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Virtual Mind Holding Company Limited
天機控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1520)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2024

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2024 was approximately HK\$129,595,000 (2023: HK\$66,328,000), representing an increase of approximately 95.4% as compared with the previous year.
- The loss attributable to owners of the Company for the year ended 31 December 2024 was approximately HK\$76,628,000 (2023: HK\$93,749,000), representing a decrease of approximately 18.3%.
- Loss per share of the Company for the year ended 31 December 2024 was approximately HK13.12 cents (2023: HK18.55 cents (restated)).
- The Directors do not recommend the payment of any final dividend for the year ended 31 December 2024 (2023: Nil).

RESULTS

The board of Directors (the “Board”) of Virtual Mind Holding Company Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2024 together with the comparative figures for the corresponding period in 2023 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	<i>Notes</i>	2024 HK\$'000	2023 <i>HK\$'000</i>
Revenue	5	129,595	66,328
Cost of sales		(120,568)	(55,095)
Gross profit		9,027	11,233
Other gains and losses, net	5	(7,777)	(447)
Impairment of goodwill		(9,117)	(13,000)
Provision for expected credit loss (“ECL”) on trade receivables		(10,837)	(1,205)
Reversal of/(provision for) ECL on loans and interest receivables		2,251	(14,496)
Selling and distribution expenses		(2,798)	(3,033)
Administrative expenses		(51,391)	(67,263)
Finance costs		(6,633)	(6,318)
Share of results of associates		(116)	(110)
Gain on disposal of subsidiary		945	–
Loss before income tax	6	(76,446)	(94,639)
Income tax (expense)/credit	7	(1,717)	621
Loss for the year		(78,163)	(94,018)
Other comprehensive loss, net of tax, attributable to owners of the Company			
Item that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		(651)	(2,043)
Total comprehensive loss for the year		(78,814)	(96,061)

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss for the year attributable to:			
Owners of the Company		(76,628)	(93,749)
Non-controlling interests		(1,535)	(269)
		<u>(78,163)</u>	<u>(94,018)</u>
Total comprehensive loss for the year attributable to:			
Owners of the Company		(77,279)	(95,792)
Non-controlling interests		(1,535)	(269)
		<u>(78,814)</u>	<u>(96,061)</u>
Loss per share attributable to owners of the Company			
	<i>9</i>		(restated)
Basic (in HK cents)		<u>(13.12)</u>	<u>(18.55)</u>
Diluted (in HK cents)		<u>(13.12)</u>	<u>(18.55)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

		31 December 2024	31 December 2023	1 January 2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(restated)	(restated)
ASSETS AND LIABILITIES				
Non-current assets				
Interests in associates		614	730	840
Property, plant and equipment		3,212	2,640	2,367
Right-of-use assets		2,635	3,291	2,818
Prepayment and other receivable		9,615	12,832	400
Goodwill	10	19,210	28,812	42,543
Intangible asset		700	800	800
Deferred tax assets		439	2,157	554
		<u>36,425</u>	<u>51,262</u>	<u>50,322</u>
Current assets				
Inventories	11	13,100	8,435	6,564
Trade receivables	12	36,801	31,662	39,065
Loans and interest receivables	13	42,232	44,560	98,163
Deposits, prepayments and other receivables		49,423	34,468	29,003
Tax recoverable		–	–	55
Financial assets at fair value through profit or loss		10,872	12,555	13,189
Cash and cash equivalents		6,218	31,243	52,012
		<u>158,646</u>	<u>162,923</u>	<u>238,051</u>
Current liabilities				
Trade payables	14	6,500	7,743	17,586
Accruals and other payables		31,951	22,749	22,074
Contract liabilities		–	998	893
Other borrowings	15	16,437	17,443	15,196
Provision for taxation		–	1,075	7,063
Lease liabilities		2,000	2,083	1,481
		<u>56,888</u>	<u>52,091</u>	<u>64,293</u>
Net current assets		<u>101,758</u>	<u>110,832</u>	<u>173,758</u>
Total assets less current liabilities		<u>138,183</u>	<u>162,094</u>	<u>224,080</u>

		31 December	31 December	1 January
		2024	2023	2023
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(restated)	(restated)
Non-current liabilities				
Lease liabilities		702	1,175	1,192
Other borrowings	<i>15</i>	7,460	12,207	13,588
		8,162	13,382	14,780
Net assets		130,021	148,712	209,300
EQUITY				
Equity attributable to owners of the Company				
Share capital		26,822	21,371	19,836
Reserves		104,135	126,742	188,596
		130,957	148,113	208,432
Non-controlling interests		(936)	599	868
Total equity		130,021	148,712	209,300

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. GENERAL

Virtual Mind Holding Company Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands on 19 June 2013. The address of the registered office and principal place of business of the Company is disclosed in the section headed “Corporate Information” in the annual report. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company and its subsidiaries (together the “Group”) are principally engaged in the design, manufacturing and trading of apparels, provision of money lending services and sale of trendy cultural, game and other products.

The consolidated financial statements for the year ended 31 December 2024 were approved for issue by the board of directors on 31 March 2025.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

2.1 Changes in accounting policies

In current year, the Group has applied the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) which are effective for the Group’s consolidated financial statements for the current accounting period:

- Amendments to HKAS 1, Presentation of financial statements – Classification of liabilities as current or non-current (“2020 amendments”) and amendments to HKAS 1, Presentation of financial statements – Non-current liabilities with covenants (“2022 amendments”)
- Hong Kong Interpretation 5 (Revised), Hong Kong Interpretation (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
- Amendments to HKFRS 16, Leases – Lease liability in a sale and leaseback
- Amendments to HKAS 7, Statement of cash flows and HKFRS 7, Financial instruments: Disclosures – Supplier finance arrangements

The application of these amendments to HKFRSs has no material impact to the Group’s results and financial positions for the current and prior period. The Group has not early applied any new or amendments to HKFRSs that is not yet effective for the current accounting period.

2.2 Amendments, New Standards and Interpretations issued but not yet effective for the year ended 31 December 2024

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2024 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 21, The effects of changes in foreign exchange rates – Lack of exchangeability	1 January 2025
Amendments to HKFRS 9, Financial instruments and HKFRS 7, Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments	1 January 2026
Annual improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18, Presentation and disclosure in financial statements	1 January 2027
HKFRS 19, Subsidiaries without public accountability: disclosures	1 January 2027
Hong Kong Interpretation 5 (Amendments), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

2.3 Prior year adjustments

During the course of preparing the Group's financial statements for the year ended 31 December 2024, it has come to the attention of the directors of the Company that the prior year financial statements of the Group and of the Company contained misstatements relating to the non-current classification of the Group's convertible bonds with carrying amount of approximately HK\$13,043,000 and HK\$10,436,000 as at 31 December 2023 and 1 January 2023, respectively.

Adjustments in relation to non-current classification of the Group's convertible bonds

On 15 August 2022, the relevant convertible bonds with principal amounts of HK\$15,000,000 have been successfully placed to two bondholders (“Bondholders”). The maturity date of the relevant convertible bonds is the date which falls on the second anniversary of the date of issue of the relevant convertible bonds (i.e. 14 August 2024). The Bondholders shall have the right to request the Company an early redemption of all (but not any portion) of the relevant convertible bonds on the first anniversary of the date of issue of the relevant convertible bonds (i.e. 14 August 2023), at a redemption amount equal to 100% of the principal amount of such convertible bonds. The Bondholders may exercise such redemption right by no less than one (1) calendar month prior notice in writing to the Company.

After the re-examination on the relevant terms of the relevant convertible bonds and accounting standards, the management was of the view that the Group's convertible bonds with the carrying amounts of approximately HK\$13,043,000 and HK\$10,436,000 as at 31 December 2023 and 1 January 2023, respectively, should have been classified as current liabilities instead of non-current liabilities as the Group did not have the right at the end of the reporting period to defer settlement of the above mentioned liabilities for at least twelve months after the reporting period.

The corrections of misstatements are retrospectively applied in the appropriate reporting periods. The consolidated financial statements of the Group for the year ended 31 December 2023 would need to be restated to correct the misstatements.

The following tables disclose the adjustments that have been made in order to rectify the misstatements above to each of the line items in the consolidated statement of financial position as at 31 December 2023 and 1 January 2023.

The Group

Consolidated Statement of Financial Position as at 31 December 2023

	At 31 December 2023 (as previously reported) <i>HK\$'000</i>	Retrospective restatement <i>HK\$'000</i>	At 31 December 2023 (as restated) <i>HK\$'000</i>
Current Liabilities			
Other borrowings	4,400	13,043	17,443
Net current assets	123,875	(13,043)	110,832
Total assets less current liabilities	175,137	(13,043)	162,094
Non-current Liabilities			
Other borrowings	25,250	(13,043)	12,207

Consolidated Statement of Financial Position as at 1 January 2023

	At 1 January 2023 (as previously reported) <i>HK\$'000</i>	Retrospective restatement <i>HK\$'000</i>	At 1 January 2023 (as restated) <i>HK\$'000</i>
Current Liabilities			
Other borrowings	4,760	10,436	15,196
Net current assets	184,194	(10,436)	173,758
Total assets less current liabilities	234,516	(10,436)	224,080
Non-current Liabilities			
Other borrowings	24,024	(10,436)	13,588

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared under historical cost convention, except for financial assets at fair value through profit or loss (“FVTPL”) as disclosed in the accounting policies and explanatory notes below.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

4. SEGMENT INFORMATION

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group’s chief operating decision maker (being the executive directors of the Company) in order to allocate resources and assess performance of the segment. During the year, the Company has identified design, manufacturing and trading of apparels, provision for money lending services and sales of trendy cultural, game and other products as the reportable and operating segments of the Group.

Each of these operating segments is managed separately as each of them requires different business strategies.

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

- all assets are allocated to operating segments other than certain cash and bank balances and other corporate assets not attributable to the reportable segments;
- all liabilities are allocated to operating segments other than certain lease liabilities and other corporate liabilities not attributable to the reportable segments; and
- segment results represent the loss or profit incurred or earned by each segment without allocation of bank interest income, unallocated finance costs and unallocated corporate expenses.

The segment information provided to the executive directors for the reportable segments during the year is as follows:

	Design, manufacturing and trading of apparels <i>HK\$'000</i>	Money lending services <i>HK\$'000</i>	Sale of trendy cultural, game and other products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2024				
Revenue from external customers	<u>47,907</u>	<u>5,570</u>	<u>76,118</u>	<u>129,595</u>
Segment loss	(25,027)	(4,596)	(13,522)	(43,145)
<i>Reconciliation</i>				
Bank interest income				152
Unallocated corporate expenses				(26,820)
Finance costs				<u>(6,633)</u>
Loss before income tax				<u>(76,446)</u>
At 31 December 2024				
Segment assets	62,823	63,162	55,836	181,821
Other corporate assets				<u>13,250</u>
Total assets				<u>195,071</u>
Segment liabilities	15,332	1,908	13,534	30,774
Other corporate liabilities				<u>34,276</u>
Total liabilities				<u>65,050</u>
Other segment information				
Year ended 31 December 2024				
Amounts included in the measure of segment profit or loss or segment assets:				
Provision for inventories	(690)	–	(498)	(1,188)
Provision for ECL on trade receivables	(10,837)	–	–	(10,837)
Reversal of ECL on loans and interest receivables	–	2,251	–	2,251
Impairment of goodwill	–	–	(9,117)	(9,117)
Net fair value change on financial assets at FVTPL (<i>note</i>)	–	(5,725)	–	(5,725)
Depreciation (<i>note</i>)	(761)	(1,398)	(355)	(2,514)
Capital expenditure (<i>note</i>)	<u>(18)</u>	<u>(2,791)</u>	<u>(678)</u>	<u>(3,487)</u>

	Design, manufacturing and trading of apparels <i>HK\$'000</i>	Money lending services <i>HK\$'000</i>	Sale of trendy cultural, game and other products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2023				
Revenue from external customers	<u>56,488</u>	<u>8,199</u>	<u>1,641</u>	<u>66,328</u>
Segment loss	(15,897)	(20,045)	(17,433)	(53,375)
<i>Reconciliation</i>				
Bank interest income				41
Unallocated corporate expenses				(34,987)
Finance costs				<u>(6,318)</u>
Loss before income tax				<u>(94,639)</u>
At 31 December 2023				
Segment assets	62,759	78,810	33,602	175,171
Other corporate assets				<u>39,014</u>
Total assets				<u>214,185</u>
Segment liabilities	17,777	767	2,123	20,667
Other corporate liabilities				<u>44,806</u>
Total liabilities				<u>65,473</u>
Other segment information				
Year ended 31 December 2023				
Amounts included in the measure of segment profit or loss or segment assets:				
Provision for inventories	(519)	–	–	(519)
Provision for ECL on trade receivables	(1,205)	–	–	(1,205)
Provision for ECL on loans and interest receivables	–	(14,496)	–	(14,496)
Impairment of goodwill	–	–	(13,000)	(13,000)
Net fair value change on financial assets at FVTPL (<i>note</i>)	–	(8,760)	–	(8,760)
Depreciation (<i>note</i>)	(855)	(1,130)	(482)	(2,467)
Capital expenditure (<i>note</i>)	<u>(270)</u>	<u>(1,070)</u>	<u>(441)</u>	<u>(1,781)</u>

The Company is an investment holding company and the principal place of the Group's operations is in the PRC (including Hong Kong). Management determines the Group is domiciled in both Hong Kong, and in the PRC, which are the Group's principal operating locations. No revenue was earned from transactions with other operating segments of the Group.

The Group's revenue from external customers is divided into the following geographical areas, based on locations of customers:

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	5,570	8,199
The PRC	124,025	58,129
	<u>129,595</u>	<u>66,328</u>

Geographical location of external customers is based on the location at which the customers are domiciled.

The principal non-current assets held by the Group are located in the PRC (including Hong Kong).

Revenue from each of the major customers which accounted for 10% or more of the Group's revenue for the years is set out below:

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	N/A*	17,452
Customer B	39,815	33,068
Customer C	21,410	N/A*
Customer D	14,154	N/A*
	<u>14,154</u>	<u>50,520</u>

* The revenue from these customers accounted for less than 10% of the Group's revenue for the years ended 31 December 2024 and 2023.

Note:

Depreciation and capital expenditures, which represent the depreciation, additions and lease modifications of property, plant and equipment and right-of-use assets, have been included in:

	Design, manufacturing and trading of apparels <i>HK\$'000</i>	Money lending services <i>HK\$'000</i>	Sale of trendy cultural, game and other products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
For the year ended 31 December 2024					
Net fair value change on financial asset of					
FVTPL	-	(5,725)	-	(4,260)	(9,985)
Depreciation	(761)	(1,398)	(355)	(1,020)	(3,534)
Capital expenditures	(18)	(2,791)	(678)	—	(3,487)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
For the year ended 31 December 2023					
Net fair value change on financial asset of					
FVTPL	-	(8,760)	-	6,865	(1,895)
Depreciation	(855)	(1,130)	(482)	(1,056)	(3,523)
Capital expenditures	(270)	(1,070)	(441)	(2,644)	(4,425)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

5. REVENUE, AND OTHER INCOME AND GAINS

Revenue represents the interest income from loans receivables, and revenue from sales of apparels and trendy cultural, game and other products, net of returns, discounts and sales related taxes. Further details regarding the Group's principal activities are disclosed in note 4.

The Group's revenue from contracts with customers represents revenue from sales of goods which is recognised on a point in time basis. An analysis of the Group's revenue and other income and gains, net, are as follows:

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers:		
Sales of goods	124,025	58,129
Revenue from other source:		
Interest income from loans receivables	<u>5,570</u>	<u>8,199</u>
Total revenue	<u>129,595</u>	<u>66,328</u>
Other gains and losses, net		
Net fair value loss on financial assets at FVTPL	(9,985)	(1,895)
Bank interest income	152	41
Other interest income	1,245	967
Gain on disposal of property, plant, and equipment	–	38
Gain on exchange difference	622	–
Sundry income	<u>189</u>	<u>402</u>
	<u>(7,777)</u>	<u>(447)</u>

The disaggregation of the Group's revenue from contracts with customers on sale of goods are as follows:

	2024 HK\$'000	2023 HK\$'000
Geographical markets		
The PRC (including Hong Kong)	<u>124,025</u>	<u>58,129</u>
Total revenue from contracts with customers, recognised at a point in time	<u><u>124,025</u></u>	<u><u>58,129</u></u>

The following table provides information about trade receivables and contract liabilities from contracts with customers.

	2024 HK\$'000	2023 HK\$'000
As at 31 December		
Trade receivables	36,801	31,662
Contract liabilities	<u><u>-</u></u>	<u><u>998</u></u>

The Group has applied the practical expedient to its sales contracts of apparels products and trendy cultural, game and other products and therefore no information is disclosed for revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for apparels production that had an original expected duration of one year or less.

6. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Auditor's remuneration		
– Audit service	800	1,050
Cost of inventories recognised as expense	120,568	55,095
Depreciation of property, plant and equipment	798	722
Depreciation of right-of-use assets	2,736	2,801
Provision for inventories	1,188	519
Impairment of prepayment	8,765	–
Provision for ECL on trade receivables	10,837	1,205
(Reversal of)/provision for ECL on loans and interest receivables	(2,251)	14,496
Impairment of intangible asset	100	–
Short-term lease expense	–	40
Employee benefit expense (including directors' emoluments)		
– Wages and salaries	25,613	24,132
– Pension scheme contribution		
– defined contribution plans	1,050	867
– Share-based compensation	827	17,108
– Other benefits	313	709

7. INCOME TAX EXPENSE/(CREDIT)

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current income tax charged/(credit) for the year:		
Hong Kong profits tax	–	(87)
PRC EIT	14	1,090
	14	1,003
Deferred tax	1,703	(1,624)
	1,717	(621)

- (i) Pursuant to the rules and regulations of the British Virgin Islands (“BVI”) and the Cayman Islands, the Group is not subject to any taxation under these jurisdictions.

- (ii) Hong Kong profits tax is calculated at 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong, except for the first HK\$2,000,000 of qualified entity's assessable profit is calculated at 8.25% (2023: 8.25%), which is in accordance with the two-tiered profits tax rates regime.
- (iii) PRC EIT is provided at 25% (2023: 25%) on the estimated assessable profits of the Group's PRC subsidiaries for the year.

Under the law of the PRC on EIT, corporate withholding income tax is levied on the foreign investor for the dividends distributed out of the profits generated by the foreign investment enterprises. The Group's applicable withholding income tax rate is 5% (2023: 5%).

8. DIVIDENDS

No interim dividend was declared during the year (2023: Nil) and the board of directors of the Company does not recommend the payment of any final dividend for the year ended 31 December 2024 (2023: Nil).

9. LOSS PER SHARE

Basic loss per share are calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss		
Loss attributable to owners of the Company	<u>(76,628)</u>	<u>(93,749)</u>
	2024 '000	2023 '000 (Restated)
Number of shares		
Weighted average number of ordinary shares for calculating basic and diluted loss per share	<u>584,256</u>	<u>505,381</u>

The weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted retrospectively for the effect of share consolidation completed on 20 November 2024.

As share options granted by the Company under its share option scheme, and convertible bonds issued by the Company have an anti-dilutive effect to the basic loss per share calculation for the years ended 31 December 2024 and 2023, the diluted loss per share was the same as the basic loss per share for the years ended 31 December 2024 and 2023.

10. GOODWILL

The amount of goodwill capitalised as an asset, arising from business combinations, is as follows:

	<i>HK\$'000</i>
Cost	
At 1 January 2023	141,652
Exchange difference	<u>(731)</u>
At 31 December 2023	140,921
Exchange difference	<u>(1,012)</u>
At 31 December 2024	<u><u>139,909</u></u>
Accumulated depreciation and impairment	
At 1 January 2023	99,109
Impairment	<u>13,000</u>
At 31 December 2023	112,109
Impairment	9,117
Exchange difference	<u>(527)</u>
At 31 December 2024	<u><u>120,699</u></u>
Net carrying amount	
At 31 December 2024	<u>19,210</u>
At 31 December 2023	<u><u>28,812</u></u>

For the purpose of impairment testing, goodwill are allocated to the cash-generating units (“CGUs”) in relation to the Group’s sale of trendy cultural products (“Trendy Cultural Products CGU”) as follows:

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trendy Cultural Products CGU	<u><u>19,210</u></u>	<u><u>28,812</u></u>

An impairment loss on goodwill of approximately HK\$9,117,000 (2023: HK\$13,000,000) was recognised for the year ended 31 December 2024 to write down the carrying amount of the Trendy Cultural Products CGU to its recoverable amount as at 31 December 2024.

11. INVENTORIES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Raw materials and consumables	25	25
Work in progress	409	125
Finished goods	<u>12,666</u>	<u>8,285</u>
	<u>13,100</u>	<u>8,435</u>

12. TRADE RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables	49,913	33,937
Less: provision for impairment loss	<u>(13,112)</u>	<u>(2,275)</u>
	<u>36,801</u>	<u>31,662</u>

Trade receivables are recognised at their original invoice amounts which represented their fair values at initial recognition. The Group's trade receivables are attributable to a number of independent customers with credit terms. The Group normally allows a credit period ranging from 10 to 90 days (2023: 10 to 90 days) to its customers. Trade receivables are non-interest bearing and are expected to be recovered or recognised as expense within one year.

Ageing analysis of trade receivables based on invoice date and net of loss allowance is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 to 30 days	2,540	9,424
31 to 60 days	2,531	881
61 to 90 days	11,130	2,784
91 to 180 days	10,967	2,121
Over 180 days	<u>9,633</u>	<u>16,452</u>
	<u>36,801</u>	<u>31,662</u>

The movements in the loss allowance for impairment on trade receivables are as follows:

	<i>HK\$'000</i>
At 1 January 2023	1,070
Provision for loss allowance recognised during the year	<u>1,205</u>
At 31 December 2023 and 1 January 2024	2,275
Provision for loss allowance recognised during the year	<u>10,837</u>
At 31 December 2024	<u><u>13,112</u></u>

13. LOANS AND INTEREST RECEIVABLES

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current		
Loans receivable	78,234	90,920
Interest receivables	17,434	14,580
Less: impairment loss	<u>(53,436)</u>	<u>(60,940)</u>
	<u><u>42,232</u></u>	<u><u>44,560</u></u>

The Group's loans and interest receivables, which arose from the money lending business of providing corporate loans, personal loans and property mortgage loans in Hong Kong, are denominated in HK\$.

As at 31 December 2024, loans and interest receivables of carrying amount of HK\$28,540,000 (2023: HK\$29,316,000) were unsecured while remaining loans and interest receivables of carrying amount of HK\$13,692,000 (2023: HK\$15,244,000) were secured by charges over certain properties in Hong Kong and personal properties such as diamonds and jewellery, and guaranteed by certain independent third parties. The interest rates on all loans receivable are from 8% to 24% (2023: 8% to 24%) per annum and loans receivable contain repayment on demand clause. The maximum exposure to credit risk at each of the reporting date is the carrying value of the loans and interest receivables mentioned above.

14. TRADE PAYABLES

Credit periods of trade payables normally granted by its suppliers were ranging from 15 to 120 days (2023: 15 to 120 days).

Ageing analysis of trade payables as at the end of the reporting period based on invoice date is as follows:

	2024 HK\$'000	2023 <i>HK\$'000</i>
0 to 30 days	1,773	7,059
31 to 60 days	674	–
91 to 180 days	316	684
Over 180 days	3,737	–
	6,500	7,743

15. OTHER BORROWINGS

	31 December 2024 HK\$'000	31 December 2023 <i>HK\$'000</i> (restated)	1 January 2023 <i>HK\$'000</i> (restated)
Non-current			
Liability component of convertible notes	–	12,207	13,588
Other borrowings	7,460	–	–
	7,460	12,207	13,588
Current			
Liability component of convertible notes	1,000	13,043	10,436
Promissory note	11,000	4,400	4,400
Margin loan payable, repayable within one year or on demand	–	–	360
Bank borrowings	3,200	–	–
Other borrowings	1,237	–	–
	16,437	17,443	15,196
	23,897	29,650	28,784

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group principally engages in (i) design, manufacture and trading of apparel, namely apparel operation; (ii) provision of money lending business; and (iii) selling of gaming and animated characters related products, namely IP application and products operation.

REVENUE

In 2024, revenue of the Group increased by 95.4% to approximately HK\$129,595,000 (2023: HK\$66,328,000).

APPAREL OPERATION

Revenue from apparel operation is principally derived from the sales of apparel products.

The Group has continued to provide a wide range of apparel products to multiple well-known brand owners or agents. Revenue from our apparel operation for 2024 was approximately HK\$47,907,000 (2023: HK\$56,488,000), decreased by 15.2%. To align with our strategy of focusing on product design and development, as well as our strengths in quality control and production management, we have designed, developed and produced apparel products based on the evolving preferences and needs of our customers. The decrease in revenue in 2024 has primarily resulted from the decrease in sales to existing customers. Apparel operation accounted for 37.0% of the Group's total revenue.

MONEY LENDING OPERATION

Our money lending business primarily offers loans to Hong Kong individual customers and businesses.

In 2024, the Group's money lending operation mainly focused on providing service to existing customers. Revenue from our money lending operation amounted to approximately HK\$5,570,000 for the year ended 31 December 2024 (2023: HK\$8,199,000), representing a decrease of 32.1%. The decrease in money lending operation income is due to a decrease in interest income received/receivable from existing customers during the year. Money lending operation accounted for 4.3% of the Group's revenue.

Reversal of expected credit loss allowance on loans and interest receivables of approximately HK\$2,251,000 (2023: Provision for expected credit loss allowance HK\$14,496,000) was recorded for the year ended 31 December 2024.

IP APPLICATION AND PRODUCTS OPERATION

The Group has forged robust strategic partnership with multiple globally renowned gaming and pan-entertainment enterprises. Since our partners possess a wealth of high-quality IP resources, leading entertainment content, and user bases, we have further tapped into the commercial value of licensed IPs, deploying diverse business models to drive revenue growth.

For the year ended 31 December 2024, the revenue from our IP application and products operation business was approximately HK\$76,118,000 (2023: HK\$1,641,000), representing an increase of 4,538%. The revenue growth in 2024 primarily stemmed from a significant increase in revenue from the sales of digital products utilizing IP applications.

COST OF SALES

As there was no direct cost incurred for money lending operation, cost of sales was incurred exclusively for apparel operation and IP application and products operation. The cost of sales was approximately HK\$120,568,000 for the year ended 31 December 2024 (2023: HK\$55,095,000), increased by 119%. The increase in cost of sales in 2024 was mainly due to the increase in costs associated with the growth in revenue from the sales of digital products utilizing IP applications.

GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit was approximately HK\$9,027,000 for the year ended 31 December 2024 (2023: HK\$11,233,000), decreased by 19.6%. The gross profit margin decreased from approximately 16.9% for the year ended 31 December 2023 to 7.0% for the year ended 31 December 2024. During the year, apparel operation contributed gross profit of approximately HK\$195,000 (2023: HK\$2,729,000), money lending operation contributed gross profit of approximately HK\$5,570,000 (2023: HK\$8,199,000) and IP application and products operation contributed gross profit of approximately HK\$3,262,000 (2023: HK\$305,000).

The apparel operation recorded gross profit margin of approximately 0.4% for the year ended 31 December 2024 (2023: 4.8%), mainly due to the fact that higher raw material prices and lower customer price.

The gross profit margin was 100% for money lending operation for the year ended 31 December 2024 (2023: 100%), as there was basically no direct cost incurred in generating revenue in the money lending operation.

The gross profit margin was approximately 4.3% for IP application and products operation for the year ended 31 December 2024 (2023: 18.6%), primarily resulted from the gross profit margin of approximately 4% from the sales of digital products utilizing IP applications.

OTHER GAINS AND LOSSES

During the year, as a result of the volatile conditions of the Hong Kong stock market and the financial performance of the respective investee companies, a net fair value loss on financial assets at fair value through profit or loss of approximately HK\$5,725,000 (2023: HK\$8,760,000) was recognised from the Group's securities investments.

Fair value loss on contingent receivable in connection with the acquisition of subsidiaries of approximately HK\$4,260,000 (2023: fair value gain of HK\$6,865,000) was recognised during the year.

IMPAIRMENT LOSS ON GOODWILL

The Group incurred impairment loss on goodwill of approximately HK\$9,117,000 for the year ended 31 December 2024 (2023: HK\$13,000,000).

Goodwill arose on the (i) acquisition of our money lending operation in November 2016, and (ii) acquisition of our IP application and products operation in July 2022. Goodwill was the fair value of consideration exceeding the fair value of the net identifiable assets of the acquiree. Goodwill is subject to impairment review periodically.

Impairment loss on goodwill for our IP application and products operation of approximately HK\$9,117,000 (2023: HK\$13,000,000) was incurred for the year ended 31 December 2024. Recent macroeconomic, policy and industry factors resulted in a wide range of reasonably possible value-in-use outcomes for the valuation of our sales operation of trendy cultural products. The Group has engaged an independent valuer to assess the carrying value of the sales operation of trendy cultural products. The impairment test on the carrying value resulted in an impairment of approximately HK\$9,117,000 (2023: HK\$13,000,000), as the recoverable amount as determined by a value-in-use calculation was lower than the carrying value. Our value-in-use calculation uses both historical experience and the perspectives of market participants to estimate future cash flows, relevant discount rates and related capital assumptions.

Revenue from IP application and products operation is principally derived from selling of gaming and content products of self-developed IPs or IPs licensed from third party, including digital products, blind boxes, action figures and garage kits. The principal market of our IP application and products is Mainland China.

There was no impairment loss on goodwill (2023: Nil) for the money lending operation for the year ended 31 December 2024.

PROVISION FOR EXPECTED CREDIT LOSS ON TRADE RECEIVABLES

Provision for expected credit loss on trade receivables amounted to approximately HK\$10,837,000 (2023: HK\$1,205,000) and has been recorded for the year ended 31 December 2024, representing an increase of approximately 800%. In response to the challenges faced by mainland China customers, we increased the expected credit loss on trade receivables from apparel operation.

We provided impairment loss on trade receivables on individual assessment.

PROVISION FOR EXPECTED CREDIT LOSS ON LOANS AND INTEREST RECEIVABLES

Reversal of expected credit loss on loans and interest receivables of approximately HK\$2,251,000 (2023: provision for expected credit loss allowance HK\$14,496,000) was recorded for the year ended 31 December 2024. When assessing the expected credit loss provision for loans and interest receivables, the Group has considered (i) receivables that were overdue for the year ended 31 December 2024; (ii) the historical repayment records of individual borrowers for loans and interest receivables during the year; and (iii) the probability of default due to borrowers failing to repay the Group upon maturity.

The provision for expected credit loss reflected deterioration of the credit status of certain borrowers. The loans and interest receivables (net of allowances) decreased by approximately 5.2%, from approximately HK\$44,560,000 in 2023 to approximately HK\$42,232,000 at 31 December 2024.

PROFIT GUARANTEE IN RELATION TO THE ADJUSTMENT TO THE CONSIDERATION FOR THE ACQUISITION OF DREAMTOYS GROUP

On 15 July 2022, the Group completed the acquisition of the entire issued share capital of Dreamtoys Inc (the “Acquisition”). Dreamtoys Inc and its subsidiaries (“Dreamtoys Group”) are principally engaged in the sales of trendy cultural products in Mainland China. The total consideration of the Acquisition was settled by way of issuance of (i) promissory note in the aggregate principal amount of HK\$4,400,000; (ii) 120,000,000 consideration shares of the Company; and (iii) 60,000,000 consideration shares of the Company subject to escrow arrangement, under which the vendor of Dreamtoys Inc. had guaranteed and undertaken that the net profit after tax of Dreamtoys Inc for the year ended 31 December 2022 (the “Profit Guarantee Period”) should not be less than RMB3,600,000 (the “Guaranteed Profit 2022”) or if the Guaranteed Profit 2022 could not be met, the Group can exercise the right to extend the Profit Guarantee Period to the year ended 31 December 2023 and net profit after tax of Dreamtoys Inc for the two years ended 31 December 2023 should not be less than RMB7,200,000 (the “Guaranteed Profit 2023”).

As Dreamtoys Inc. did not perform as expected and recorded net profit of approximately RMB3,229,000 for the year ended 31 December 2022 and net losses of approximately RMB2,928,000 for the year ended 31 December 2023 respectively, the Guaranteed Profit 2022 and Guaranteed Profit 2023 were not achieved. The Company repurchased the 60,000,000 consideration shares at nil consideration pursuant to the escrow arrangement on 11 July 2024.

These shares were put into the reserves of the Company as treasury shares and were transferred to King Castle Enterprises Limited on 9 December 2024, details of which were set out in the sub-section headed “Subscription of New Shares under Specific Mandate and Sale and Purchase of Shares” under the section headed “Fund Raising Activities and Use of Proceeds” below.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses mainly consist of (i) staff costs and (ii) transportation costs for delivery of our products. The selling and distribution expenses were mainly incurred from our apparel operation and IP application and products operation. The selling and distribution expenses incurred in the reporting period were approximately HK\$2,798,000 (2023: HK\$3,033,000), decreased by 7.8% on a year to year basis.

ADMINISTRATIVE EXPENSES

Administrative expenses primarily consist of (i) staff costs; (ii) share-based compensation; and (iii) professional fees. The administrative expenses for the year ended 31 December 2024 were approximately HK\$51,391,000 (2023: HK\$67,263,000), decreased by 23.6%.

FINANCE COSTS

Finance costs were approximately HK\$6,633,000 (2023: HK\$6,318,000), increased by 5.0%. Finance costs were mainly the interest expenses derived from our promissory note and imputed interests on lease liabilities.

LOSS FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE GROUP

The loss attributable to the owners of the Group for the year ended 31 December 2024 was approximately HK\$76,628,000 (2023: HK\$93,749,000), representing a decrease in loss attributable to the owners of the Group of 18.3%.

GOODWILL

Goodwill arose on the (i) acquisition of our money lending operation in November 2016, and (ii) acquisition of our IP application and products operation in July 2022. Goodwill was the fair value of consideration exceeding the fair value of the net identifiable assets of the acquiree.

Goodwill is subject to impairment test periodically. Impairment loss on goodwill for our IP application and products operation of approximately HK\$9,117,000 (2023: HK\$13,000,000) was incurred for the year ended 31 December 2024. Recent macroeconomic policy and industry factors resulted in a wider range of reasonably possible value-in-use outcomes for the valuation of our sales operation of trendy cultural products. The Group has engaged an independent valuer to assess the carrying value of the sales operation of trendy cultural products. The impairment test on the carrying value which resulted in an impairment of approximately HK\$9,117,000 (2023: HK\$13,000,000), as the recoverable amount as determined by a value-in-use calculation was lower than the carrying value. Our value-in-use calculation based on both historical experience and the perspectives of market participants to estimate future cash flows, relevant discount rates and related capital assumptions. Goodwill for our IP application and products operation was valued at approximately HK\$19,210,000 as at 31 December 2024 (2023: HK\$28,812,000).

There was no impairment loss on goodwill for our money lending operation for the year ended 31 December 2024 (2023: HK\$nil). Goodwill for our money lending operation was impaired to nil at 31 December 2024 (2023: HK\$nil).

INVENTORIES

The Group's inventories increased by 55.3%, from approximately HK\$8,435,000 as at 31 December 2023 to approximately HK\$13,100,000 at 31 December 2024. The inventory turnover day decreased from 56 days as at 31 December 2023 to 40 days in 2024. In 2024, certain obsolete inventories amounted to approximately HK\$1,188,000 (2023: HK\$519,000).

TRADE RECEIVABLES

The Group's trade receivables increased by 16.2%, from approximately HK\$31,662,000 as at 31 December 2023 to approximately HK\$36,801,000 as at 31 December 2024. Due to the absence of an accounts receivable period for digital products sold using IP applications, trade receivables turnover days decreased from 174 days in 2023 to 104 days in 2024.

LOANS AND INTEREST RECEIVABLES

The Group's loans and interest receivables decreased by 5.2%, from HK\$44,560,000 as at 31 December 2023 to approximately HK\$42,232,000 as in 2024. The loans receivables as at 31 December 2024 were mainly comprised of mortgage loans receivables, corporate loans receivables and personal loans receivables.

As at 31 December 2024, the Group's loans and interest receivables balance (net of loss allowance) amounted to approximately HK\$42,232,000 (2023: HK\$44,560,000), out of which an aggregate sum of approximately HK\$23,861,000 (2023: HK\$30,837,000), representing 56.5% (2023: 69.2%) of the total loans and interest receivables of the Group, was due from the five largest borrowers of the Group. The interest rates charged on all loans receivables during 2024 ranged from 8% to 24% (2023: 8% to 24%) per annum. As at 31 December 2024, the loan receivables had a fixed term ranging from 3 months to 60 months (2023: 3 months to 60 months).

As at 31 December 2024, loans and interest receivables of carrying amount of approximately HK\$28,540,000 (2023: HK\$29,316,000) were unsecured while remaining loans and interest receivables of carrying amount of approximately HK\$13,692,000 (2023: HK\$15,244,000) were secured by charges over certain properties in Hong Kong and personal properties such as diamonds and jewellery and guaranteed by certain independent third parties.

As at 31 December 2024, there were 22 borrowers comprising 19 individual borrowers and 3 corporate borrowers (2023: 12 individual borrowers and 1 corporate borrower) for the outstanding loans and interest receivables (net of loss allowance). Loans and interest receivables with carrying amount of approximately HK\$29,706,000 (2023: HK\$38,534,000) were due from individual borrowers while remaining loans and interest receivables of carrying amount of approximately HK\$12,526,000 (2023: HK\$6,026,000) were due from corporate borrowers.

As at 31 December 2024, the loan and interest receivables (net of loss allowance) amounted to approximately HK\$42,232,000 (2023: HK\$44,560,000), the ageing analysis of which based on the remaining contractual maturity date and net of loss allowance is set out below:

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Overdue	42,232	42,692
Due within 3 months	–	1,868
	<hr/>	<hr/>
Total	<u>42,232</u>	<u>44,560</u>

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The portfolio of the Group's financial assets at fair value through profit or loss consisted of investments in listed securities of approximately HK\$10,872,000 that were held for trading as at 31 December 2024 (2023: HK\$3,135,000) and contingent receivable in connection to acquisition of subsidiaries of HK\$nil (2023: HK\$9,420,000).

No dividend income was received by the Group from its investments in listed securities (2023: nil). Taking into account of the volatile conditions of the relevant stock market during the year and the financial performance of the respective investee companies, a net fair value loss on financial assets at fair value through profit or loss of approximately HK\$5,725,000 (2023: HK\$8,760,000) was recognised from the Group's securities investments.

Fair value loss on contingent receivable in connection to acquisition of subsidiaries of approximately HK\$4,260,000 (2023: fair value gain of HK\$6,865,000) was recognised during the year.

The objective of the Group's investments in the listed securities is to achieve profit from the appreciation of the market value of its invested securities and to receive dividend income. The Directors expect that the stock market in Hong Kong will remain volatile which may affect the performance of the Group's securities investments. The Board believes that the performance of the securities investments of the Group will be dependent on the financial and operating performance of the investee companies and the market conditions, which are affected by factors, such as interest rate movements and performance of the macro economy. The Group will continue to adopt a conservative investment approach in its trading of listed securities in the stock market and closely monitor the performance of its securities investment portfolio.

TRADE PAYABLES

The Group's trade payables decreased by 16.1%, from approximately HK\$7,743,000 as at 31 December 2023 to approximately HK\$6,500,000 as at 31 December 2024. The trade payables turnover day decreased from 51 days as at 31 December 2023 to 20 days as at 31 December 2024.

CAPITAL STRUCTURE

Share Consolidation and Share Capital

As at 31 December 2023, the issued share capital of the Company was HK\$21,370,763.24 divided into 2,137,076,324 shares of the Company with par value of HK\$0.01 each.

On 18 November 2024, the Company held an extraordinary general meeting and an ordinary resolution was passed, approving the consolidation of every four (4) issued and unissued shares with par value of HK\$0.01 each into one (1) consolidated share with par value of HK\$0.04 each (the "Share Consolidation"). The Share Consolidation became effective on 20 November 2024.

As at 31 December 2024, the issued share capital of the Company was HK\$26,821,797.12 divided into 670,544,928 shares of the Company with par value of HK\$0.04 each.

Convertible Bonds

The Company issued 3-year 2% coupon unsecured non-redeemable convertible bonds on 6 January 2022 ("2% CB"), and 2-year 10% coupon unsecured redeemable convertible bonds on 15 August 2022 ("10% CB").

The 10% CB in the principal amount of HK\$15,000,000 was fully redeemed on 21 August 2024.

On 18 October 2024, a holder of the 2% CB in the principal amount of HK\$1,000,000 exercised the conversion rights attached thereto at the initial conversion price of HK\$0.1496 per share and 6,684,491 shares with par value of HK\$0.01 each were issued and allotted.

On 31 December 2024, certain holders of the 2% CB in aggregate principal amount of HK\$12,000,000 exercised the conversion rights attached thereto at the adjusted conversion price (for the effect of the Share Consolidation) of HK\$0.5984 per share. An aggregate of 20,053,473 shares with par value of HK\$0.04 each were issued and allotted.

The remaining 2% CB in the principal amount of HK\$1,000,000 was fully redeemed on 6 January 2025.

Fund Raising Activities and Use of Proceeds

Placing of New Shares

On 20 October 2023, the Company entered into the placing agreement with VC Brokerage Limited, pursuant to which the Company conditionally agreed to place, through VC Brokerage Limited as placing agent on a best effort basis, up to 400,000,000 placing shares of the Company to the placees at the placing price of HK\$0.10 per placing share. Such placees shall be investors who are individual, institutional or professional investors selected and/or procured by or on behalf of the placing agent, who and whose ultimate beneficial owners shall be third parties independent of the Company and not connected with the Company and its connected persons. The placing shares were approved to issue and allot under the general mandate granted to the Board by the shareholders of the Company at the annual general meeting of the Company held on 9 June 2023. The placing price of HK\$0.10 per placing share represents a premium of approximately 8.70% to the closing price of HK\$0.092 per share of the Company as quoted on the Stock Exchange on the date of the above placing agreement.

On 5 December 2023, an aggregate of 110,862,000 placing shares with the par value of HK\$0.01 each have been successfully issued at placing price of HK\$0.10 per placing share with aggregate nominal value of HK\$1,108,620. The gross proceeds from the above placing amounted to HK\$11,086,200 and the net proceeds amounted to approximately HK\$10,900,000 (after deduction of the placing commission), representing a net price of approximately HK\$0.098 per placing share.

The Company intended to apply the net proceeds as to (i) approximately HK\$9,100,000 for repayment of outstanding liabilities; and (ii) approximately HK\$1,800,000 as general working capital.

As at 31 December 2024, the net proceeds from the above placing were utilised in full as intended.

For the details of the above placing, including the reasons for and benefits of the placing, please refer to the announcements of the Company dated 20 October 2023, 10 November 2023 and 5 December 2023.

Subscription of New Shares under General Mandate

On 29 November 2023, the Company entered into the subscription agreement with each of Sunshine Prosperity Limited, Eastern Pearl Capital Fund SPC – Eastern Pearl Caelus Fund SP and Eastern Pearl Capital Fund SPC – EP Neutron Market Neutral Fund SP, pursuant to which the Company conditionally agreed to allot and issue, and Sunshine Prosperity Limited, Eastern Pearl Capital Fund SPC – Eastern Pearl Caelus Fund SP and Eastern Pearl Capital Fund SPC – EP Neutron Market Neutral Fund SP conditionally agreed to subscribe for, up to 168,000,000, 30,000,000 and 4,200,000 shares of the Company at the subscription price of HK\$0.126 per subscription share respectively. The above subscription shares were approved to issue and allot under the general mandate granted to the Board by the shareholders of the Company at the annual general meeting of the Company held on 9 June 2023.

On 18 January 2024, the Company entered into an addendum to the above subscription agreement with each of Sunshine Prosperity Limited, Eastern Pearl Capital Fund SPC – Eastern Pearl Caelus Fund SP and Eastern Pearl Capital Fund SPC – EP Neutron Market Neutral Fund SP to extend the long stop date to 28 February 2024 (or such later date as the relevant parties may agree in writing).

On 4 March 2024, as the conditions precedent set out in the subscription agreement (as revised and supplemented by the addendum) entered into with Eastern Pearl Capital Fund SPC – Eastern Pearl Caelus Fund SP was not fulfilled and/or satisfied, the relevant subscription agreement was lapsed.

On the same day, all the conditions precedent set out in each of the subscription agreements (as revised and supplemented by the respective addendums) entered into with Sunshine Prosperity Limited and Eastern Pearl Capital Fund SPC – EP Neutron Market Neutral Fund SP were fulfilled and/or satisfied and the respective completion took place. An aggregate of 28,200,000 subscription shares with the par value of HK\$0.01 each were successfully issued and allotted, in which 24,000,000 subscription shares were issued and allotted to Sunshine Prosperity Limited and 4,200,000 subscription shares were issued and allotted to Eastern Pearl Capital Fund SPC – EP Neutron Market Neutral Fund SP, with aggregate nominal value of HK\$282,000. The subscription price of HK\$0.126 per subscription share represents a discount of approximately 18.71% to the closing price of HK\$0.155 per share of the Company as quoted on the Stock Exchange on the date of the subscription agreement.

The gross proceeds from the above subscriptions were HK\$3,553,200 in aggregate and the net proceeds from the above subscriptions, after deduction of relevant expenses, amounted to approximately HK\$3,450,000, representing a net price of approximately HK\$0.122 per subscription share.

The Company intended to apply the net proceeds from above subscriptions of approximately HK\$3,450,000 as general working capital of the Group.

As at 31 December 2024, the net proceeds from the above subscriptions were utilised in full as intended.

For the details of the above subscriptions, including the reasons for and benefits of the above subscriptions, and the information of the subscribers, please refer to the announcements of the Company dated 29 November 2023, 18 January 2024 and 4 March 2024.

Subscription of New Shares under Specific Mandate

On 2 February 2024, the Company entered into the subscription agreement with Yu Chunfeng* (余春風), pursuant to which the Company conditionally agreed to allot and issue, and Yu Chunfeng* (余春風) conditionally agreed to subscribe for, up to 400,000,000 shares of the Company at the subscription price of HK\$0.10 per share.

A specific mandate was granted to the Board by the shareholders of the Company for the allotment and issuance of the above subscription shares at the extraordinary general meeting of the Company held on 8 April 2024.

As the conditions precedent of the above subscription agreement were not fulfilled, satisfied and/or waived, the above subscription was not completed.

On 2 February 2024, the Company entered into another subscription agreement with King Castle Enterprises Limited, pursuant to which the Company conditionally agreed to allot and issue, and King Castle Enterprises Limited conditionally agreed to subscribe for, up to 400,000,000 shares of the Company at the subscription price of HK\$0.10 per share.

As King Castle Enterprises Limited is wholly and beneficially owned by Mr. Wong Kin Ting, the father of Mr. Wong Wai Kai Richard who is an executive Director, King Castle Enterprises Limited is an associate of Mr. Wong Wai Kai Richard and hence a connected person of the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). Accordingly, the subscription constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

A specific mandate was granted to the Board by the independent shareholders of the Company for the allotment and issuance of the above subscription shares at the extraordinary general meeting of the Company held on 8 April 2024.

On 30 May 2024, the above subscription was completed and 330,000,000 subscription shares with the par value of HK\$0.01 each and an aggregate nominal value of HK\$3,300,000 were issued and allotted to King Castle Enterprises Limited. The subscription price of HK\$0.10 per subscription share represents a discount of approximately 23.66% to the closing price of HK\$0.131 per share of the Company as quoted on the Stock Exchange on the date of the above subscription agreement. Upon completion of the above subscription, King Castle Enterprises Limited became a substantial shareholder (as defined under the Listing Rules) of the Company.

The gross proceeds from the above subscription were HK\$33,000,000 and the net proceeds from the above subscription, after deduction of relevant expenses in connection with the subscription, amounted to approximately HK\$32,400,000, representing a net price of approximately HK\$0.098 per subscription share.

The Company intended to apply (i) approximately HK\$5,400,000 for repayment of outstanding liabilities; (ii) approximately HK\$10,600,000 for provision of general working capital; and (iii) approximately HK\$16,400,000 for existing projects' business development.

As at 31 December 2024, the net proceeds from the above subscription were utilised in full as intended.

For the details of the above subscription, including the reasons for and benefits of the above subscription, and the information of the subscribers, please refer to the announcements of the Company dated 2 February 2024, 27 February 2024, 8 April 2024, 16 May 2024 and 30 May 2024, and the circular of the Company dated 15 March 2024.

Subscription of New Shares under Specific Mandate and Sale and Purchase of Shares

On 10 October 2024, the Company entered into the subscription agreement with King Castle Enterprises Limited, pursuant to which the Company conditionally agreed to allot and issue, and King Castle Enterprises Limited conditionally agreed to subscribe for, up to 100,000,000 shares of the Company at the subscription price of HK\$0.10 per share.

On the same date, the Company entered into the shares transfer agreement with King Castle Enterprises Limited, pursuant to which the Company agreed to sell and King Castle Enterprises Limited agreed to purchase 60,000,000 sale shares (as kept under the reserves of the Company as treasury shares) at the sale price of HK\$0.088 per share.

As King Castle Enterprises Limited is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the subscription and transfer constituted connected transactions for the Company under Chapter 14A of the Listing Rules.

Due to the implementation of the Share Consolidation, the Company and King Castle Enterprises Limited entered into the supplemental agreement to the above subscription agreement and the supplemental agreement to the above shares transfer agreement on 23 October 2024, pursuant to which the number of subscription shares was adjusted to 25,000,000 shares with par value of HK\$0.04 each and the subscription price was adjusted to HK\$0.40 per subscription share, and the number of sale shares was adjusted to 15,000,000 shares of par value of HK\$0.04 each and the sale price was adjusted to HK\$0.352 per sale share respectively.

Specific mandates were granted to the Board by the independent shareholders of the Company for the allotment and issuance of the above subscription shares, and the sale and transfer of the above sale shares at the extraordinary general meeting held on 18 November 2024.

On 9 December 2024, the above transfer was completed, and 15,000,000 sale shares with the par value of HK\$0.04 each and an aggregate nominal value of HK\$600,000 were transferred to King Castle Enterprises Limited. The sale price of HK\$0.352 per sale share equals to the adjusted closing price of HK\$0.352 per share of the Company (for the effect of the Share Consolidation) as quoted on the Stock Exchange on the date of the above shares transfer agreement.

On 12 December 2024, the above subscription was completed and 25,000,000 subscription shares with the par value of HK\$0.04 each and an aggregate nominal value of HK\$1,000,000 were issued and allotted to King Castle Enterprises Limited. The subscription price of HK\$0.40 per subscription share represents a premium of approximately 13.64% to the adjusted closing price of HK\$0.352 per share of the Company (for the effect of the Share Consolidation) as quoted on the Stock Exchange on the date of the above subscription agreement.

The gross proceeds from the above subscription were HK\$10,000,000 and the net proceeds from the above subscription, after deduction of relevant expenses in connection with the subscription, was amount to approximately HK\$9,850,000, representing a net price of approximately HK\$0.394 per subscription share.

The gross proceeds from the above transfer were HK\$5,280,000 and the net proceeds from the above transfer, after deduction of relevant expenses in connection with the transfer, amounted to approximately HK\$5,130,000, representing a net price of approximately HK\$0.342 per sale share.

The Company intended to apply the net proceeds from the above subscription of approximately HK\$9,850,000 and the net proceeds from the above transfer of approximately HK\$5,130,000 as general working capital of the Group.

As at 31 December 2024, the net proceeds from the above subscription and transfer were utilised in full as intended.

For the details of the above subscription and transfer, including the reasons for and benefits of the above subscription and transfer, and the information of the subscriber and the transferee, please refer to the announcements of the Company dated 10 October 2024, 23 October 2024, 18 November 2024 and 12 December 2024, and the circular of the Company dated 1 November 2024.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2024, cash and cash equivalents amounted to approximately HK\$6,218,000 (2023: HK\$31,243,000). Total borrowing and lease liabilities of the Group as at 31 December 2024 was approximately HK\$26,599,000 (2023: HK\$32,908,000), of which approximately HK\$18,437,000 (2023: HK\$19,526,000 (restated)) would be repayable within one year and all the remaining borrowing and lease liabilities of approximately HK\$8,162,000 (2023: HK\$13,382,000 (restated)) would be repayable after one year.

The current ratio of the Group was approximately 2.79 as at 31 December 2024 (2023: 3.13 (restated)).

GEARING RATIO

The gearing ratio of the Group, calculated as total borrowing and lease liabilities over equity was approximately 20.0% as at 31 December 2024 (2023: 22.1%).

CHARGE ON ASSETS

As at 31 December 2024, 16% and 32% of the equity interests in the Group's wholly-owned subsidiary, Runway Global Limited, were pledged to two respective individual creditors. The pledged loan amounts were HK\$5,000,000 and HK\$10,000,000.

Save as disclosed above, the Group did not have any pledge or charge on asset as at 31 December 2024.

CONTINGENT LIABILITIES

As at 31 December 2024, the Group did not have any material contingent liabilities (2023: Nil).

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period under review. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

FOREIGN EXCHANGE EXPOSURE

Substantial portion of the business of the Group are denominated in Renminbi ("RMB") or in Hong Kong dollars. The Board does not consider that the Group is exposed to any material foreign currency exchange risk. Therefore, no hedging instruments or any other alternatives have been used.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 6 December 2024, the Company (as subscriber) entered into the subscription agreement with N-Bridge Capital Group Limited (as issuer), pursuant to which the Company shall subscribe and N-Bridge Capital Group Limited shall issue and allot 11,112 redeemable preference shares with a par value of HK\$1.00 each at the subscription price of HK\$540 per preference share.

N-Bridge Capital Group Limited is held as to 40% shareholding by Mr. Mei Weiyi, the chairman of the Board and an executive Director. N-Bridge Capital Group Limited is regarded as an associate of Mr. Mei Weiyi in accordance with Chapter 14A of the Listing Rules. The above subscription constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

The above subscription was completed on 23 December 2024.

The above subscription enables the Group to cooperate with N-Bridge Capital Group Limited so as to help the Group to promote the universal exchange certificate issuance and management platform (including but not limited to stablecoins, digital currencies, NFTs, etc.) business globally and is in line with the Company's development strategy.

For the details of the above subscription, including the principal terms of the preference shares, please refer to the announcements of the Company dated 1 November 2024, 6 December 2024 and 23 December 2024.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2024.

CAPITAL COMMITMENTS

As at 31 December 2024, the Group did not have any significant capital commitment (2023: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2024, the Group had a total of 75 employees (31 December 2023: 73 employees). Total staff costs (including directors' emoluments) were approximately HK\$27,803,000 for the year ended 31 December 2024, as compared to approximately HK\$42,816,000 for the year ended 31 December 2023. Remuneration is determined with reference to market norms as well as individual employees performance, qualification and experience. The Group understands that employees are the foundation of corporate development and pays attention to the training, development and safety of the employees. The Company had also adopted share option scheme and share award scheme.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 31 December 2024 (2023: nil).

SIGNIFICANT INVESTMENTS

As at 31 December 2024, the Group did not have any significant investment (31 December 2023: Nil).

FINAL DIVIDEND

The Board of Directors did not recommend any payment of a final dividend for the year ended 31 December 2024.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Grants of Award Shares

On 16 January 2025, the Board resolved, among other things, (i) the conditional grants of an aggregate of 44,000,000 award shares to six executive Directors (the “Conditional Grants”); (ii) the grant of an aggregate of 150,000 award shares to three independent non-executive Directors; and (iii) the grant of an aggregate of 6,469,358 award shares to 13 selected employees of the Group under the share award scheme adopted by the Company at the annual general meeting of the Company held on 26 June 2024 (collectively, the “Grants”). The Conditional Grants and the transactions contemplated thereunder were approved by the independent shareholders at the extraordinary general meeting of the Company held on 20 March 2025.

For details of the Grants, please refer to the announcements of the Company dated 16 January 2025, 24 January 2025, 5 February 2025, 19 February 2025 and 20 March 2025, and the circular of the Company dated 28 February 2025.

Strategic Cooperation Framework Agreement

On 16 January 2025, the Company entered into a legally binding strategic cooperation framework agreement with Tibet Water Resources Limited (a company whose shares are listed on the Stock Exchange, stock code: 1115), pursuant to which the Company and Tibet Water Resources Limited have entered into a cooperation based on Web3.0 new business model in relation to the sale of the “5100” brand customized products, including, but not limited to, water cards and joint-label products, through certain cooperation channels. The above cooperation shall be for a term of 5 years which shall be extended for a further term of 2 years upon receiving the extension request made by either party to the other no later than 30 days before the expiry of the term. The above cooperation can be renewed at request in every 2 years afterwards.

The above cooperation represents a significant milestone for the Company in the field of Web3.0 new business, aiming to expand business scope and enhance the Company’s overall competitiveness through innovative business models. By integrating the resources and strengths of both parties, the above cooperation is expected to bring new business growth opportunities for the Company and have a positive impact on the Company’s future development.

For details of the above cooperation, please refer to the announcement of the Company dated 16 January 2025.

Web3 Brand Promotion and RWA Issuance Projects

On 24 January 2025, the Company entered into a non-legally binding cooperation framework agreement with N-Bridge Capital Group Limited, pursuant to which the parties jointly cooperate on the Web3 brand promotion project and RWA issuance project of Wangfu Center* (王府中心).

The above cooperation is an important milestone for the Company in the field of Web3. It aims to use innovative business models to expand business areas and enhance the Company's comprehensive competitiveness. It is expected to bring new business growth points to the Company and positive impact on the future development of the Company.

Mr. Mei Weiyi, the chairman of the Board and an executive Director, holds 40% of the issued shares of N-Bridge Capital Group Limited. As at the date of this announcement, no formal binding documentation has been executed between the parties and negotiations are still in progress. The above cooperation, if materializes, may constitute a continuing connected transaction of the Company under the Listing Rules. If the parties enter into a formal cooperation agreement, or if there are any material developments with respect to the proposed cooperation, the Company will make further announcement(s) in accordance with the Listing Rules as and when appropriate.

For details of the above cooperation, please refer to the announcement of the Company dated 24 January 2025.

Save as disclosed above, there have been no significant events occurring after the end of the reporting period up to the date of this announcement.

FUTURE PROSPECTS

We believe that Mainland China and Hong Kong will achieve moderate economic growth in 2025, with the government further implementing macroeconomic policy supports to further stimulate the economy and boost consumer confidence.

Our Company will continuously optimize its existing business structure while actively seeking new potential opportunities to enhance result performance and maximize shareholder returns.

In respect of our apparel operation, our primary objectives are to further refine product design, development capacities and elevate the products' gross profit margin. Concurrently, by aligning with our IP application business, we will apply our extensive, long-established expertise in apparel products design and production capacities to the development, design and supply chain oversight of IP-derived products across all stages. The deepened extension of the industry chain and the expansion of scale will enable the continuous elevation of gross profit margin levels.

We plan to continue the deepening of business development in the IP application and products operation. In light of the favorable business environment and opportunities presented by the Web3.0 era for digital trend culture products, the Company will prioritize the application of Web3.0 technologies to foster innovation in IP application. By applying blockchain technology and smart contracts, we aim to drive rapid development in IP applications and product operations. At the same time, we will further strengthen collaboration with intellectual property partners, expand the scope of product partnerships, and diversify business cooperation models. We aim to continuously innovating the multifaceted applications of intellectual property products. Efforts will be made to collaborate with more globally renowned IP providers to enhance and diversify our business structure. We will pursue the exploration of additional business opportunities with partners with whom we have established business relationships, while actively seeking expansion of new partnerships in the field of IP application.

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

Save for the repurchase of 60,000,000 consideration shares at nil consideration pursuant to the escrow arrangement on 11 July 2024 as disclosed in the section headed "Profit Guarantee in relation to the Adjustment to the Consideration for the Acquisition of Dreamtoys Group" and the subsequent sale and transfer of such shares to King Castle Enterprises Limited on 9 December 2024 as disclosed in the sub-section headed "Subscription of New Shares under Specific Mandate and Sale and Purchase of Shares" under the section headed "Fund Raising Activities and Use of Proceeds" in the Management Discussion and Analysis, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including the sale of treasury shares) during the year ended 31 December 2024.

CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value. The Company's corporate governance practices are based on the principles and the code provisions set out in the Corporate Governance Code as set out in Appendix C1 to the Listing Rules (the "CG Code"). During the year ended 31 December 2024, the Company has complied with the CG Code, except for the deviation from code provision C.2.1, which is explained below.

According to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same person. The Company has not appointed a chief executive officer. During the year ended 31 December 2024, under the leadership of the chairman of the Board who performed the added role of the chief executive officer of the Company, the Board worked effectively and performed its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions were made in consultation with members of the Board and relevant Board committees, and there are three independent non-executive Directors on the Board offering advice from independent perspectives, the Board was therefore of the view that there were adequate safeguards in place to ensure sufficient balance of powers within the Board.

Save as those mentioned above and in the opinion of the Directors, the Company has met all the relevant code provisions set out in the CG Code during the year ended 31 December 2024.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of the shareholders of the Company to attend and vote at the forthcoming annual general meeting to be held on Tuesday, 10 June 2025, the register of members of the Company will be closed from Wednesday, 4 June 2025 to Tuesday, 10 June 2025 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting, all duly completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 3 June 2025.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 22 November 2013 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee currently consists of three independent non-executive Directors, namely, Mr. Tang Shu Pui Simon, Mr. Hon Ming Sang and Ms. Lo Wing Sze. Mr. Hon Ming Sang is the chairman of the Audit Committee. The Audit Committee has reviewed the audited annual consolidated financial results of the Group for the year ended 31 December 2024.

SCOPE OF WORK OF BEIJING XINGHUA CAPLEGEND CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2024 as set out in the preliminary announcement have been agreed by the Group's auditors, Beijing Xinghua Caplegend CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Beijing Xinghua Caplegend CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Beijing Xinghua Caplegend CPA Limited on the preliminary announcement.

By order of the Board
Virtual Mind Holding Company Limited
Mei Weiyi
Chairman and Executive Director

Hong Kong, 31 March 2025

As at the date of this announcement, the executive Directors are Mr. Mei Weiyi, Mr. Li Yang, Ms. Tin Yat Yu Carol, Mr. Chan Ming Leung Terence, Mr. Gong Xiaohan and Mr. Wong Wai Kai Richard; and the independent non-executive Directors are Mr. Tang Shu Pui Simon, Mr. Hon Ming Sang and Ms. Lo Wing Sze BBS, JP.

** For identification purpose only*