:

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model individually for trade receivables from government customers and all non-government customers in online game integrated services segment or using collective assessment on trade receivables from non-government customers (except for those in online game integrated services segment) with reference to (i) average loss rates, which are based on the study of other corporates' default and recovery data from international credit-rating agencies, taking into account both quantitative and qualitative information that is reasonable and supportable, and forward-looking information that is available without undue costs or effort; and (ii) past due ageing analysis of trade receivables from non-government customers (except for those in online game integrated services segment). In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

31. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Other receivables and deposits

The management of the Group makes individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable, supportive and forward-looking information that is available without undue cost or effort. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of other receivables and deposits.

Pledged bank balances and bank balances

The credit risks on pledged bank balances and bank balances are limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies. No loss allowance provision for pledged bank balances and bank balances was recognised as the amount is insignificant. The Group has limited exposure to any single financial institution.

The Group has concentration of credit risks with exposure limited to certain customers. Top two customers which are a department of the government of the Hong Kong Special Administrative Region and game publisher in Hong Kong amounting to HK$15,660,000 and HK$7,967,000 respectively. (2023: HK$90,681,000 and Nil) comprised approximately 51% (2023: 72%) of the Group's trade receivables at 31 December 2024. The management of the Group closely monitors the subsequent settlement of the customers. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

No deposit paid (2023: HK$12,020,000) as performance guarantee pledge in respect of a government cleaning service contract (note 18) related to the aforesaid top two customers as at 31 December 2024, there is no significant concentration of credit risk on other receivables and deposits.

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

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default or does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
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	Amount is written off

31. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

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

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2024 Gross carrying amounts *HK$'000*	2023 Gross carrying amounts *HK$'000*
Financial assets at amortised costs						
Trade receivables (government customers)	17	Aa3 (2023: Aa3) *(note 3)*	Low risk *(note 1)*	Lifetime ECL	23,990	93,976
Trade receivables (non-government customers, except for those in online game integrated services segment)	17	N/A	Low risk *(note 1)*	Lifetime ECL (collective assessment)	9,058	32,527
Trade receivables (non-government customers in online game integrated services segment)	17	N/A	Low risk *(note 1)*	Lifetime ECL	13,587	–
Other receivables and deposits	18	N/A	Low risk *(note 2)*	12m ECL	12,177	20,866
Pledged bank balances	19	Aa3 (2023: Aa3) *(note 3)*	N/A	12m ECL	17,700	29,700
Bank balances	19	Aa3, A1, A2 (2023: Aa3, A1, A2) *(note 3)*	N/A	12m ECL	58,994	72,256

31. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Notes:

1. For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for trade receivables from government customers and non-government customers in online game integrated services segment which are assessed individually, the Group determines the ECL on trade receivables from non-government customers (except for those in online game integrated services segment) by using a collective assessment, grouped by past due status.

   For trade receivables from government customers, the credit risks are limited because the counterparties are governments and there was no history of defaults. ECL is insignificant.

   For trade receivables from non-government customers in online game integrated services segment, the Group determines the ECL based on internal credit ratings and adjusted for forward-looking information.

   As part of the Group's credit risk management, the Group assessed the balance (except for non-government customers in online game integrated services segment) collectively with reference to (i) average loss rates, which are based on study of other corporates' default and recovery data from international credit-rating agencies, taking into account both quantitative and qualitative information that is reasonable and supportable, and forward-looking information that is available without undue costs or effort; and (ii) past due ageing analysis of trade receivables from non-government customers (except for those in online game integrated services segment) consisting of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables from non-government customers (except for those in online game integrated services segment) which are assessed based on collective assessment at the end of the reporting period within lifetime ECL (not credit-impaired).

Gross carrying amount

	2024		2023	
	Average loss rate	**Trade receivables – non-government customers (except for these in online game integrated services segment)** *HK$'000*	Average loss rate	Trade receivables – non-government customers *HK$'000*
Not past due and 1-30 days past due	**0.1%**	**8,787**	0.1%	31,128
31-90 days past due	**2.6%**	**222**	2.1%	1,146
Over 90 days past due	**5.0%**	**49**	5.9%	163
		9,058		32,527

31. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Notes: (Continued)

1. (Continued)

   During the year ended 31 December 2024, no impairment allowance was provided for trade receivables from non-government customers (except for those in online game integrated services segment) based on the collective assessment as the amount is insignificant (2023: nil).

   During the year ended 31 December 2024, impairment allowance of HK$305,000 (2023: nil) was provided for trade receivables from non-government customers in online game integrated services segment, with gross carrying amount of HK$13,587,000 (2023: nil) based on individual assessment.

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

	Past due *HK$'000*	Not past due/ no fixed repayment terms *HK$'000*	Total *HK$'000*
At 31 December 2024			
Other receivables and deposits	**–**	**12,177**	**12,177**
At 31 December 2023			
Other receivables and deposits	–	20,866	20,866

3. The external credit rating is assessed according to Moody's Rating Scaling.

31. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from prevailing market rate at the end of the reporting period.

The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Repayable on demand	Within 1 year	Within 1 – 5 years	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2024						
Non-derivative financial liabilities						
Trade payables	**N/A**	**–**	**4,249**	**–**	**4,249**	**4,249**
Other payables	**N/A**	**–**	**3,532**	**–**	**3,532**	**3,532**
Bank borrowings						
– floating rates	**4.26**	**8,701**	**–**	**–**	**8,701**	**8,701**
Loan from a director of the Company	**N/A**	**540**	**–**	**–**	**540**	**540**
		9,241	**7,781**	**–**	**17,022**	**17,022**
Lease liabilities	**1.56**	**–**	**7,764**	**12,150**	**19,914**	**18,687**
At 31 December 2023						
Non-derivative financial liabilities						
Trade payables	N/A	–	12,263	–	12,263	12,263
Other payables	N/A	–	11,017	–	11,017	11,017
Bank borrowings						
– floating rates	4.22	34,674	–	–	34,674	34,674
Exchangeable bond	N/A	–	20,000	–	20,000	20,000
		34,674	43,280	–	77,954	77,954
Lease liabilities	2.06	–	12,114	24,226	36,340	33,681

31. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Bank borrowings with a repayment on demand clause are included in the "Repayable on demand" time band in the above maturity analysis. At 31 December 2024, the aggregate carrying amount of these bank borrowings amounted to HK$8,701,000 (2023: HK$34,674,000). Taking into account of the Group's financial position, the management of the Group does not believe that it is probable that the banks and the financial institution will exercise their discretionary rights to demand immediate repayments. The management of the Group believes that such bank borrowings of the Group will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

For the purpose of managing liquidity risk, the management of the Group reviews the expected cash flow information of the Group's bank borrowings based on the scheduled repayment dates set out in the bank borrowings agreements as set out in the table below:

	Weighted average effective interest rate *%*	Within 1 year *HK$'000*	Within 1 – 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Total carrying amount *HK$'000*
Bank borrowings:					
At 31 December 2024	**4.26**	**8,701**	**–**	**8,701**	**8,701**
At 31 December 2023	4.22	23,872	12,258	36,130	34,674

The amount included above bear variable interest instruments are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group estimates the fair value of the Group's financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities *HK$'000*	Bank borrowings *HK$'000*	Exchangeable bond *HK$'000*	Loan from a director of the Company's subsidiary *HK$'000*	Loan from a director of the Company *HK$'000*	Total *HK$'000*
At 1 January 2023	34,383	58,508	–	20,000	–	112,891
Financing cash flows *(Note)*	(16,063)	(28,176)	–	–	–	(44,239)
New leases entered *(note 33)*	14,082	–	–	–	–	14,082
Finance costs recognised	1,522	4,342	–	–	–	5,864
Derecognised upon disposal of right-of-use assets	(243)	–	–	–	–	(243)
Derecognised upon issuance of exchangeable bond *(note 25)*	–	–	20,000	(20,000)	–	–
At 31 December 2023	33,681	34,674	20,000	–	–	88,355
Financing cash flows *(Note)*	**(19,063)**	**(4,218)**	**–**	**–**	**540**	**(22,741)**
New leases entered *(note 33)*	**2,627**	**–**	**–**	**–**	**–**	**2,627**
Finance costs recognised	**1,442**	**2,406**	**–**	**–**	**–**	**3,848**
Disposal of a subsidiary *(note 27)*	**–**	**(24,161)**	**(20,000)**	**–**	**–**	**(44,161)**
At 31 December 2024	**18,687**	**8,701**	**–**	**–**	**540**	**27,928**

Note: The financing cash flows represented the net amount of proceeds from bank borrowings, loan from a director of the Company, payment of finance costs and repayments of lease liabilities.

33. MAJOR NON-CASH TRANSACTIONS

Other than as disclosed elsewhere in the consolidated financial statements, during the year ended 31 December 2024, the Group entered into new lease agreements for the use of leased properties and motor vehicles (2023: leased properties and motor vehicles) for 2–5 years. On the lease commencement, the Group recognised lease liabilities amounting to HK$2,627,000 (2023: HK$14,082,000) and right-of-use assets amounting to HK$2,627,000 (2023: HK$14,082,000).

During the year ended 31 December 2024, the Group transferred HK$12,740,000 (2023: Nil) from right-of-use assets to plant and equipment.

During the year ended 31 December 2024, the Exchangeable Bond issued by the Group of HK$20,000,000 was exercised by the Bondholder, which served as part of the consideration in the disposal of Shiny Glory.

During the year ended 31 December 2023, the Company issued an Exchangeable Bond for HK$20,000,000. This resulted in the automatic set-off of loan from a director of the Company's subsidiary of HK$20,000,000.

34. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions and balances with its related parties during the year:

	2024 *HK$'000*	2023 *HK$'000*
Exchangeable bond issued to a director of the Company's subsidiary *(note 25)*	**–**	20,000
Loan from a director of the Company *(note)*	**540**	–

Note: Loan from a director of the Company, Mr. Wang Rong, is unsecured, interest-free and repayable on demand.

Compensation of key management personnel

The remuneration of directors of the Company and other members of key management of the Group during the years ended 31 December 2024 and 2023 were as follows:

	2024 *HK$'000*	2023 *HK$'000*
Short-term benefits	**5,070**	6,126
Post-employment benefits	**75**	62
	5,145	6,188

35. RETIREMENT BENEFITS SCHEME

The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

The employees of the Group's subsidiaries established in the PRC are required to participate in a central pension scheme operated by the local municipal government of the PRC. These subsidiaries are required to contribute a fixed rate of 15% and 16% (2023: 15% and 16%) of their relevant payroll costs to the central pension scheme. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the Scheme.

The retirement benefits scheme contributions arising from the MPF Scheme and central pension scheme in PRC charged to the consolidated statement of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The contributions paid and payable to the schemes by the Group are disclosed in notes 8 and 10.

35. RETIREMENT BENEFITS SCHEME (Continued)

Obligation to pay LSP under Hong Kong Employment Ordinance (Chapter 57)

For the Group's subsidiaries operating in Hong Kong, pursuant to the Employment Ordinance, Chapter 57, the Group has the obligation to pay LSP to qualifying employees in Hong Kong under certain circumstances (e.g. dismissal by employers or upon retirement), subject to a minimum of 5 years employment period, based on the following formula:

Last monthly wages (before termination of employment) × 2/3 × Years of service

Last monthly wages are capped at HK$22,500 while the amount of long service payment shall not exceed HK$390,000. This obligation is accounted for as a post-employment defined benefit plan.

Furthermore, the Mandatory Provident Fund Schemes Ordinance passed in 1995 permits the Group to utilise the Group's mandatory MPF contributions, plus/minus any positive/negative returns thereof, for the purpose of offsetting LSP payable to an employee (the "**Offsetting Arrangement**").

The Amendment Ordinance was gazetted on 17 June 2022, which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset the LSP. The Abolition will officially take effect on the Transition Date (i.e. 1 May 2025). Separately, the Government of the HKSAR is also expected to introduce a subsidy scheme to assist employers for a period of 25 years after the Transition Date on the LSP payable by employers up to a certain amount per employee per year.

Under the Amendment Ordinance, the Group's mandatory MPF contributions, plus/minus any positive/negative returns, after the Transition Date can continue to be applied to offset the pre-Transition Date LSP obligation but are not eligible to offset the post-Transition Date LSP obligation. Furthermore, the LSP obligation before the Transition Date will be grandfathered and calculated based on the Last monthly wages immediately preceding the Transition Date and the years of service up to that date. The Amendment Ordinance has impact on the Group's LSP liability with respect to employees that participate in MPF Scheme and the Group has accounted for the offsetting mechanism and its abolition with related accounting policy disclosed in note 3.2.

36. PERFORMANCE GUARANTEES

At 31 December 2024, performance guarantees of approximately HK$39,412,000 (2023: HK$154,494,000) and HK$7,922,000 (2023: HK$6,490,000) were given by bank and insurance companies respectively in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers. If the Group fails to provide satisfactory performance to its customers to whom performance guarantee have been given, such customers may demand the banks to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such banks accordingly. The performance guarantee will be released upon completion of the service contracts. The performance guarantee were granted under the banking facilities with details as set out in note 23.

At the end of the reporting period, the management of the Group does not consider it is probable that a claim will be made against the Group.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place incorporation	Place of operation	Issued and fully paid share capital	Attributable equity interest of the Group at 31 December 2024	2023	Principal activities
Sharp Idea Global Limited	The BVI	Hong Kong	US$1,000	100%	100%	Investment holding
Lapco Service Limited	Hong Kong	Hong Kong	HK$15,790,000	100%	100%	Provision of environmental hygiene services in Hong Kong
Shiny Glory	Hong Kong	Hong Kong	HK$5,000,000	N/A (Disposed on 25 June 2024)	100%	Provision of environmental hygiene services in Hong Kong
Shiny Hope Limited	Hong Kong	Hong Kong	HK$1	100%	100%	Provision of transportation services to group companies in Hong Kong
ET Global Limited	Hong Kong	Hong Kong	HK$1	100%	100%	Provision of transportation services to group companies in Hong Kong
游立(廣州)科技有限公司	PRC	PRC	Registered: RMB2,500,000 Fully-paid: nil	100%	–	Provision of online game and software development
Ligao Hualu Shenzhen Technology Company Limited	PRC	PRC	Registered: RMB20,000,000 Fully-paid: nil	100%	–	Provision of landscape and greening engineering constants and online cultural operation
Perfect Capital Limited	Hong Kong	Hong Kong	HK$1	100%	–	Provision of integrated service for online game

None of the subsidiaries had issued any debt securities at the end of reporting period.

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2024 HK$'000	2023 HK$'000
Non-current asset		
Investments in subsidiaries	**13,278**	18,278
Current assets		
Other receivables, deposits and prepayments	**372**	159
Amounts due from subsidiaries	**30,382**	36,747
Bank balances	**29,810**	4,104
	60,564	41,010
Current liabilities		
Other payables	**1,613**	1,656
Amounts due to subsidiaries	**29,025**	29,025
Exchangeable bond	**–**	20,000
	30,638	50,681
Net current assets (liabilities)	**29,926**	(9,671)
Net assets	**43,204**	8,607
Capital and reserves		
Share capital	**19,200**	4,800
Reserves	**24,004**	3,807
Total equity	**43,204**	8,607

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movement in the Company's reserves

	Share premium *HK$'000*	Other reserve *HK$'000* *(note)*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2023	31,362	851	(32,183)	30
Issue of shares	7,200	–	–	7,200
Transaction costs attributable to issue of shares	(90)	–	–	(90)
Loss and total comprehensive expense for the year	–	–	(3,333)	(3,333)
At 31 December 2023	**38,472**	**851**	**(35,516)**	**3,807**
Issue of ordinary shares under rights issue	**27,312**	**–**	**–**	**27,312**
Loss and total comprehensive expenses for the year	**–**	**–**	**(7,115)**	**(7,115)**
At 31 December 2024	**65,784**	**851**	**(42,631)**	**24,004**

Note: The amount of HK$851,000 represented the fair value adjustment on the non-current shareholder loans using the effective interest rate of 7.5% per annum in 2019.

39. EVENT AFTER THE REPORTING PERIOD

Save as disclosed in elsewhere in the consolidated financial statements, there are no material subsequent events undertaken by the Group after the reporting period required to disclose.

40. CHANGE IN PRESENTATION OF COMPARATIVES

Certain comparative figures of the consolidated financial statement were re-presented to conform with the current year's presentation.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2024	2023	2022	2021	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**573,390**	948,683	966,288	765,921	665,765
Profit before taxation	**5,286**	18,590	22,786	6,401	19,211
Income tax expense	**(1,901)**	(4,530)	(2,460)	(1,040)	(824)
Profit for the year	**3,385**	14,060	20,326	5,361	18,387
Attributable to owners of the Company	**3,385**	14,060	20,326	5,361	18,387

	As at 31 December				
	2024	2023	2022	2021	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities					
Total assets	**207,181**	330,318	321,981	250,813	254,421
Total liabilities	**(60,805)**	(229,039)	(242,672)	(191,830)	(200,799)
	146,376	101,279	79,309	58,983	53,622
Attributable to owners of the Company	**146,376**	101,279	79,309	58,983	53,622