ANNUAL REPORT 2024

Annual Report

B.Duck™

© SEMK Products Limited

PLAYFUL

Playful Store

EVERYTHING

STOCK CODE 2250

"PLAYFUL" 11 20 20 26 05 22

This is not a Duck

For the people of all ages and shares the happiness and fun to everyone, we strive to develop this brand, adapting it into a stylish and functional lifestyle.

B.Duck

BDUCK(S)

True Art Can Only Spring From The Intimate Linking Of The Serious And The Playful.

BDUCKPLAYFUL

BDUCK

BORN TO " Be " Playful Playful Playful IS MY NATURE

Sëmk®

B.DUCK SEMK HOLDINGS INTERNATIONAL LIMITED

Incorporated in the Cayman Islands with limited liability

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Hui Ha Lam *(Chairman of the Board and Chief Executive Officer)*
Mr. Kwok Chun Kit
Mr. Cheung Chin Yiu
Mr. Tse Tsz Leong *(resigned on 24 May 2024)*

Non-Executive Directors

Mr. Liang Xingchao *(appointed on 23 October 2024)*
Mr. Li Xiang *(resigned on 23 October 2024)*

Independent Non-Executive Directors

Ms. Leung Ping Fun Anita
Mr. Sung Chi Keung
Prof. Chan Ka Yin Karen, *JP* *(appointed on 2 January 2025)*
Dr. Chan Kai Yue Jason, *MH, JP* *(resigned on 2 January 2025)*

REMUNERATION COMMITTEE

Ms. Leung Ping Fun Anita *(Chairperson)*
Mr. Hui Ha Lam
Mr. Sung Chi Keung

NOMINATION COMMITTEE

Mr. Hui Ha Lam *(Chairman)*
Mr. Sung Chi Keung
Prof. Chan Ka Yin Karen, *JP* *(appointed on 2 January 2025)*
Dr. Chan Kai Yue Jason, *MH, JP* *(resigned on 2 January 2025)*

AUDIT COMMITTEE

Mr. Sung Chi Keung *(Chairman)*
Ms. Leung Ping Fun Anita
Prof. Chan Ka Yin Karen, *JP* *(appointed on 2 January 2025)*
Dr. Chan Kai Yue Jason, *MH, JP* *(resigned on 2 January 2025)*

COMPANY SECRETARY

Ms. Mak Yuk Kiu *(appointed on 23 October 2024)*
Ms. Man Nok Yan *(appointed on 24 May 2024 and resigned on 20 September 2024)*
Mr. Tse Tsz Leong *(HKICPA)* *(resigned on 24 May 2024)*

AUTHORISED REPRESENTATIVES

(for the purpose of the Listing Rules)

Mr. Hui Ha Lam
Ms. Mak Yuk Kiu *(appointed on 23 October 2024)*
Mr. Kwok Chun Kit *(appointed on 20 September 2024 and resigned on 23 October 2024)*
Ms. Man Nok Yan *(appointed on 24 May 2024 and resigned on 20 September 2024)*
Mr. Tse Tsz Leong *(resigned on 24 May 2024)*

REGISTERED OFFICE

PO Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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148 Electric Road
North Point
Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
11/F., The Center
99 Queen's Road Central
Hong Kong

Nanyang Commercial Bank, Limited
151 Des Voeux Road Central
Hong Kong

COMPANY WEBSITE

http://www.semk.net

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As to Hong Kong laws
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Suites 3304-3309, 33/F
Jardine House
One Connaugh Place, Central
Hong Kong

As to Cayman Islands laws
Maples and Calder (Hong Kong) LLP
26th Floor
Central Plaza
18 Harbour Road
Wanchai, Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central, Hong Kong

STOCK CODE

2250

KEY FINANCIAL RATIOS

	FY2023 HK$'000	FY2024 HK$'000
Revenue	129,542	128,526
Loss for the year	(46,691)	(49,340)
Loss attributable to equity holders of the Company	(46,206)	(46,404)
Adjusted net loss under non-HKFRS financial measures[1]	(40,588)	(40,505)
Adjusted net loss margin under non-HKFRS financial measures (%)[2]	(31.3)	(31.5)

Notes:

(1) Adjusted net loss under non-HKFRS financial measures as loss for the year attributable to equity holders of the Company, excluding share-based payment.

(2) Adjusted net loss margin under non-HKFRS financial measures for the year is calculated as the adjusted net loss attributable to equity holders of the Company under non-HKFRS financial measures for the year divided by the revenue for the respective year.

	As at/for the year ended 31 December 2023	31 December 2024
Segment gross profit margin (%)[1]	34.8	46.7
Net loss margin (%)[2]	(36.0)	(38.4)
Return on equity (%)[3]	(18.8)	(25.6)
Return on total assets (%)[4]	(13.4)	(16.8)
Current ratio (times)[5]	2.8	2.0
Quick ratio (times)[6]	2.6	1.8
Gearing ratio (%)[7]	17.5	23.8
Net debt to equity ratio (%)[8]	N/A[9]	N/A[9]

Notes:

(1) No gross profit margin can be determined for character licensing business segment. Segment gross profit margin for each year is calculated based on the revenue attributable to the Group's e-commerce and other business deducting cost of inventories sold divided by the revenue attributable to the Group's e-commerce and other business for the respective year.

(2) Net loss margin for each year is calculated based on net loss divided by revenue for the respective year.

(3) Return on equity equals to loss for the year divided by total equity as at the end of the relevant year.

(4) Return on total assets equals to loss for the year divided by total assets as at the end of the relevant year.

(5) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the respective year.

(6) Quick ratio is calculated based on total current assets less inventories, divided by the total current liabilities as at the end of the respective year.

(7) Gearing ratio is calculated based on the total interest-bearing borrowings divided by total equity as at the end of the respective year.

(8) Net debt to equity ratio is calculated based on net debt as at the end of the respective year divided by total equity as at the end of the respective year. Net debt includes all interest-bearing borrowings (if any), net of cash and cash equivalents (including the time deposits with original maturity over three months).

(9) The Group was in a net cash position, as the amount of cash and cash equivalents (including the time deposits with original maturity over three months) exceeded the total interest-bearing borrowings of the Group, such that the net debt to equity ratio is not applicable.

Dear Shareholders and Investors,

It is my pleasure that herein I, Hui Ha Lam, founder of B.Duck Semk Holdings International Limited ("**Company**" or "**B.Duck Semk**", together with its subsidiaries and structured entities, the "**Group**") and father of B.Duck, am presenting to you the annual report of the Group for the year ended 31 December 2024.

2024 was a crucial year for the Group to deepen its strategic transformation and focus on the development of IP ecology. Facing the complex challenges in the global consumer market, we adhered to the principle of innovation as the engine and IP as the core competitiveness, and promoted breakthroughs in commodity retail, eco-tourism and game entertainment, which injected strong impetus for the high-quality development of the Group.

During the reporting period, the revenue of the Group decreased by 0.8% over the same period of last year, and the number of licensees increased from 455 at the end of December 2023 to 530 at the end of December 2024. Although the financial performance of the Company fell short of expectations, we are confident that, with our adherence to the core value of IP and innovation, we will overcome the challenges and open a new chapter of growth.

In today's wave of rapid development of the cultural tourism industry, the IP-driven new cultural tourism ecology is becoming the core force of innovation and breakthrough in the industry. By deeply integrating IP with cultural tourism projects, the Group has successfully created a diversified cultural tourism scene integrating IP flash mobs, city events, local cultural tourism, theme parks, medium-sized, large and small-scale cultural tourism projects, bringing tourists an all-round immersive experience. This model not only enhances visitors' engagement and satisfaction, but also further expands the brand's influence through the continuous innovation and dissemination of IP. The amount of royalty income from location-based entertainment licences entered into in 2024 decreased to HK$3.7 million, as compared to HK$6.7 million in 2023, representing a significant year-on-year decrease of 44.8%.

During the year, we continued to lead cross-industry innovation in our retail merchandise and game businesses. In terms of commodity retail, we have successfully established a full-chain operation system for IP derivatives by fully implementing the integrated model of "self-developed, self-produced and self-sold"("自研、自產、自銷"). We have developed a series of self-developed products such as plush products, home furnishing and cultural and creative accessories, and launched a variety of representative cross-border co-branded trendy play blind boxes. For example, B.Duck x HIDDENWOOO 9 IP co-branded blind boxes, B.Duck X British Museum co-branded floating duck and B.Duck X Monchhichi enamel plush and other trendy toys; through the construction of an omni-channel retail system featuring "all online platforms + offline experience networks"("線上全平台+線下體驗網絡"), the Group can reach all products and accurately connect with users. The newly opened Playful Store in Shenzhen and Hong Kong in 2024 will be the core scenarios of IP experience. At the same time, the Group will work with leading trendy game channel providers to connect with the domestic and overseas markets to create immersive consumption experience through pop-up events. In terms of online segment, we leveraged on mainstream platforms such as Tmall, JD.com and Douyin, as well as our own mini-program ecosystem, to form a digital purchase matrix that covers Gen Z users.

In terms of games, we successfully acted as an agent for publishing four mini-program games this year. In addition, B.Duck has cooperated with well-known game licensees at home and abroad such as "QQ Speed"(《QQ 飛車》), "Legend of Mushroom" (《冒險大作戰》), "Need for Speed"(《極品飛車》), "ColorBANG", "BangBang Survivor"(《向僵屍開炮》), "Cookie Run"(《餅乾人》) and "Ragnarok Online" (《RO 仙境傳説》) to rapidly increase visibility as well as attract new user groups, create economic benefits and deepen the intrinsic value of IP.

Our strategic goal is to become an "IP whole industry chain operating company" and to achieve robust growth through the "horizontal" and "vertical" initiatives. We have entered into strategic cooperation agreements with a number of entities in Mainland China, focusing on the areas of offline cultural tourism, gaming and entertainment, and merchandise retailing to jointly explore growth and investment opportunities, to strengthen our position as a leader in the industry, and bring Chinese culture's soft power to the forefront. At the same time, we will be guided by the development of our Culture Overseas strategy to drive the sustainable development of the Group globally, contributing to the dissemination of Chinese culture and the enhancement of the global influence of Chinese brands. In 2024, B.Duck not only consolidated its leading position in the domestic market, but also achieved breakthroughs in the overseas market, with licensing revenue from overseas regions increasing by 11.1% year-on-year during the Reporting Period.

On behalf of the board (the "**Board**") of directors (the "**Directors**") of the Company, I would like to express my sincere thanks to all fans, licensees, partners and investors for your support and trust, and to all colleagues, for your diligent work in execution of the Group's strategies and operations. We firmly believe that emerging businesses have entered a healthy development track based on a clear strategic path. The Group will continue to unleash its potential in the trendy culture and consumer sectors, inject diversified drivers to drive future growth, and create long-term sustainable value for shareholders, partners and users.

Hui Ha Lam
Chairman

28 March 2025

PRC MERCHANDISE LICENSING

B.Duck ✕ Oatly

PRC MERCHANDISE LICENSING

EVERYTHING

B.Duck ✕ Soskill

PRC MERCHANDISE LICENSING

B.Duck ✕ iRest

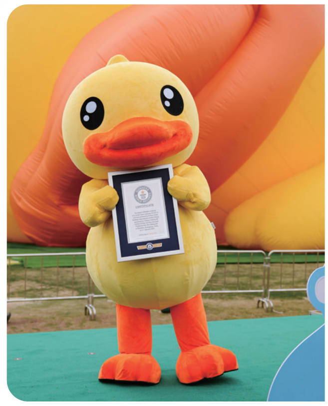
MAKE A PLAYFUL WORLD

PRC MERCHANDISE LICENSING

Playful
IS MY NATURE

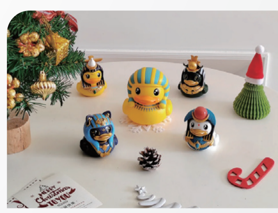
B.Duck ✕ Kumpoo

PRC MERCHANDISE LICENSING



B.Duck Party In Qianhai

PRC MERCHANDISE LICENSING



B.Duck X The British Museum

PRC MERCHANDISE LICENSING

PLAYFUL IS
MY NATURE

B.Duck × AMAP

PRC MERCHANDISE LICENSING

B.Duck Game Products

PRC MERCHANDISE LICENSING

B.Duck Licensed Games

BePLAYFUL

BUSINESS REVIEW

The Group is principally engaged in (i) the character licensing business: the creation, design, licensing, brand management and marketing of self-created B.Duck Family Characters across multi-channels, where the Group licenses the B.Duck Family Characters and brands to its licensees, provides them with product design application services and allows them to incorporate these designs into their products and services offering; and (ii) the e-commerce and other business: the design, development, procurement and retail sales of the Group's B.Duck Family Characters-featured products through multi-channels including operation of mobile games.

Character Licensing Business

The Group's character licensing business can be broadly divided into five service types, namely (i) merchandise licensing; (ii) location-based entertainment ("**LBE**") licensing; (iii) content and media licensing; (iv) promotion licensing; and (v) design consultation, which are interrelated and complementary to each other, with each of them being provided on a single, multi-service or integrated basis.

E-commerce and Other Business

The Group's e-commerce and other business mainly involves the sale of B.Duck Family Characters-featured products through third party e-commerce platforms and offline sales channels. Seeing the potential synergies to be generated from the Group's character licensing business, the Group began to explore the possibility of designing and selling its own products on e-commerce platforms. In 2015, the Group launched the first online flagship store on Tmall, a well-known business-to-customer online shopping platform in China. Following the success of this flagship store, the Group subsequently expanded to other e-commerce platforms, such as JD.com, VIP.com, HKTVmall and Douyin, to offer its products and enable customers to make online payments with direct shipping to their designated locations.

The following table sets forth a breakdown of revenue by business segments:

	FY2023 HK$'000	FY2024 HK$'000
Character licensing business	68,966	60,070
E-commerce and other business	60,576	68,456
Total	129,542	128,526

FINANCIAL REVIEW

Revenue by Business Segment

The Group's revenue from the character licensing business decreased by approximately HK$8.9 million or approximately 12.9% from approximately HK$69.0 million for the year ended 31 December 2023 ("**FY2023**") to approximately HK$60.1 million for the year ended 31 December 2024 ("**FY2024**"). The decrease was primarily attributed to a reduction in royalty charged and excess royalty charged to licensees under merchandise licensing. With growing emphasis on intellectual property ("**IP**") in China, the Group is encountering increasingly fierce market competition. To address this, the Group not only introduced additional incentives to attract new licensees across various product categories but also expanded into overseas markets, including Brazil, Russia, and South Africa, to strengthen its presence in the licensing industry.

The following table sets forth the movement of the number of licensees (exclusive of licensing agents) with which the Group had established business relationship during FY2024:

As at the end of FY2023	As at the end of FY2024
455	530

The Group's revenue from the e-commerce and other business increased by approximately HK$7.9 million or approximately 13.0% from approximately HK$60.6 million for FY2023 to approximately HK$68.5 million for FY2024. The increase was primarily driven by the Group's ongoing promotional efforts on e-commerce platforms, as well as its continued expansion into additional e-commerce platforms across the PRC and Southeast Asia. The Group engaged multiple domestic OEM suppliers to handle product manufacturing and has procured products from licensees under its character licensing business for sale through third-party e-commerce platforms, such as Tmall, JD.com, VIP.com, HKTVmall and Douyin. Moving forward, the Group will remain focused on developing overseas e-commerce sales platforms, including markets such as Thailand, Indonesia, Vietnam, the Philippines, Malaysia, and Singapore. The overseas e-commerce business is still in its growth phase, presenting significant opportunities and potential for further expansion.

Revenue by Customers' Geographical Location

The following table sets forth a breakdown of the Group's revenue by customers' geographical locations for FY2023 and FY2024:

	FY2023		FY2024	
	HK$'000	%	HK$'000	%
Mainland China	123,021	95.0	121,460	94.5
Hong Kong	2,420	1.8	2,211	1.7
Southeast Asia and Taiwan	4,030	3.1	4,391	3.4
Others (Note)	71	0.1	464	0.4
Total	129,542	100.0	128,526	100.0

Note: Others include revenue generated from Brazil, Latin America and other countries.

Revenue generated from Character Licensing Business

The following table sets forth a breakdown of the Group's revenue by service types under its character licensing business for FY2023 and FY2024:

	FY2023		FY2024	
	HK$'000	%	HK$'000	%
Merchandise licensing				
Minimum guarantee	39,175	56.8	29,690	49.4
Excess royalties	8,209	11.9	7,547	12.6
Total royalty income	47,384	68.7	37,237	62.0
LBE licensing				
Minimum guarantee	4,668	6.8	3,536	5.9
Excess royalties	2,064	3.0	202	0.3
Total royalty income	6,732	9.8	3,738	6.2
Content and media licensing				
Minimum guarantee	791	1.1	2,347	3.9
Excess royalties	83	0.1	20	–
Total royalty income	874	1.2	2,367	3.9
Promotion licensing				
Minimum guarantee	1,632	2.4	226	0.4
Excess royalties	–	–	34	0.1
Total royalty income	1,632	2.4	260	0.5
Design consultation service fees	12,344	17.9	16,468	27.4
Total	68,966	100.0	60,070	100.0

Cost of Inventories Sold and Employee Benefit Expenses

Cost of inventories sold (comprising primarily cost of inventories for the Group's e-commerce and other business) amounted to approximately HK$39.5 million and HK$36.5 million for FY2023 and FY2024, respectively, which accounted for approximately 21.9% and 19.9% of its total operating expenses (comprising employee benefit expenses, depreciation and amortisation, promotion costs, online platform usage fees, cost of inventories sold and other expenses) for the respective years. The Group generally sets the price of the merchandise it offers to its customers based on the merchandise procurement costs plus a profit margin. When the prices offered to the Group by its suppliers fluctuate, the selling prices of the merchandises would be adjusted correspondingly. However, there is no guarantee that the Group can fully translate the additional procurement costs into higher prices for customers and the results of operation may therefore be adversely affected. In addition, any rise in the merchandise selling price due to increase in procurement costs may render the merchandise less competitive in the market and lead to a possible decrease in the Group's profit margin.

The employee benefit expenses (primarily comprising salaries and allowances) amounted to approximately HK$64.5 million and HK$64.6 million for FY2023 and FY2024, respectively, representing approximately 35.8% and 35.3% of the Group's total operating expenses (comprising employee benefit expenses, depreciation and amortisation, promotion costs, online platform usage fees, cost of inventories sold and other expenses) for the respective years. We are dedicated to the research and development and production of games and sales of derivative merchandizes, and establish design team which applies AI techniques, so as to strengthen our creativity. Moreover, the Group provides key employees with awarded shares with incentives for continued operation and development of the Group.

Net Impairment Losses on Financial Assets and Contract Assets

The Group recorded net impairment losses on financial assets and contract assets of approximately HK$8.3 million and HK$3.0 million for FY2023 and FY2024, respectively, primarily due to the decrease in trade receivables and contract assets.

Other Income

Other income decreased by approximately 33.3% from approximately HK$15.6 million for FY2023 to approximately HK$10.4 million for FY2024, primarily due to the decrease in the compensation received from legal action against third parties for infringement of the Group's trademark.

Promotion Costs

The Group's promotion costs primarily comprise costs incurred for promotional campaigns, advertisements, brand management and marketing activities. For FY2023 and FY2024, the Group's promotion costs amounted to approximately HK$16.2 million and HK$18.4 million, respectively. The increase was primarily attributed to the launch of various large-scale physical events, including themed carnivals, pop-up events, and international festivals, which significantly enhanced the B.Duck brand's influence and business momentum.

Online Platform Usage Fees

The Group's online platform usage fees primarily represent sales commission and service fees payable to the e-commerce platforms for the Group's online sales under the e-commerce and other business. For FY2023 and FY2024, online platform usage fees amounted to approximately HK$5.4 million and HK$10.2 million, respectively. The increase in online platform usage fees was primarily attributed to the Group's expansion of e-commerce operations.

Operating Loss

As a result of the above, the Group's operating loss increased by approximately 19.5% from operating loss of approximately HK$43.7 million for FY2023 to approximately HK$52.2 million for FY2024.

Other Expenses

The following table sets forth a breakdown of the Group's other expenses:

	FY2023		FY2024	
	HK$'000	%	HK$'000	%
Travelling and transportation	5,763	14.1	7,995	21.1
Office and office co-sharing expenses	4,304	10.5	4,977	13.1
Legal and professional fees	21,455	52.6	16,397	43.3
Auditor's remuneration	1,980	4.8	1,650	4.4
Agency fees	635	1.6	162	0.4
Building management fee and rental expenses	3,247	8.0	2,518	6.7
Licensing fee	109	0.3	47	0.1
Others *(Note)*	3,300	8.1	4,138	10.9
	40,793	100.0	37,884	100.0

Note: Others include, among others, repair and maintenance, insurance expenses, decoration expenses, sample fees, utilities and testing fees, etc.

Legal and professional fees mainly relate to legal costs incurred in (i) the protection of trademarks, and (ii) legal proceedings of the Group. Agency fees represent (i) the commission of licensing agents; and (ii) licensing fee for the licensed characters obtained from independent licensors. Such expenses decrease for FY2024 primarily resulting from reduced legal and professional fees associated with the Group's legal proceedings.

Finance Income/(Costs), Net

Finance income, net increased by 160.0%, from a net finance cost of approximately HK$2.5 million in FY2023 to a net finance income of approximately HK$1.5 million in FY2024. This improvement was primarily driven by higher interest income generated from bank deposits, attributable to a combination of higher average deposit balances and increased interest rates.

Income Tax Expense

The income tax position shifted from an income tax expense of approximately HK$0.5 million in FY2023 to an income tax credit of approximately HK$1.4 million in FY2024, representing a change of approximately HK$1.9 million. This was primarily due to decrease in deferred income tax in FY2024 compared to FY2023.

Non-HKFRS Financial Measures

Adjusted net loss under non-HKFRS financial measures is defined as the loss for the year attributable to holders of the Company excluding share award scheme (“**Share Award Scheme**”) expenses. As Share Award Scheme expenses is non-recurring in nature and not related to the performance of the Group’s operation, the Directors consider that the presentation of the Group’s adjusted net loss under non-HKFRS financial measures by eliminating the impact of Share Award Scheme expenses can better reflect the operational performance during the respective years.

Furthermore, the Group’s management also uses the non-HKFRS financial measures to assess the Group’s operating performance and formulate business plans. The Group believes that the non-HKFRS financial measures provide useful information to the investors about its core business operations, which they can use to evaluate the Group’s operating results and understand its consolidated results of operations in the same manner as the management. The following table sets forth a reconciliation of the Group’s adjusted net loss under non-HKFRS financial measures for the years indicated to that prepared in accordance with HKFRS measures:

	FY2023 HK$’000	FY2024 HK$’000
Loss for the year attributable to holders of the Company	(46,206)	(46,404)
Add:		
Share Award Scheme expenses	5,618	5,899
Adjusted net loss under non-HKFRS financial measures	(40,588)	(40,505)

Having said the above, the presentation of the non-HKFRS financial measures is not intended to be considered in isolation or as substitute for the financial information prepared and presented in accordance with HKFRS measures. The non-HKFRS financial measures have limitations as analytical tools and the Group’s non-HKFRS financial measures may differ from the non-HKFRS financial measures used by other companies, and therefore the comparability of such information may be limited. The investors are encouraged to review the Group’s financial information in its entirety.

Loss for the Year

As a result of the above, the Group’s loss for the year increased by approximately 5.6% from a loss of approximately HK$46.7 million for FY2023 to a loss of approximately HK$49.3 million for FY2024.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group funded its cash requirements principally from cash generated from its operating activities and financing activities. As at 31 December 2024, the Group had cash and cash equivalents of HK$23.0 million, compared to the cash and cash equivalents of HK$51.7 million as at 31 December 2023. As at 31 December 2024, the Group's cash and cash equivalents were mainly denominated in Renminbi, United States Dollar and Hong Kong Dollar.

As at 31 December 2024, the Group had total borrowings of HK$45.9 million, compared to the total borrowings of HK$43.6 million as at 31 December 2023. As at 31 December 2024, the Group's total borrowings were mainly denominated in HK$, with weighted average effective interest rates was 4.42% per annum. Particulars of the Group's borrowings are set out in the note 29 to the consolidated financial statements.

As at 31 December 2024, the Group had lease liabilities of HK$17.3 million, compared to the lease liabilities of HK$26.1 million as at 31 December 2023. Particulars of the Group's lease liabilities are set out in the note 26 to the consolidated financial statements.

The Board will evaluate the Group's capital structure from time to time based on the Group's operations, its business growth, the relevant funding requirements and available financial resources. Details are set out in the note 3 to the consolidated financial statements.

The shares of the Company (the "**Shares**") were successfully listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 17 January 2022 (the "**Listing Date**"). Since then and up to 31 December 2024, the Company's capital structure has not changed. The Company's equity only consists of ordinary Shares.

As at 31 December 2024, the issued share capital of the Company amounted to US$24,524.825 divided into 980,993,000 Shares of US$0.000025 each.

Details of the Company's share capital are set out in note 23 to the consolidated financial statements in this report.

TREASURY POLICY

The Group continues to manage its financial position carefully and maintains conservative policies in cash and financial management. The Group's liquidity and financing requirements are frequently reviewed. The Board closely monitors the Group's liquidity position to ensure that the Group can meet its funding requirements for business development.

PLEDGE OF ASSETS

The Group did not have any pledged assets as of 31 December 2024.

GEARING RATIO

As at 31 December 2024 and 31 December 2023, the Group's gearing ratio was 23.8% and 17.5%, respectively. The gearing ratio is calculated based on the total interest-bearing borrowings divided by total equity.

CONTINGENT LIABILITIES

In May 2021, a third party (the "**Claimant**") has lodged a claim to seek compensation of RMB55,000,000 (equivalent to approximately HK$59,393,000), with the allegation of the Group and a retailer of the Group's licensed products (the "**Licensee**") for causing unfair competition and infringement of certain registered trademarks (the "**Claimant's Trademarks**") by sales of kitchen utensils, towels, and shoes and apparels bearing the trademarks of the Group (the "**Alleged Trademarks**"), which were alleged to be similar to the Claimant's Trademarks.

Judgement of the first hearing from the Jiangsu Suzhou Intermediate People's Court (the "**Judgement**") on 30 December 2022 held that the Group and the Licensee were liable to pay sums of RMB6,000,000 and RMB1,000,000 respectively (equivalent to approximately HK$6,479,000 and HK$1,080,000 respectively) for damages to the Claimant.

On 19 January 2023, the Group has lodged an appeal (the "**Appeal**") against the Judgment. During 2023, the Claimant's Trademarks were invalidated by the China National Intellectual Property Administration and the Claimant's appeal against the invalidation claim has been rejected in June 2024. Based on the opinions from the legal advisors of the Group, there is a high probability that the Judgement can be overturned. Furthermore, should the Group fail to overturn the Judgement in the Appeal, potential exposure shall be limited to the gains of the Group resulted from the sales of goods of certain class bearing the Alleged Trademarks.

Taking into consideration the Judgement issued against the Group, the advice from the legal advisors, the uncertainty as to the outcome of the Appeal and the status of other legal actions taken by the Group in relation to this case, the Directors have made an accumulated provision of HK$1,080,000 in respect of the damages and costs for this case as at 31 December 2024 (2023: HK$1,103,000).

Furthermore, on 20 December 2021, the controlling shareholders of the Company entered into a deed of indemnity with the Group to indemnify any losses, costs, expenses, damages and other liabilities suffered by the Group, directly or indirectly, in connection with the above case.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group operates principally in Hong Kong and Mainland China and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollar ("**US$**") and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. The Group does not hold or issue any derivative financial instruments to manage its exposure to foreign currency risk. Majority of the revenue generated, and cost incurred form the local operations are primarily transacted in local functional currency and therefore foreign exchange transactional risks are minimal. Management manages its foreign exchange risks by performing regular review and monitoring its foreign exchange exposure.

CAPITAL EXPENDITURES AND COMMITMENTS

The Group's capital expenditures consist of (i) purchases of property, plant and equipment; and (ii) purchases of intangible assets mainly financed by internal resources. As at 31 December 2024, the Group did not have any material capital commitments.

HUMAN RESOURCES

As of 31 December 2024, the Group had a total of 180 employees, including 63 licensing and sales personnel, 56 designers and personnel specializing in Artificial Intelligence Generated Content ("**AIGC**") and 61 administrative and others personnel. For FY2024, the Group incurred staff costs (including remuneration, payrolls, allowances and benefits) of approximately HK$64.6 million (FY2023: HK$64.5 million).

The establishment of an AIGC team has been instrumental in streamlining design processes, allowing the Group to reduce the number of staff designers while maintaining high-quality output. This shift not only helps in cost management but also enables designers to focus on high-value tasks that require human creativity and judgment. Concurrently, the Group has a dedicated merchandise management team that ensures new products align with current market trends and consumer preferences. By leveraging AI for design and human expertise for market analysis, the Group is well-positioned to launch trendy products that resonate with the audience, thereby driving business growth and reinforcing brand influence. This dual approach enables the Group to balance innovation with operational efficiency, ensuring that products remain competitive and appealing in a rapidly evolving market landscape.

The Group recruits the employees based on a number of factors such as their relevant work experience, educational background, language ability and vacancies. Competitive remuneration package is offered to retain elite employees, including salaries, medical insurance, discretionary bonuses as well as mandatory provident fund schemes for employees in Hong Kong. The Group also provides training to certain employees to strengthen staff commitment and enhance their skills and technical knowledge at work. The Company has also adopted a share option scheme and the Share Award Scheme to recognise and acknowledge the contributions made by the Group's employees, to attract skilled and experienced personnel, to incentivise them to stay with the Company and to motivate them to strive for the future development and expansion of the Company and its subsidiaries, by providing them with the opportunity to acquire equity interests in the Company.

As at 31 December 2024, the Group had 180 full-time employees. The following table sets forth a breakdown of its employees by functions and by geographical location as at 31 December 2024:

No. of employees by functions	Hong Kong and overseas	Mainland China	Total
Management	6	1	7
Design	9	42	51
AIGC	–	5	5
Licensing	2	22	24
Sales	1	38	39
Branding	3	13	16
Human resources and administration	3	19	22
Finance	3	7	10
Merchandise management	–	6	6
Total	27	153	180

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed above, the Group did not have other plans for material investments or capital assets as of 31 December 2024.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

Except for the consolidation of the Structured Entities (as defined in the sub-section headed "Contractual Arrangements" in this report) by the Group under the Contractual Arrangements (as defined in the sub-section headed "Contractual Arrangements" in this report) for the development, publication and operation of its online game business, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates, or joint ventures during FY2024. More details of the contractual arrangements mentioned herein are set out in the sub-section headed "Contractual Arrangements" in the Report of the Directors in this annual report.

EVENT AFTER REPORTING PERIOD

There were no material events subsequent to 31 December 2024 which would materially affect the Group's operating and financial performance as of the date of this annual report.

FUTURE OUTLOOK

According to the 2024 China Brand Licensing Industry Development White Paper《2024 年中國品牌授權行業發展白皮書》published by the Brand Licensing Committee of China National Light Industry Council and the Brand Licensing Committee of China Toy Association, domestic retail sales and royalties of licensed goods in China for 2023 reached RMB140.1 billion and RMB5.47 billion, respectively, representing a year-on-year increase of 0.8% and 0.9%, respectively. In 2023, the percentage of consumers' spending on licensed products at the amounts of RMB2,000 to RMB3,000 for the year increased year-on-year by 1.9%; the percentage of sales that increased by more than double and, in the opinion of licensees, driven by IP licensing, increased year-on-year by 2.4%. While vibrancy and popularity of IP in the domestic market and the economic contribution from it has been increasing, there is a huge market potential as compared to a market size of US$367.3 billion for IP derivatives worldwide.

Based on the guiding principle of "refine and strengthen, strive for greatness" introduced by our Chairman in 2023, the Group, with the concept of "Make a Playful World" as the core vision, created B.Duck as the international symbol of happiness. The Group continues to deepen the development of an ecosystem for commercial realization of IP, realising the mission of "introduced by China but belongs to the world". Looking forward, the Group will take the "B.Duck+ IP" matrix as its pivot and leverage its brand advantages to foster growth drivers of our business, including IP eco-cultural tourism, internet entertainment, product retail and overseas expansion, for optimisation and integration of licensed categories, sales channels, supply chains and business segments, comprehensive coverage of upstream and downstream industries, and the establishment of a sound closed-loop business system, thereby promoting strategic transformation and upgrading of the Group to an integrated IP business platform, and developing itself into a player that consolidates and pioneer the original IP industry in China.

1. **Expanding our footprint and building a diversified growth model**

Driven by an new era of consumption and upgrading of the cultural tourism industry, IP-based and scene-based technology becomes the core competitiveness. In this regard, the Group established B.Duck Semk Tourism (Shenzhen) Company Ltd. (小黃鴨德盈文旅(深圳)有限公司) and, leveraging the brand spirit of "Be Playful", deepened the deployment of the business form of cultural tourism under its model of "IP + whole industrial chain", with a focus on the directions of cultural tourism as leisure and LBE, aiming to develop an interesting and sustainable ecosystem of IP cultural tourism, and capture benefits from the upgraded consumer spending in China. Looking forward, Cultural Tourism Company, with "medium cultural tourism projects+ small entertainment projects" as the core, will develop a product matrix, which includes indoor and outdoor parks, themed resort and home entertainment hubs. They, together with immersive contents such as water park and farms, will develop into our standardized model that brings profits. Meanwhile, we developed business projects of cultural tourism, which mainly include business projects of cultural tourism products and game booths, to capture opportunities presented by large cultural tourism groups and trade associations, and participate in medium and large projects. Cultural Tourism Company will accelerate the deployment of its businesses worldwide with tier-1 and tier-2 cities in China such as Beijing, Shanghai and the Greater Bay Area as the primary platforms in the short run, while exploring opportunities in markets of Southeast Asia and North America; we will commence incubation of characteristic-based products and models in the overseas markets in light of local conditions for the development of our global businesses. In addition, we will optimize the development of IP derivatives and smart cultural tourism services with technologies such as AI and metaverse, deepen the cooperation with local governments and cultural tourism groups, and develop our capacity across the industrial chain of "IP licensing + planning and design + construction of EPC+ operation and management", which will provide support to the Company in achieving the goals of developing into a leading cultural tourism company across the globe and create a "Playful World".

To further deepen gaming and related businesses, the Grand Entertainment Innovative Business Development Center established by the Group has been accelerating the integration of R&D and publishment of games, IP licensing and resources for digital marketing. In the next two years, we will build a closed-loop ecosystem centered on games, social scenario and mini program mall; we will launch 3 to 5 IP theme games, while enhancing users' loyalty to our contents through the sharing mechanism with users, thereby providing support to our second curve.

Product innovation is the core element of the Group in addressing the fragmented demand of the Z generation and shortened IP life cycle. The Group has been deploying its products under the core strategy of a layered product matrix of "functional product line" +"key categories that contribute to profit" +"high value-added product line", focusing on three core categories of infants and children, designer toys product and home/3C that cover rigid demand from parent and children, emotional value of young people and needs of people of all ages for a better life. Meanwhile, through designs that evoke emotions and localized operations, we will develop the competitiveness of our products in terms of differentiated brands. Through artistic IP such as crossover with chenfenwan, the British Museum and Hikari Shimoda, we will achieve significant improvements in potential premiums and values of the products; also, we will deeply explore regional cultures, with limited products featuring regional cultures to be launched during festivals in these regions. We hope that through global promotion and localized interpretation of these local cultural symbols, we will establish a stronger brand recognition of B.Duck as China's original brand, while building loyalty among fans across various regions through emotional ties and cultural identity. With these efforts, we can build a barrier with differentiated brands that featuring both globalization and national self-confidence.

Based on this product matrix developed by the Group, the Group will launch over 30 physical IP retail stores across the world, which will enable B.Duck in realizing the strategy of "maximizing value of IP + achieving synergy of all channels".

2. **Embarking overseas and focusing on "internationalisation"**

In recent years, with the transformation and upgrading of China's economy and the advancement of globalisation, the Chinese government has steadily promoted high-level opening up. In order to proactively cope with the "One Belt, One Road" initiative, the Group has actively deployed in Southeast Asia and other markets. Initial progress has been made in the Thailand market, which lay a foundation for realizing the strategic goal of embarking overseas. In the future, leveraging local channel resources in Thailand and regarding the "B.Duck IP" as an important link, the Group will further coordinate with OTA platforms such as Ctrip and Meituan and introduce products and corporate services from associated brand licensors to increase brand exposure and enhance popularity, and to further penetrate into the Southeast Asian market. In addition, the Group will leverage the accumulated fan base and brand influence to open the offline retail flagship store in overseas, and build a comprehensive brand experience center. Through innovative retail models, the Group will offer customised products and services as well as localised LBE events, so as to deepen the connection between the brand and consumers and promote the long-term development of the brand in the global market. In order to accelerate the realisation of all-round layout in the international market, the Group, with Asia-Pacific economic region as its main battlefield, will expand and deepen the cooperation with licensing agents, to actively carry out the "B.Duck IP" licensing and trading business. In addition, we will export self-developed products and domestic products developed by licensing clients to Southeast Asia and global markets through the exquisite e-commerce business, and strive to replicate the successful business model in Mainland China to overseas markets. Along with the release of consumption potential in overseas emerging markets, the Group's overall revenue, international influence and competitiveness will be further enhanced.

3. **New IP incubation**

Based on mature IP commercial operation capabilities, the Group has commenced in-house IP incubation internally by replicating the successful operation approaches and experience of the "B.Duck IP" for more than a decade to the research and development of new IPs, striving to shorten the period of time from IP incubation to commercial realisation. Meanwhile, the Group has specifically established the "New IP Operation and Innovation Division" to further facilitate new IP incubation, acquisition and cooperation with licensing agents, so as to expand the Group's IP matrix, gradually form an IP platform effect, and facilitate the development of China's original IPs.

4. Industrial investment, mergers and acquisitions

1) The Group will proactively cooperate with start-up companies engaging in new consumption and new retail business. At the same time, the Group will make equity investment in these types of companies in a timely and appropriate manner, and provide them with the Group's resources such as "brand + IP operation + design + capital + channel", so as to promote the expansion of new categories of licensing while ensuring financial gains and in turn boosting IP licensing income.

2) For long-term licensees, the Group will seek to cooperate with clients who are able to establish in-depth cooperation with us in terms of business, retail channels, personnel, intellectual property rights and profitability in the future. Through investment, the Group will speed up the integration of its retail channels, strengthen supply chain cooperation and collaboration, enhance its product sales and distribution capabilities, as well as expand its revenue and asset scale.

3) The Group will proactively explore the possibility of cooperating with the local governments in China, so as to cooperate with state-owned capital and work with well-known large-scale fund management institutions. The Group will also focus on investment in the fields of new consumption, AI application and retail channels, so as to explore government channels while strengthening industrial ecosystem that boost our licensing and merchandise retailing businesses.

The Company is committed to establishing a system with a revenue scale of more than RMB1 billion for the Group, and it is expected that the progress will be accelerated driven by internal and external resources and funds. The Group will continue to innovate and expand from the innovative development of merchandise retailing, offline cultural tourism and online games, the strategic layout of overseas expansion and the innovative exploration under AIGC, in order to promote the innovation and development of the IP industry. By continuously expanding the business reach and extending its channels of upstream and downstream industry chains, the Group will build an IP ecological commercial complex with a scale exceeding RMB10 billion, thereby continuously creating value for shareholders.

The biographical details of the Directors and senior management are set out as follows:

EXECUTIVE DIRECTORS

Mr. HUI Ha Lam (許夏林) ("**Mr. Hui**"), aged 51, is the founder of the Group and was appointed as a Director on 10 December 2020. He was re-designated as the executive Director, chairman of the Board and chief executive officer of the Company on 28 April 2021 and he is primarily responsible for the overall strategic planning, and business development of the Group. Mr. Hui is also the chairman of the nomination committee of the Board (the "**Nomination Committee**") and a member of the remuneration committee of the Board (the "**Remuneration Committee**"). Mr. Hui is also a director of several subsidiaries of the Company.

Mr. Hui has over 20 years of experience in design, marketing, licensing and branding industries. Prior to founding of the Group in late 2001, Mr. Hui worked as designer for Tint Concepts Limited and was responsible for both commercial and residential design projects from March 1998 to June 1999. From October 2000 to October 2001, Mr. Hui worked as a product designer for Kafutoy Industrial Co., Ltd and was responsible for the design and manufacturing of gifts and premium products to overseas markets. Since July 2020, Mr. Hui has been appointed as an independent non-executive director of Takbo Group Holdings Limited, a company listed on GEM of the Stock Exchange (Stock Code: 8436).

Mr. Hui was a committee member of the Toy Advisory Committee of Hong Kong Trade Development Council from 2012 to 2016. Mr. Hui was appointed as the vice chairman of Asia Branding and Franchising Association in 2014. Between 2014 to 2018, and from 2022, Mr. Hui was also a committee member of the Design, Marketing & Licensing Services Advisory Committee of the Hong Kong Trade Development Council. Mr. Hui was appointed as a director to the 51st to 53rd Term Board of Directors of Yan Chai Hospital from 2018 to 2020 and a honorary director to the 54th Term Board of Directors of Yan Chai Hospital in 2021. Mr. Hui previously served as a member of the executive committee of Group 19 (Hong Kong Toys Council) and has been a member of Group 30 (Hong Kong Innovation and Creative Industries Council) since 2019 under the Federation of Hong Kong Industries. He has been serving as a member of the Hong Kong Young Industrialist Council (Design and Technology Committee) since 2018, and is currently the vice chairman of the committee. He was a committee member of the Hong Kong Designers Association from 2018 to 2022. Since 2019, Mr. Hui has been appointed as a director of Hong Kong Design Centre. From 2020 to 2023, Mr. Hui was a committee member of Advisory Committee of Licensing International Greater China. Since 2022, Mr. Hui has been the vice-chairman of the Public Relations Committee of the Hong Kong Young Industrialists, a committee member of the Service Promotion Programme Committee of the Hong Kong Trade Development Council, an executive committee member of Merchants Support for Rehabilitated Offenders Committee. Since 2023, Mr. Hui has been appointed as a committee member of the Steering Committee of the Hong Kong Design Centre. Since 2024, Mr. Hui has been a committee member of each of the Hong Kong & Mainland Affairs Committee and the Education and Training Committee of the Hong Kong Young Industrialists, the honorary president of the Hong Kong-Guizhou Cultural Exchange Fund, the chairman of the Cultural IP Creative Committee of the Greater Bay Area Association of Listed Companies, a director of the Shenzhen Overseas Chinese International Federation, and a member of the Qianhai Internationalization Enhancement Advisory Committee.

Mr. Hui obtained a bachelor of arts degree majoring in Fine Arts from the Chinese University of Hong Kong in December 1997 and a master of arts in three dimensional design from the Kent Institute of Art & Design in September 2000.

Mr. Hui is the sole director and the beneficial owner of Semk Products (Holdings) Limited and Semk Global Investment Ltd., both companies have disclosable interests in the shares under the provisions in Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) (the "**SFO**").

Mr. KWOK Chun Kit (郭振傑) ("**Mr. Kwok**"), aged 51, was appointed as an executive Director on 28 April 2021. Mr. Kwok has over 20 years of experience in sales, marketing and licensing. Mr. Kwok joined the Group as sales and marketing director in August 2003 and was promoted to the role of chief operating officer in November 2016 and is primarily responsible for the overall business operations of the Group and managing relationship with licensees. Mr. Kwok is also a director of several subsidiaries of the Company.

Prior to joining the Group, Mr. Kwok spent over four years in the banking industry. Mr. Kwok commenced his career as an officer in the corporate banking department of the China State Bank Limited from October 1996 to December 1997. He then worked as an officer of the property loans department of Bank of East Asia Limited from January 1998 to January 2001. Afterwards he worked as a personal financial executive in the sales and services department of Mevas Bank from January 2001 until July 2001.

Mr. Kwok graduated with a bachelor of arts in marketing in October 1995 from the Hong Kong Polytechnic University and a degree of master of science in finance in October 2002 from the City University of London through an approved course of higher study.

Mr. CHEUNG Chin Yiu (張展耀) ("**Mr. Cheung**"), aged 44, was appointed as an executive Director on 28 April 2021. Mr. Cheung has over 20 years of experience in licensing, marketing, event and promotion, business development, trademark registration and brand assurance. Mr. Cheung was the Group's senior licensing manager from February 2011 to April 2013. He then left the Group to work at Zan's Global Limited from June 2013 to July 2015 where he last held position was senior sales manager. He was mainly responsible for project management, identifying business partners for OEM projects and overseas distribution. Mr. Cheung rejoined the Group in July 2015 as senior licensing manager. He was promoted to head of licensing in January 2016 and licensing director and general manager in March 2017. He is mainly responsible for managing licensing operations, handling merchandise and event and promotion business in Hong Kong, China and overseas.

Prior to joining the Group in 2011, Mr. Cheung worked at Animation International Limited from October 2004 to June 2008 where he last held the position as senior licensing executive. He was mainly responsible for licensing and marketing, coordinating event and promotions. Between January 2009 to January 2011, Mr. Cheung worked at Toei Animation Enterprises Limited where his last held the position was senior licensing executive. He was mainly responsible for handling merchandise and promotional character licensing business in Hong Kong and provide administrative support to the merchandising department in relation to Japanese animation characters.

Mr. Cheung graduated with a diploma in management studies from the School of Professional and Continuing Education, the University of Hong Kong in December 2003 and a bachelor degree of management studies from the University of Hong Kong in December 2009.

NON-EXECUTIVE DIRECTOR

Mr. Liang Xingchao (梁興超) ("**Mr. Liang**"), aged 56, was appointed as a non-executive Director on 23 October 2024. He holds a doctoral degree. Since December 2018, Mr. Liang has served as the deputy general manager of Shenzhen OCT Capital Investment Management Co., Ltd.* (深圳華僑城資本投資管理有限公司) and has been the deputy general manager of Overseas Chinese Town (HK) Company Limited since July 2022. He has previously worked at Yunnan Urban Construction Investment Group Co., Ltd.* (雲南省城市建設投資集團有限公司) and OCT Private Equity Management Co., Ltd.* (華僑城私募基金管理有限公司). Mr. Liang has been a director of Jiangsu Guoxin Co., Ltd.* (江蘇國信股份有限公司) (Shenzhen Stock Exchange Stock Code: 002608) since 19 May 2022 and a non-executive director of Minsheng Education Group Company Ltd (Stock Code: 1569) since 12 December 2024. Mr. Liang obtained his doctoral degree from Southwest Jiaotong University in December 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. LEUNG Ping Fun Anita (梁丙焄) ("**Ms. Leung**"), aged 61, was appointed as an independent non-executive Director on 20 December 2021 and is primarily responsible for providing independent judgement to the Board. Ms. Leung is also the chairperson of the Remuneration Committee and a member of the audit committee of the Board (the "**Audit Committee**").

Ms. Leung was qualified as a solicitor of Hong Kong in September 1989, and was admitted in England and Wales in 1991, Australian Capital Territory in 1991 and Singapore in 1995. Ms. Leung has extensive experience in the legal field and has worked at Baker & McKenzie from 1987 to 2008 where her last position was partner. Between 2008 and 2015, she was a partner at Jones Day and she is currently a consultant at David Lo & Partners. Ms. Leung graduated with a bachelor degree in laws and a postgraduate certificate in laws from the University of Hong Kong in 1986 and 1987.

Ms. Leung currently serves as a member of the Hong Kong Housing Society and is a member of its Executive Committee and the Chairlady of its Special Committee on Elderly Housing. She was a member of its Audit Committee from September 2018 to September 2024. She had been appointed by the Chief Justice as a member of the Solicitors Disciplinary Tribunal Panel from 2011 to May 2023 and held the position of Deputy Tribunal Convenor between May 2014 and May 2017. Ms. Leung has also been appointed by the Secretary for Commerce and Economic Development as the Deputy Chairman of the Copyright Tribunal as from 1 December 2023. She is a member of each of the Inquiry Panel of the Preliminary Investigation Committee of the Hong Kong Institute of Clinical Psychologists, Intellectual Property Committee and Community Relations Committee of the Law Society of Hong Kong. She also serves as a Council Member of the Licensing Executives Society China, Hong Kong Sub-Chapter, after acting as its chairman from December 2012 to December 2016. Ms. Leung has also been serving as a member of the Business of IP Asia Forum Steering Committee of the Hong Kong Trade Development Council since 2013.

Previously, Ms. Leung was a member of the Design, Marketing & Licensing Services Advisory Committee of the Hong Kong Trade Development Council from April 2009 to March 2013 and a member of its Professional Services Advisory Committee from April 2013 to March 2017. She also served on the Board of Governors of the American Chamber of Commerce Hong Kong (the "**Board of American Chamber of Commerce**") from January 2008 to December 2013 and the Board of American Chamber of Commerce Executive Committee from January 2010 to December 2013.

Mr. SUNG Chi Keung (宋治強) ("**Mr. Sung**"), aged 49, was appointed as an independent non-executive Director on 20 December 2021 and is primarily responsible for providing independent judgement to the Board. Mr. Sung is also the chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee.

Mr. Sung has extensive experience in financial management, accounting taxation, auditing and corporate finance and has previously worked at KPMG, PricewaterhouseCoopers and Deloitte & Touche Corporate Finance Ltd. He is currently the chief financial officer of United Chinese Plastics Products Co., Ltd.. From June 2022 to February 2024, he served as the principal at the CFO Centre Greater China. From December 2019 to April 2022, he was the chief financial officer of Vershold Global Limited. From August 2004 to June 2013, he worked for Asian Citrus Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 73) and were admitted to trading on AIM (a market operated by the London Stock Exchange) in 2005 but which have been cancelled from trading on AIM since 29 March 2017, where his last held positions were finance director, executive director and company secretary. From April 2015 to October 2019 and May 2016 to October 2019, Mr. Sung was the chief financial officer and company secretary, respectively, of Chuanglian Holdings Limited (formerly known as China Chuanglian Education Group Limited), the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2371). From August 2013 to March 2015, Mr. Sung was the chief financial officer and company secretary of China Green (Holdings) Limited (formerly known as China Culiangwang Beverages Holdings Limited), the shares of which were formerly listed on the Main Board of the Stock Exchange (Stock Code: 904). Since September 2017, Mr. Sung has been appointed as an independent non-executive director of Takbo Group Holdings Limited, the shares of which are listed on GEM of the Stock Exchange (Stock Code: 8436).

Mr. Sung obtained bachelor degree in business administration, majoring in professional accountancy, from the Chinese University of Hong Kong in December 1997 and a master of corporate finance from the Hong Kong Polytechnic University in December 2006. He was admitted as an associate member of Hong Kong Society of Accountants (currently known as Hong Kong Institute of Certified Public Accountants ("**HKICPA**")) in February 2002 and was advanced to be a fellow member of HKICPA in May 2019. He was also admitted as a fellow member of the Association of Chartered Certified Accountants in December 2007.

Prof. Chan Ka Yin Karen, ***JP*** **(陳嘉賢)** ("**Prof. Chan**"), aged 48, was appointed as an independent non-executive Director on 2 January 2025. Prof. Chan has been Vice President and Executive Director of German Pool (Hong Kong) Limited since 2006, and the Executive Director of German Pool O2O Limited since 2016. Prof. Chan is also Founding Chairlady of the Hong Kong O2O E-Commerce Federation, and Founder and Creative Director of the creative artistic fashion brand Sparkle Collection — Sparkle by Karen Chan since 2017, as well as the Founder and Chairlady of Sparkle Charity Foundation Limited since 2021. Prof. Chan is also an Adjunct Professor at The Hang Seng University of Hong Kong (School of Humanities and Social Science) and serves as a School Advisor at Hong Kong Metropolitan University (LiPACE).

Prof. Chan obtained a Master of Science degree in Marketing from The Chinese University of Hong Kong in 2009, a Master of Arts degree in Business Teachers of Business Education in Higher Education from New York University in 2000 and double Bachelor of Arts degrees in Business Administration and Economics from the University of Washington in 1998. In 2019, she was honored with an Honorary Fellowship from the Vocational Training Council ("**VTC**").

Prof. Chan has been appointed as Justice of the Peace (JP) by Government of the HKSAR, and has been awarded Young Industrialist Award of HK, JCI-HK Ten Outstanding Young Persons Award, APEC Young Women Innovator Award, HKWPEA Outstanding Women Entrepreneurs Award, Hong Kong Cultural & Creative Industries Award, GBA Outstanding Young Cultural and Creative Entrepreneurs Award, and GBWEA Golden Bauhinia Women Art & Cultural Entrepreneur Award among others.

Prof. Chan is Deputy Chairman of the Federation of Hong Kong Industries, Vice Chairman of the Q-Mark Council, Member of the HK Arts Development Council and Chairman of its Arts & Promotion Committee as well as Vice Chairman of their Xiqu Group, Member of the HK Museum Advisory Committee and its Art Sub-committee, Member of the PCPD Personal Data (Privacy) Advisory Committee, THEi Board of Governors, Member of the Innovation and Technology Bureau's Innovation and Technology Fund "Re-industrialization Funding Scheme" Vetting Committee, Consultant to the Employees Retraining Board and Member of the Appeal Boards Panel of the Education Bureau.

Prof. Chan has previously sat on the Board of Governors of the HK Philharmonic Orchestra Society Limited, and was a Council Member of the Communications Authority, Member of each of the Council and Audit Committee of The Hong Kong Polytechnic University, Member of the VTC Council, a Non-official Director of HK Cyberport Management Co. Ltd and Adjunct Professor at Hong Kong Baptist University.

SENIOR MANAGEMENT

Mr. Wong Wing Chiu (黃潁釗), aged 36, joined the Group in October 2024 and he is the chief financial officer of the Group. He has over 10 years of experience in corporate finance industry. From October 2019 to October 2024, he worked at Shenwan Hongyuan Capital (H.K.) Limited where his last position was vice president. Between June 2016 to September 2019, he worked at Haitong International Capital Limited where his last position was assistant vice president. From October 2014 to June 2016, he worked at Hong Kong Exchanges and Clearing Limited as associate. From October 2011 to January 2014, he worked at Ernst & Young where his last position was senior accountant. Mr. Wong graduated with a bachelor degree of business administration in accountancy from City University of Hong Kong in July 2011, and he is also a member of the Hong Kong Institute of Certified Public Accountants.

Mr. CHAN Wa Pan (陳華品), aged 39, joined the Group in February 2012 and he is the general manager and head of licensing operations of the Group. Mr. Chan is primarily responsible for handling all licensing, event and promotion related matters for the Group. Mr. Chan has accumulated over 15 years in the licensing industry. From July 2006 to February 2012, Mr. Chan worked with Animation International Limited and his last held position was event manager where he was primarily responsible for handling licensing, merchandising and promotion matters and events.

Mr. Chan graduated from Ma Kam Ming Charitable Foundation Ma Chan Duen Hey Memorial College in 2005.

Mr. LYU Xingyuan (呂行遠), aged 36, joined the Group in July 2022 and he is the chief investment officer of the Group. He successively worked as the manager and senior manager of the leveraged and acquisition finance division of the investment banking department of China Great Wall Securities Co., Ltd. (長城證券股份有限公司) from July 2015 to November 2020, the vice president of investment of Shenzhen Great Walle Investment Corp., Ltd. (深圳長城匯理投資股份有限公司) from November 2020 to July 2022, and an executive director of Century Plaza Hotel Group (formerly known as Greatwalle Inc.) (Stock Code: 8315) from April 2022 to July 2022. Mr. Lyu holds a bachelor degree of mathematics of the University College London and a master degree of the Engineering and Aerospace Machinery Academy of the University of Manchester.

Ms. TAM Nga Chi (譚雅芝), aged 45, was appointed as the art director of the Group in January 2015. Ms. Tam is mainly responsible for managing the Group's brand, developing style guide and assisting the licensing department of the Group in approving the design works and products from the Group's licensees. Ms. Tam has over 20 years of experience in product design and development. Ms. Tam joined the Group as a graphic designer in October 2003 and was promoted to the role of senior designer, and subsequently to the role of assistant creative director in October 2004 and September 2009, respectively. Prior to joining the Group, Ms. Tam was a designer at Solution Marketing Services Limited from July 2001 to September 2003 where she was primarily responsible for advertising and promotional design.

Ms. Tam graduated with a Diploma in Digital Media Studies from Hong Kong Institute of Vocational Education in July 2001.

* For identification purposes only

The Directors are pleased to submit their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2024.

CORPORATE INFORMATION AND LISTING

The Company was incorporated in the Cayman Islands on 10 December 2020, as an exempted company with limited liability under the laws of the Cayman Islands.

The Shares were listed on the Main Board of the Stock Exchange on 17 January 2022.

PRINCIPAL ACTIVITIES

The Group is principally engaged in (i) the character licensing business: the creation, design, licensing, brand management and marketing of self-created B.Duck Family Characters across multi-channels. The Group licenses the B.Duck Family Characters and brands to its licensees, provides them with product design application services and allows them to incorporate these designs into their products and services offering; and (ii) the e-commerce and other business: the design, development, procurement and retail sales of the Group's B.Duck Family Characters-featured products through multi-channels including operation of mobile online games.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2024 is provided in the sections headed "Chairman's Statement" and the "Management Discussion and Analysis" of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is committed to supporting environmental protection to ensure business development and sustainability. Please refer to the Environmental, Social and Governance Report (the "**ESG Report**") for the details of our environmental, social and governance policies and performance during the year ended 31 December 2024.

ENVIRONMENTAL POLICIES AND PERFORMANCE

It is the Group's corporate and social responsibility to promote a sustainable and ecofriendly environment. In this respect, the Group strives to minimize its environmental impact by reducing the carbon footprint and building its operations in a sustainable way. During the year ended 31 December 2024, the Group has complied in all material aspects with the applicable environmental protection laws and regulations. For more details, please refer to the ESG Report for the Group's work in respect of environmental protection, social and governance during the year ended 31 December 2024.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's businesses, financial condition, results of operations and growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to its businesses. The risk factors set out below are those that could result in the Group's businesses, financial conditions, results of operations or growth prospects differing materially from expected or historical results. Such factors are by no means exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

(i) substantially all the Group's revenue is generated from its B.Duck Family Characters and any significant adverse impacts on the B.Duck Family Characters and its other character IP rights could materially affect the Group's business;

(ii) the Group may not be able to identify and respond to the changes in trends and consumer preferences in a timely manner;

(iii) the Group derived substantially all its revenue in the China market during the past years;

(iv) infringement or misappropriation claims by any third parties against the Group or unauthorised use of the Group's character IP rights may adversely affect the Group's business and reputation; and

(v) the Group's business relies on the ability to maintain its existing relationships with licensees and the ability to attract new licensees to utilise the Group's IP rights; and

(vi) the potential risks associated with the contractual arrangements set out in the sub-section headed "Contractual Arrangements" in this report.

Please also refer to note 3 to the consolidated financial statements for the financial risks facing by the Group and the paragraph headed "Materiality Assessment" of the ESG Report of this annual report for the material ESG issues identified related to the Group's operations.

RESULTS

The results of the Group for the year ended 31 December 2024 and the Group's financial position as at 31 December 2024 are set out in the consolidated financial statements on pages 169 to 257 of this annual report.

FINAL DIVIDEND

The Board did not propose any final dividend for FY2024 (2023: HK0.5 cents per Share).

DIVIDEND POLICY

The recommendation of the payment of dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the shareholders of the Company (the "**Shareholders**").

The Directors may recommend a payment of dividend in the future after taking into account the Group's operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as they may deem relevant at such time. Any declaration and payment as well as the amount of the dividend will be subject to the Company's constitutional documents and the Companies Act of the Cayman Islands, including the approval of the Shareholders.

The Group's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Group in the future.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in the Group's operations.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "**AGM**") is scheduled to be held on Monday, 26 May 2025. A notice convening the AGM will be issued and dispatched to the Shareholders in due course according to the applicable laws, the articles of association of the Company (the "**Articles**") and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 21 May 2025 to Monday, 26 May 2025, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 20 May 2025.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2024 are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2024 are set out in note 23 to the consolidated financial statements.

DEBENTURES

During the year ended 31 December 2024, no issuance of debentures was made by the Company (2023: Nil).

EQUITY-LINKED AGREEMENT

Save as disclosed under the section headed "Share Schemes", there were no other equity-linked agreements entered into or outstanding by the Group or any of its subsidiaries for the year ended 31 December 2024.

RESERVES

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2024 are set out in the consolidated statement of changes in equity on pages 173 to 174 of this annual report and note 24 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company's reserve available for distribution to Shareholders amounted to approximately HK$116.1 million (2023: approximately HK$131.0 million).

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2024 are set out in note 29 to the consolidated financial statements in this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Hong Kong and the Mainland China.

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

During the year ended 31 December 2024, there was no material breach of or non-compliance with, applicable laws and regulations by the Group.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees

The Group values its employees as essential assets and offers competitive remuneration, along with training and development opportunities to empower them to deliver exceptional performance and contribute to achieving the Group's corporate goals.

Customers

The Group's customers primarily consist of (i) the licensees; (ii) the fans; and (iii) the wholesale customers. The Group had an extensive licensing network covering a diverse range of consumer sectors and gained a widespread reach to consumers across different regions, with a core focus in Asia, including the Mainland China, Hong Kong and Southeast Asian countries.

Suppliers

The Group's suppliers primarily consist of (i) OEM suppliers which mainly manufacture apparel, bags and accessories; and (ii) licensees of its merchandise licensing business. The Group mainly procures apparel, bags and accessories from various OEM suppliers located in the PRC. The Group strives to establish long term business relationship with its suppliers.

Further discussions on the relationship with stakeholders are set out in the ESG Report.

During the year ended 31 December 2024, there was no material dispute or argument between the Group and its customers, suppliers and employees.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2024, the Group's sales to its five largest customers in aggregate accounted for 16.0% (2023: 23.3%) of its total sales and the largest customer accounted for 11.0% (2023: 14.0%) of its total sales.

For the year ended 31 December 2024, purchases from the Group's five largest suppliers in aggregate accounted for 81.0% (2023: 84.6%) of its total purchases and the largest supplier accounted for 67.9% (2023: 70.2%) of the Group's total purchases.

Save for the Group's largest supplier, ENS Toys (Huizhou) Limited ("**ENS Toys**"), as disclosed under the section headed "Continuing Connected Transactions" of this report, none of the Directors or any of their close associates or any Shareholders of the Company (which to the best knowledge of the Directors own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers during the year ended 31 December 2024.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 258 of this annual report. This summary does not form part of the audited consolidated financial statements.

DIRECTORS

The Directors during the year ended 31 December 2024 and up to the date of this annual report were as follows:

Executive Directors:

Mr. Hui Ha Lam *(Chairman of the Board and Chief Executive Officer)*
Mr. Kwok Chun Kit
Mr. Cheung Chin Yiu
Mr. Tse Tsz Leong *(resigned on 24 May 2024)*

Non-executive Directors:

Mr. Liang Xingchao *(appointed on 23 October 2024)*
Mr. Li Xiang *(resigned on 23 October 2024)*

Independent Non-executive Directors:

Ms. Leung Ping Fun Anita
Mr. Sung Chi Keung
Prof. Chan Ka Yin Karen, *JP (appointed on 2 January 2025)*
Dr. Chan Kai Yue Jason, *MH, JP (resigned on 2 January 2025)*

Pursuant to the Articles, Mr. Kwok Chun Kit, Mr. Liang Xingchao, Ms. Leung Ping Fun Anita and Prof. Chan Ka Yin Karen, *JP* will retire and, being eligible, offer themselves for re-election at the AGM.

Mr. Tse Tsz Leong has tendered his resignation as an executive Director, the chief financial officer, company secretary ("**Company Secretary**") and an authorised representative of the Company pursuant to Rule 3.05 of the Listing Rules with effect from 24 May 2024 as he would like to devote more time to his other personal goals.

Mr. Li Xiang has tendered his resignation as non-executive Director with effect from 23 October 2024 due to his other work commitments.

Dr. Chan Kai Yue Jason, *MH*, *JP* has tendered his resignation as an independent non-executive Director, and ceased to be a member of each of the Audit Committee and the Nomination Committee of the Board, with effect from 2 January 2025, in order to devote more time to his other personal goals.

Save as disclosed above, no director resigned from his office or refused to stand for re-election to his office due to reasons relating to the affairs of the Company.

DIRECTORS' SERVICE CONTRACT AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from the 17 January 2025 (subject to termination in certain circumstances as stipulated in the relevant service contract).

Mr. Liang Xingchao, the non-executive Director has entered into a letter of appointment with the Company for an initial term of three years commencing from 23 October 2024 (subject to termination in certain circumstances as stipulated in the relevant letter of appointment).

Ms. Leung Ping Fun Anita and Mr. Sung Chi Keung, both independent non-executive Directors have each entered into a letter of appointment with the Company for an initial term of three years commencing from 20 December 2024 (subject to termination in certain circumstances as stipulated in the relevant letter of appointment). Prof. Chan Ka Yin Karen, *JP*, an independent non-executive Director, has entered into a letter of appointment with the Company for an initial term of three years commencing from 2 January 2025 (subject to termination in certain circumstances as stipulated in the relevant letter of appointment).

All Directors are subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to the Articles.

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

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and the five highest paid individuals of the Group for FY2024 are set out in note 7 to the consolidated financial statements in this annual report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 34 to 40 of this annual report.

CHANGE IN INFORMATION IN RESPECT OF DIRECTORS

Save as disclosed in this report, there was no change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules for the year ended 31 December 2024 and up to the date of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence from each of the independent non-executive Directors. The Company has assessed their independence in according with Rule 3.13 of the Listing Rules and still considers that all independent non-executive Directors are independent.

REMUNERATION POLICIES

During the year ended 31 December 2024, the remuneration policy for employees of the Group is determined based on their responsibilities, qualifications, performance, experience and seniority which are reviewed periodically.

The Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group are reviewed by the Remuneration Committee, approved by the Board and authorised by the Shareholders at the annual general meetings of the Company, which is based on the Group's performance, the executives' respective contributions to the Group and comparable market practices.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save for transactions as disclosed in the section headed "Continuing Connected Transactions" in this report and note 32 to the consolidated financial statements, no transaction, arrangements or contract of significance to the business of the Group to which the Company or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director or his or her connected entity had a material interest, whether directly or indirectly, subsisted at 31 December 2024 or at any time during the year ended 31 December 2024.

CONTRACTS OF SIGNIFICANCE

Save for transactions as disclosed in the section headed "Continuing Connected Transactions" in this report, no contract of significance (whether for the provision of services to the Company or not) had been entered into between the Company, or any of its subsidiaries, and the controlling shareholder(s) of the Company or any of its subsidiaries at the end of the year ended 31 December 2024 or at any time during the year ended 31 December 2024.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed as at 31 December 2024 or at any time during the year ended 31 December 2024.

CHARITABLE DONATIONS

The donations made by the Group during the year ended 31 December 2024 amounted to approximately HK$0.1 million (2023: HK$0.1 million).

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

Pursuant to the Articles, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices; provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

In accordance with the provisions of Section 470 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the aforesaid approved indemnity clause for the benefit of the Directors was effective during the financial year ended 31 December 2024 and at the time when this report prepared by the Directors was adopted in accordance with Section 391(1)(a) of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

Save for the above, at no time during the year ended 31 December 2024 and up to the date of this annual report, there was or is, any permitted indemnity provision (as defined in section 9 of the Companies (Directors' Report) Regulation (Chapter 622D of the Laws of Hong Kong)) being in force for the benefit at any of the Directors (whether made by the Company or otherwise) or any of the directors of an associated company (if made by the Company).

DIRECTORS' EMOLUMENTS

Details of the Directors' emoluments are set out in note 7 to the consolidated financial statements. The Remuneration Committee will review and recommend the Board the remuneration and compensation packages (including incentive plans) of the Directors and senior management members, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of the Directors and senior management team, as well as the overall performance of the Group. The executive Directors and senior management may also be granted options under the share option scheme of the Company (the "**Share Option Scheme**").

SHARE SCHEMES

Share Option Scheme

The Company adopted the Share Option Scheme on 20 December 2021. No option under the Share Option Scheme has been granted since its adoption.

Summary of the principal terms of the Share Option Scheme is as follow:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions made by the Group's employees, to attract skilled and experienced personnel, to incentivise them to stay with the Company and to motivate them to strive for the future development and expansion of the Company and its subsidiaries, by providing them with the opportunity to acquire equity interests in the Company.

(b) Participants of the Share Option Scheme and the basis of determining the eligibility of the participants

The Board may from time to time grants options to any individual who is an employee of the Group (including executive Directors) or any entity in which the Company holds any equity interest and such other persons who has or will contribute to the Company as approved by the Board from time to time on the basis of their contribution to the development and growth of the Group.

(c) Subscription price

The subscription price per Share at which a grantee may subscribe for Shares upon exercise of an option shall be a price determined by the Board in its sole and absolute discretion but in any event shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date on which the option is offered, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the option; and (iii) the par value of the Shares.

(d) **Grant price of options and acceptance of an offer**

An option shall be deemed to have been granted to (subject to certain restrictions in the Share Option Scheme), and accepted by, the grantee and to have taken effect after the Company receives the offer letter signed by the grantee together with a remittance in favour of the Company of HK$1.00 or the equivalent amount in any currency by way of consideration for the grant of the option on or before the last day for acceptance as defined by the Board.

(e) **Maximum number of Shares available for issue**

The total number of Shares available for issue under the Share Option Scheme is 100,000,000 Shares, represent 10.19% of the Shares in issue as at the date of this annual report.

(f) **Maximum entitlement of each participant**

Unless approved by the Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any grantee if the acceptance of those options would result in the total number of shares issued and to be issued to that grantee on exercise of his/her options during any 12-month period exceeding 1% of the total Shares then in issue.

(g) **Term of subscription of Shares upon exercise of the options**

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(h) **Minimum period for which an option must be held before it can be exercised**

The Board may in its absolute discretion set a minimum period for which an option must be held before an option can be exercised.

(i) **Remaining life of the Share Option Scheme**

The Share Option Scheme will remain in force for a period of ten years commencing on 17 January 2022, subject to early termination provisions contained in the Share Option Scheme. The remaining term of the Share Option Scheme is approximately 6.80 years as of the date of this report.

The number of options available for grant under the limit of the Share Option Scheme as at 1 January 2024 and 31 December 2024 were 100,000,000 and 100,000,000, respectively.

SHARE AWARD SCHEME

On 5 September 2022, the Company adopted a share award scheme (the "**Share Award Scheme**") as amended and supplemented by an amendment deed dated 8 September 2022 (the "**Amendment Deed**") entered into between the Company and the trustee who was appointed by the Company to assist with the administration of the Share Award Scheme (the "**Trustee**"). According to the Amendment Deed, the Shares that may be awarded to a selected participant under the Share Award Scheme comprise only existing Shares.

Summary of the principal terms of the Share Award Scheme is as follows:

(a) Purpose of the Share Award Scheme

The purposes and objectives of the Share Award Scheme are: (i) to recognise the contributions by certain eligible participants and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

(b) Participants of the Share Award Scheme

The eligible participants under the Share Award Scheme include:

(i) any employees of the Group;

(ii) any employees of the holding companies, fellow subsidiaries or associated companies of the Company;

(iii) any persons who provide services to any members of the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group; and/or

(iv) such other persons permitted by the Listing Rules to be participants of the Share Award Scheme, provided that such eligible participant is not a connected person of the Group.

(c) Maximum number of Shares available for issue

Pursuant to the Amendment Deed, the Share Awarded Scheme does not involve any award of new Shares. Therefore, there are no Shares available for issue under the Share Award Scheme.

(d) **Grant price and subscription price of Awarded Shares**

The Board may, from time to time, subject to the provisions of the Share Award Scheme, grant such number of existing Shares as award shares (the "**Awarded Shares**") to any selected participant at no consideration and in such number and on and subject to such terms and conditions as it may in its absolute discretion determine.

(e) **Maximum number of Awarded Shares for grant**

The Board shall not make any further award of Awarded Shares which will result in the aggregate number of the existing Shares awarded by the Board under the Share Award Scheme exceeding ten (10%) per cent of the issued share capital of the Company from time to time. As at the date of this report, the maximum number of Awarded Shares available for grant under the Share Award Scheme was 98,099,300, which represented 10% of the issued Shares of the Company as at the date of this annual report.

(f) **Maximum entitlement of each participant**

The maximum number of Shares which may be awarded to a selected participant under the Share Award Scheme shall not exceed one per cent (1%) of the issued share capital of the Company in any 12-month period.

(g) **Vesting of Awarded Shares under the Share Award Scheme**

Subject to the terms and conditions of the Share Award Scheme and the fulfillment of all vesting conditions to the vesting of the Awarded Shares on such selected participant as specified in the Share Award Scheme and the relevant grant instrument, the Awarded Shares held by the Trustee on behalf of the selected participant shall vest in such selected participant in accordance with the applicable vesting schedule, and the Trustee shall cause the Awarded Shares to be transferred to such selected participant in accordance with the terms of the Share Award Scheme. Where a selected participant subsequently becomes a connected person of the Company prior to vesting of the Awarded Shares, such vesting of the Awarded Shares will be subject to compliance by the Company of requirements under Chapter 14A of the Listing Rules, where applicable, and the Remuneration Committee shall have absolute discretion to alter the vesting, or terminate the award, of such Awarded Shares where such requirements would, in the opinion of the Remuneration Committee, be burdensome on the Company.

(h) **Remaining life of the Share Award Scheme**

Subject to any early termination as may be determined by the Board pursuant to the rules of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a term of ten (10) years commencing on its adoption date, i.e. 5 September 2022. The remaining term of the Share Award Scheme is approximately 7.44 years.

Movements of Awarded Shares

During the year ended 31 December 2024, the movements of the Awarded Shares granted under the Share Award Scheme were as follows:

Grantee name/categories	Date of grant	Vesting date/period	Market price of award Shares at date of grant based on closing price of Shares as at date of grant (HK$)	Purchase price of the Awarded Shares (HK$)	Closing price of Shares immediately before the date of grant (HK$)	Closing price of Shares immediately before the vesting date (HK$)	Weighted average closing price of the Shares immediately before the date on which the Awarded Shares were vested (HK$)	Number of Unvested Awarded Shares at 1 January 2024 (excluding those vested on 1 January 2024)	Number of Awarded Shares granted during the year ended 31 December 2024	Number of Awarded Shares vested during the year ended 31 December 2024	Number of Awarded Shares lapsed during the year ended 31 December 2024	Number of Awarded Shares cancelled during the year ended 31 December 2024	Number of Unvested Awarded Shares at 31 December 2024
Eligible employees – (Non-connected employees):													
	31 October 2023	30 April 2025 – 30 April 2026	1.510	1.681	1.560	–	–	14,608,000	–	0	3,975,500	–	10,632,500
	31 January 2024	30 April 2026 – 30 April 2027	1.270	1.665	1.270	–	–	–	14,714,000	–	14,714,000	–	0
Five highest paid employees in aggregate													
	31 October 2023	30 April 2025 – 30 April 2026	1.510	1.681	1.560	–	–	3,862,000	–	0	1,084,500	–	2,777,500

The fair value of the 14,714,000 Awarded Shares granted during the year on the date of grant was approximately HK$18,686,780, being the 14,714,000 Shares subject to the Awarded Shares multiply by the closing price of the Shares on the date of grant of HK$1.270 per Share. The amount to be expensed as share-based compensation expenses is determined by reference to the fair value of the Awarded Shares granted.

The number of share awards available for grant under the limit of the Share Award Scheme as at 1 January 2024 and 31 December 2024 were 83,491,000 and 87,466,800, respectively.

No Shares may be issued in respect of options under the Share Option Scheme or share awards under the Share Award Scheme during the year ended 31 December 2024.

For details of the grant of 14,714,000 Awarded Shares, please refer to the announcement of the Company dated 31 January 2024.

RETIREMENT BENEFITS SCHEME

The Group only operates defined contribution pension schemes. The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme ("**MPF Scheme**"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group (the employer) and its employees make monthly contributions to the scheme generally at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employee are subject to a maximum contribution of HK$1,500 per month (for period after 1 June 2014) and thereafter contributions are voluntary. The Group has no further obligation for postretirement benefits beyond the contributions.

As stipulated by rules and regulations in the Mainland China, the employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal government and the central government, respectively. These subsidiaries are required to contribute a certain percentage of payroll costs to the central pension schemes.

No forfeited contribution (by the Group on behalf of its employees who leave the scheme prior to vesting fully in such contributions) is available to be utilised by the Group to reduce the contributions payable in the future years or to reduce the Group's existing level of contributions to the pension scheme.

Particulars of retirement benefits plan of the Group for the year ended 31 December 2024 are set out in note 7 to the consolidated financial statements in this annual report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2024, the interests and short positions of the Directors and the 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 SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the "**Model Code**") were as follows:

Long position in the Shares and underlying shares of the Company

Name of Director	Capacity/Nature of interest	Number of Shares/ underlying shares held/interested	Percentage of the issued share capital of the Company
Hui Ha Lam	Interest of a controlled corporation	663,200,000 (Note)	67.61%
	Beneficial owner	7,000,000	0.71%

Note: Mr. Hui Ha Lam is the sole beneficial owner of Semk Products (Holdings) Limited which wholly-owns Semk Global Investment Ltd. By virtue of the SFO, he is deemed to be interested in all the 663,200,000 Shares held by Semk Global Investment Ltd.

Long position in the shares and underlying shares of Semk Global Investment Ltd and Semk Products (Holdings) Limited, each an associated corporation of the Company within the meaning of Part XV of the SFO

Name of Director	Name of associated corporation	Capacity/Nature of Interest	Number of shares or underlying shares of the relevant associated corporation	Percentage of interest to total issued share capital of the relevant associated corporation
Hui Ha Lam	Semk Global Investment Ltd	Interest of a controlled corporation	50,000	100%
	Semk Products (Holdings) Limited	Beneficial owner	1,120,000	100%

Save as disclosed above, as at 31 December 2024, none of the Directors and the chief executive of the Company nor their associates had or was deemed to have any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was 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 and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required to recorded in the register to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Schemes" above, at no time during the year ended 31 December 2024 and up to the date of this annual report was the Company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2024, to the best knowledge of the Directors and the senior management of the Company, the following persons (other than the Directors and the chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to provision of Division 2 and 3 of Part XV of the SFO, or as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long position in the Shares and underlying shares of the Company

Name of shareholder	Capacity/ Nature of interest	Number of Shares held/ interested in	Approximate percentage of the issued share capital
Semk Global Investment Ltd (Note 1)	Beneficial owner	663,200,000	67.60%
Semk Products (Holdings) Limited (Note 1)	Interest of a controlled corporation	663,200,000	67.60%
Lam Ngan Shan (Note 1)	Interest of spouse	670,200,000	68.32%
City Legend International Limited (Note 2)	Beneficial owner	83,601,000	8.52%
Phoenix Ocean Developments Limited (Note 2)	Interest of a controlled corporation	83,601,000	8.52%
Overseas Chinese Town (Asia) Holdings Limited (Note 2)	Interest of a controlled corporation	83,601,000	8.52%
Pacific Climax Limited (Note 2)	Interest of a controlled corporation	83,601,000	8.52%
Overseas Chinese Town (HK) Company Limited (Note 2)	Interest of a controlled corporation	83,601,000	8.52%
深圳華僑城股份有限公司 (Note 2)	Interest of a controlled corporation	83,601,000	8.52%
華僑城集團有限公司 (Note 2)	Interest of a controlled corporation	83,601,000	8.52%
Top Plenty Limited (Note 3)	Beneficial owner	58,446,000	5.96%
Wong's Industrial (Holdings) Limited (Note 3)	Interest of a controlled corporation	58,446,000	5.96%
Catel (B.V.I) Limited (Note 3)	Interest of a controlled corporation	58,446,000	5.96%
Wong's International Holdings Limited (Note 3)	Interest of a controlled corporation	58,446,000	5.96%

Notes:

1. The entire issued share capital of Semk Global Investment Ltd is held by Semk Products (Holdings) Limited, which is in turn wholly-owned by Mr. Hui Ha Lam, the Chairman of the Board, executive Director and the chief executive officer of the Company. By virtue of the provisions of Part XV of the SFO, each of Semk Products (Holdings) Limited and Mr. Hui Ha Lam is deemed or taken to be interested in all the Shares beneficially owned by Semk Global Investment Ltd. Besides, Ms. Lam Ngan Shan is the spouse of Mr. Hui Ha Lam. By virtue of the provisions of Part XV of the SFO, Ms. Lam Ngan Shan is deemed to be interested in the same number of Shares in which Mr. Hui Ha Lam is deemed to be interested.

2. Based on the notice of disclosure of interests filed on 26 January 2022, City Legend International Limited is interested in 83,601,000 Shares. City Legend International Limited is wholly-owned by Phoenix Ocean Developments Limited, which is in turn wholly-owned by Overseas Chinese Town (Asia) Holdings Limited. Overseas Chinese Town (Asia) Holdings Limited is owned as to 70.94% by Pacific Climax Limited, which is wholly-owned by Overseas Chinese Town (HK) Company Limited. Overseas Chinese Town (HK) Company Limited is wholly-owned by 深圳華僑城股份有限公司, a company owned as to 47.01% and 0.96% by 華僑城集團有限公司 and 深圳華僑城資本投資管理有限公司. 深圳華僑城資本投資管理有限公司 is wholly-owned by 華僑城集團有限公司.

3. Based on the notice of disclosure of interests filed on 29 November 2023, Top Plenty Limited is interested in 58,446,000 Shares. Top Plenty Limited is wholly-owned by Wong's Industrial (Holdings) Limited, which is in turn wholly-owned by Catel (B.V.I) Limited. Catel (B.V.I) Limited is a company wholly-owned by Wong's International Holdings Limited.

Save as disclosed above, as at 31 December 2024, the Directors and the senior management of the Company are not aware of any other person who had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of Part XV of the SFO.

NON-COMPETITION UNDERTAKING FROM CONTROLLING SHAREHOLDERS

As disclosed in the Prospectus, each of Mr. Hui Ha Lam, Semk Global Investment Ltd and Semk Products (Holdings) Limited ("**Controlling Shareholders**") entered into the deed of non-competition ("**Deed of Non-competition Undertakings**") in favour of the Company (for its itself and for benefit of each of the member of the Group) on 20 December 2021, pursuant to which each of the Controlling Shareholders, irrevocably and unconditionally undertaken and covenanted with the Company on a joint and several basis that, at any time commencing from the Listing Date and during the period that the Deed of Non-competition Undertakings remains effective, each of the Controlling Shareholders shall not, and shall not procure his/its respective subsidiaries and close associate(s) (other than through the Group or in respect of each Controlling Shareholder, together with his/its close associates, as a holder of not more than 5% of the issued shares or stock of any class or debentures of any company listed on any recognised stock exchanges), directly or indirectly be interested, involved or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise) in any business which competes or is likely to compete directly or indirectly with the businesses currently engaged or possibly in the future to be engaged by the Group (including but not limited to the Group's character licensing business and e-commerce and other business in Hong Kong and the Mainland China or any other country or jurisdiction to which the Group provides such services and/or in which any member of the Group carries on business mentioned above from time to time. Details of the Deed of Non-competition Undertakings have been set out in the section headed "Relationship with our Controlling Shareholders — Non-Competition Arrangement and Undertakings" of the Prospectus.

The Company has received the annual declaration from the Controlling Shareholders in respect of their respective compliance with the Deed of Non-competition Undertakings during the year ended 31 December 2024. The independent non-executive Directors, having reviewed the annual declaration and made reasonable enquiry, were satisfied that the Controlling Shareholders have complied with the Deed of the Non-competition Undertakings during the year ended 31 December 2024.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company (as defined in the Listing Rules) nor any of their respective associates that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the year ended 31 December 2024.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or applicable laws of the Cayman Islands that requires the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company's listed securities.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Trustee who was appointed by the Company to assist with the administration of the Share Award Scheme purchased 8,244,000 Shares on the market for a total consideration of HK$9,666,000 (including all related expenses) as of 31 December 2024 to hold on trust for the purpose of the Share Award Scheme.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities (including treasury shares (as defined in the Listing Rules)) during the year ended 31 December 2024. The Company did not hold any treasury shares as of 31 December 2024.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2024, the Group has carried out the following continuing connected transactions that are subject to the annual review and annual reporting requirements under Chapter 14A of the Listing Rules.

Merchandise Supply Framework Agreement I

The Company entered into a merchandise supply framework agreement (the "**Merchandise Supply Framework Agreement I**") with ENS Toys on 1 January 2024 for a term commenced from 1 January 2024 and ended on 31 January 2024. Pursuant to the Merchandise Supply Framework Agreement I, the Company has agreed to, and will procure other members of the Group to, purchase merchandise (including but not limited to apparel and toys) from ENS Toys at a total consideration of no more than HK$1,500,000. The actual transaction amount under the Merchandise Supply Framework Agreement I was approximately HK$1,460,000.

Merchandise Supply Framework Agreement II

The Company entered into a merchandise supply framework agreement (the "**Merchandise Supply Framework Agreement II**") with ENS Toys on 31 January 2024 for a term commenced from 1 February 2024 and ended on 31 May 2024. Pursuant to the Merchandise Supply Framework Agreement II, the Company has agreed to, and will procure other members of the Group to, purchase merchandise (including but not limited to apparel and toys) from ENS Toys, subject to the cap of HK$8,000,000. The actual transaction amount under the Merchandise Supply Framework Agreement II was approximately HK$5,616,000.

Merchandise Supply Framework Agreement III

The Company entered into a merchandise supply framework agreement (the "**Merchandise Supply Framework Agreement III**") with ENS Toys on 12 April 2024 for a term commenced from 1 June 2024 and ended on 31 December 2024. Pursuant to the Merchandise Supply Framework Agreement III, the Company has agreed to, and will procure other members of the Group to, purchase merchandise (including but not limited to apparel and toys) from ENS Toys, subject to the cap of HK$27,861,000, inclusive of the caps of HK$1,500,000 and HK$8,000,000 for the transactions contemplated under the Merchandise Supply Framework Agreement I and the Merchandise Supply Framework Agreement II, respectively. The actual transaction amount under the Merchandise Supply Framework Agreement III was approximately HK$18,923,767.

As ENS Toys is wholly-owned by Mr. Hui Ha Lam, the executive Director, chairman of the Board, chief executive officer and controlling shareholder (as defined under the Listing Rules) of the Company, ENS Toys is considered as a connected person of the Group under Rule 14A.12(1)(c) of the Listing Rules and the transactions contemplated under the Merchandise Supply Framework Agreement I, Merchandise Supply Framework Agreement II, and Merchandise Supply Framework Agreement III constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The products will be priced on normal commercial terms and in the ordinary course of the Group's business with reference to the market price of the same or comparable kind of merchandise provided by independent third parties which are not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company or any of its subsidiaries or any of their respective associates and not connected person(s) of the Company (the "**Independent Third Parties**"). Before entering into any transactions with ENS Toys, the Group will obtain quotes from at least two Independent Third Parties which provide the same or similar products. The finance department of the Company will review and compare the quotes from Independent Third Parties with the quotes from ENS Toys when determining the supplier so as to ensure that the price of the products provided by ENS Toys to the Group is fair and reasonable and is determined on normal commercial terms or on terms no less favourable to the Group than the terms available from Independent Third Parties.

Renewed Merchandise Supply Framework Agreement

The Company entered into a merchandise supply framework agreement (the "**Renewed Merchandise Supply Framework Agreement**") with ENS Toys on 22 November 2024 for a term commenced from 1 January 2025 and ending on 31 December 2025. Pursuant to the Renewed Merchandise Supply Framework Agreement, the Company has agreed to, and will procure other members of the Group to, purchase merchandise (including but not limited to apparel and toys) from ENS Toys, subject to the cap of HK$36,000,000.

Contractual Arrangements

1. Overview

During the year ended 31 December 2024, the Company, through its wholly-owned subsidiary, SEMK Cultural Innovation (Suzhou) Co., Ltd.* (德盈文創(蘇州)有限公司) (the "**WFOE**"), entered into a series of structured contracts (the "**Structured Contracts**"), including the exclusive technical service agreement, the exclusive option agreement, the loan agreement, the power of attorney on shareholders' voting rights, the power of attorney, the equity interest pledge agreement and the spousal consent, with B.Duck SEMK (Suzhou) Cultural Investment Co., Ltd.* (小黃鴨德盈(蘇州)文化投資有限公司) (the "**OPCO**", together with its subsidiaries, the "**OPCO Group**" or the "**Structured Entities**"), Mr. Wu Shuhong (吳樞泓) (the "**Registered Owner**") and the spouse of the Registered Owner (as the case may be). Through the contractual arrangements (the "**Contractual Arrangements**") under the Structured Contracts, the Group maintains effective control over, and receive all the economic benefits generated by, the businesses operated by the Structured Entities, which operates the Prohibited Businesses (as defined below). Further details in relation to the terms of the Structured Contracts and the Contractual Arrangements are set out below.

2. Significance and financial contributions of the Structured Entities to the Group

Through the Contractual Arrangements, the results of operations, assets and liabilities, and cash flows of the Structured Entities were consolidated into the Company's financial statements during the year ended 31 December 2024. The table below sets out the financial contribution of the Structured Entities to the Group:

	Revenue (HKD) (proportionate % to the Group) for the year ended 31 December 2024	Total assets (HKD) (proportionate % to the Group) as at 31 December 2024
Structured Entities	4,282,659 (3.33%)	4,260,927 (1.45%)

3. Information about the WFOE, the OPCO, the Registered Owner, Dequ Technology and Quanzhou Dequ

The WFOE

The WFOE is a company established under the laws of the PRC with limited liability which will enjoy the entire economic interests and benefits of the OPCO through the Structured Contracts. As of the date of this annual report, it is indirectly wholly-owned by the Company. The WFOE, alongside its consolidated subsidiaries, is engaged in development, publishing and operation of online game business.

The OPCO

The OPCO was established under the laws of the PRC with limited liability on 24 August 2023. As of the date of this annual report, the OPCO is wholly-owned by the Registered Owner, Mr. Wu Shuhong. Mr. Wu Shuhong is the sole director of the OPCO with 20 years of experience in financial management and corporate governance.

The OPCO is an investment holding company and is the majority shareholder of Shenzhen Dequ Technology Co., Ltd.* (深圳德趣科技有限公司) ("**Dequ Technology**"), which is principally engaged in the Prohibited Businesses (as defined below), including development, publication and operation of online game business, such as mobile online game and WeChat mini program games, which also engages in (i) proprietary research and customization of thematic IP games; (ii) game licensing; (iii) private domain camps; and (iv) online and offline retail of designer toys primarily to game players. Quanzhou Dequ Technology Co., Ltd.* (泉州德趣科技有限公司) ("**Quanzhou Dequ**"), which is owned as to 51% by Dequ Technology and 49% by Fujian Lisen Yingke Trading Co., Ltd.* (福建利森盈科貿易有限公司), intends to engage in the development and operation of gaming live streaming and e-commerce live streaming. The OPCO Group does not have any interest in other entities as subsidiaries or associates, save for Dequ Technology and Quanzhou Dequ and the Company undertakes that the OPCO Group will not establish other subsidiaries that engage in the non-Prohibited Businesses (as defined below).

The Registered Owner

The Registered Owner of the OPCO is Mr. Wu Shuhong, a PRC national. Mr. Wu Shuhong is a cousin of Mr. Hui, who is the executive Director, chairman of the Board, chief executive officer and one of the controlling shareholders of the Company. Mr. Wu Shuhong is therefore a deemed connected person of the Company.

Dequ Technology

Dequ Technology was established under the laws of the PRC with limited liability on 16 February 2023. Dequ Technology is owned as to 51% by the OPCO and 49% by Shenzhen Dream Studio Technology Co., Ltd. (深圳市夢作坊科技有限公司) ("**Dream Studio**"). Dream Studio is owned as to 56.25%, 24.50% and 19.25% by Mr. Wu Mingliao, Shenzhen Dream Technology Management Partnership (Limited Partnership)* (深圳市夢見科技管理合夥企業(有限合夥)), which is ultimately controlled by Mr. Wu Mingliao, and Shenzhen iDreamSky Technology Co., Ltd.* (深圳市創夢天地科技有限公司), which is controlled by iDreamSky Technology Holdings Limited (stock code: 1119) through contractual arrangements, respectively. The Company and Dream Studio shall have the right to nominate and appoint two directors and one director of Dequ Technology, respectively. The board of directors of Dequ Technology comprises three executive directors, namely Mr. Wu Shuhong, Mr. Wu Mingliao (吳明聊) and Mr. Lyu Xingyuan (呂行遠), and is chaired by Mr. Wu Shuhong. Mr. Wu Mingliao has 16 years of experience in online game development and publishing, and is currently the vice president of the Company. Mr. Lyu Xingyuan has 9 years of experience in investment management and finance, and is currently the chief investment officer of the Company. Save for Mr. Wu Mingliao, who is currently the vice president of the Company, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, all other ultimate beneficial owners of Dream Studio are Independent Third Parties.

The senior management of Dequ Technology comprises Mr. Hou Yong (侯勇) as the general manager and one financial officer. The general manager was nominated by Dream Studio, and his appointment was approved by the board of directors of Dequ Technology. The financial officer is assigned by the Company through the OPCO. Mr. Hou Yong has over 15 years of experience in the online game business and has participated in the development of multiple mobile games with major mobile game publishers in the PRC.

Quanzhou Dequ

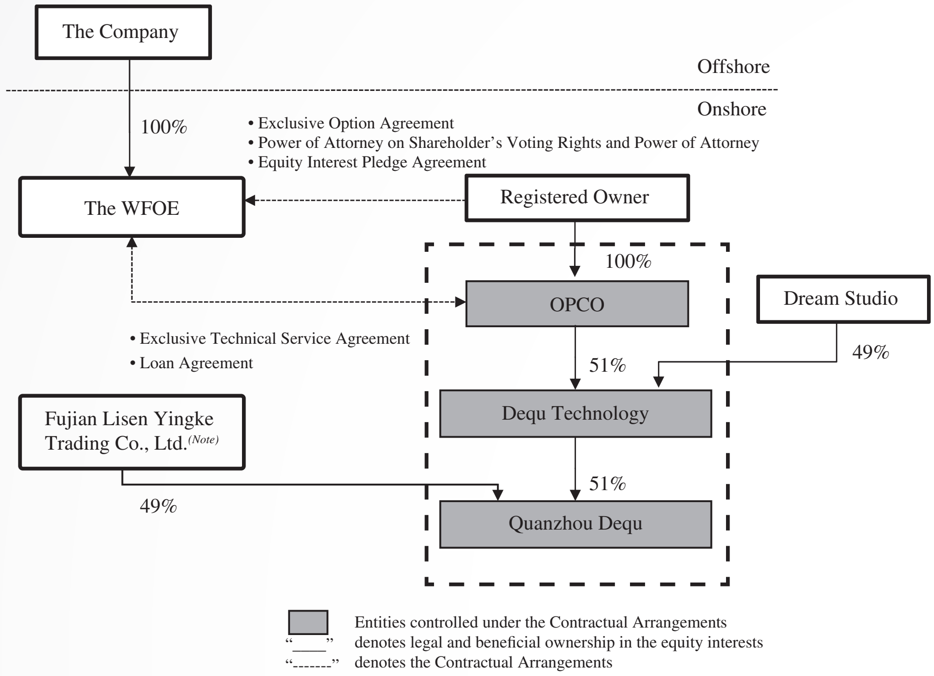
Quanzhou Dequ was established under the laws of the PRC with limited liability on 2 April 2024. Quanzhou Dequ is owned as to 51% by Dequ Technology and 49% by Fujian Lisen Yingke Trading Co., Ltd.* (福建利森盈科貿易有限公司), which is a wholly-owned subsidiary of Lixun Group Co., Ltd.* (利訊集團有限公司) being a customer of the Company. Lixun Group Co., Ltd. is ultimately owned by Mr. Huang Lipeng (黃利鵬), Ms. Yuan Hongqing (袁紅青), Mr. Huang Huoming (黃火明), Ms. Huang Jiafen (黃佳芬) and Ms. Ye Qiaomei (葉巧梅). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, all of the ultimate beneficial owners of Lixun Group Co., Ltd. are Independent Third Parties.

Mr. Wu Shuhong, as nominated and appointed by the Company through Dequ Technology, is the sole director of Quanzhou Dequ. The senior management of Quanzhou Dequ comprises the general manager, Mr. Wu Shuhong and financial officer, Mr. Zhang Qingchuan (張慶川). Mr. Zhang Qingchuan has over 10 years of experience in financial management and is currently the financial manager of a subsidiary of Lixun Group Co., Ltd. The general manager of Quanzhou Dequ was nominated by the Company through Dequ Technology and the financial officer was nominated by Fujian Lisen Yingke Trading Co., Ltd., and their appointments are approved by the shareholders of Quanzhou Dequ. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Mr. Zhang Qingchuan is an Independent Third Party.

Save as disclosed above, the board of directors and management team of the OPCO, Dequ Technology and Quanzhou Dequ have no other relationship with the Company.

4. Shareholding Structure under the Contractual Arrangements

Set forth below is the simplified diagram illustrating the Contractual Arrangements:



Note: Fujian Lisen Yingke Trading Co., Ltd. is a wholly-owned subsidiary of Lixun Group Co., Ltd., being a customer of the Company. Lixun Group Co., Ltd. is ultimately owned by Mr. Huang Lipeng, Ms. Yuan Hongqing, Mr. Huang Huoming, Ms. Huang Jiafen and Ms. Ye Qiaomei.

As a result of the Contractual Arrangements, the Group will treat each of the OPCO, Dequ Technology and Quanzhou Dequ as a controlled entity and consolidate the financial position and results of operations of the OPCO Group in the consolidated financial statements of the Group in accordance with Hong Kong Financial Reporting Standards.

5. Reasons for Use of Contractual Arrangements

Dequ Technology is dedicated to the research, development and production of games and sales of derivative merchandises. Dequ Technology is principally engaged in Prohibited Businesses (as defined below), including development, publication and operation of online game business, such as mobile online game and WeChat mini program games, which also engages in (i) proprietary research and customization of thematic IP games; (ii) game licensing; (iii) private domain camps; and (iv) online and offline retail of designer toys primarily to game players. The Group regards Dequ Technology as an important carrier in the layout of the internet grand entertainment industry, with an aim to maximize the development of the commercial value of the Company's IPs. Dequ Technology launched an online game with the Company's IPs involved in 2024.

Quanzhou Dequ intends to engage in the development and operation of gaming live streaming and e-commerce live streaming, in order to further maximize the development of the commercial value of the Company's IPs.

Foreign investment activities in the PRC are mainly governed by the Catalogue of Industries for Encouraging Foreign Investment 《鼓勵外商投資產業目錄》 (the "**Encouraging Catalogue**") and the Special Administrative Measures (Negative List) for the Access of Foreign Investment 《外商投資准入特別管理措施(負面清單)》 (the "**Negative List**") which were promulgated and amended from time to time jointly by the MOFCOM and the NDRC, the Foreign Investment Law and their respective implementation rules and subsidiary regulations. The Negative List and the Encouraging Catalogue divide industries into four categories in terms of foreign investment, namely, "encouraged", "restricted", "prohibited" and "permitted" (the last category of which includes all industries not listed under the "encouraged", "restricted" and "prohibited" categories).

The Regulations on the Administration of Internet Publishing Services (《網絡出版服務管理規定》) (the "**Internet Publishing Regulations**"), jointly issued by the State Administration of Press, Publication, Radio, Film and Television and MIIT on February 4, 2016 and which took effect on March 10, 2016, regulates a broad range of activities related to the "internet publishing services" providing "internet publications", including online games, to the public through information networks. The Internet Publishing Regulations provides that any entity that is engaged in internet publishing services must obtain an Internet Publishing Service License (網絡出版服務許可證) and requires that prior to internet publishing of online games, an entity shall apply with the publishing authority of the province, autonomous region or centrally-administered municipality where it is situated, which shall, after its examination and consent, forward the same to the State Administration of Press, Publication, Radio, Film and Television for examination and approval. According to the Internet Publishing Regulations, Sino-foreign equity joint ventures, Sino-foreign cooperative joint ventures and foreign entities shall not engage in internet publishing services.

The principal business of the OPCO Group includes the development, publication and operation of online games, and the development and operation of gaming live streaming and e-commerce live streaming (the "**Prohibited Businesses**"). Both the internet publishing services (including the online game publishing) and internet culture operation (including the online game operation, gaming live streaming and e-commerce live streaming) fall within the prohibited categories in the Negative List. Each of Dequ Technology and Quanzhou Dequ is in the course of applying for an ICP License, which is required for the provision of internet information service, a type of "value-added telecommunication service". According to the Negative List, foreign investors are "restricted" from holding more than 50% equity interests in any enterprise holding an ICP License. The OPCO is an investment holding company and does not carry out Prohibited Businesses, which are carried out by Dequ Technology and will also be carried out by Quanzhou Dequ in the future.

As the applicable PRC laws and regulations in force prohibits foreign investment in the above business operation of the OPCO Group, in line with the common practice in the industries which are subject to foreign investment restrictions, the Group intends to adopt the Contractual Arrangements with respect to the OPCO Group, which have enabled the Group, through the WFOE, to obtain effective control over, and receive all the economic benefits generated by, the businesses operated by the OPCO Group, which in turn operate the Prohibited Businesses through itself and its subsidiaries.

Accordingly, for the purpose of operating the online games in compliance with applicable PRC laws and regulations, the Company would not be currently allowed to hold any equity interests in the OPCO given that the OPCO Group operates the foreign-prohibited businesses. Based on this and the advice of the PRC Legal Adviser on the PRC foreign investment restriction policies, the Directors are of the view that the Contractual Arrangements and the OPCO Group's corporate structure as a whole are narrowly tailored to achieve the business purpose of the Group and minimize the potential conflict with relevant PRC laws and regulations. The Company will closely monitor any future development and will take all necessary actions to comply with applicable laws, regulations and specific requirements or guidance, including reorganizing the corporate structure, if required in the future. The Company will unwind and terminate the Contractual Arrangements wholly or partly once its businesses are no longer prohibited or restricted from foreign investment and to the extent permissible under PRC Laws. In addition, based on the foregoing and the advice of the PRC Legal Adviser, the Directors are also of the view that Contractual Arrangements may only be used to the extent necessary to address any limits on foreign ownership and the Company met the requirement of directly holding the maximum permitted interest in the OPCO as set out in the guidance letter HKEx GL77-14.

6. Information on the Structured Contracts

Principal terms of each of the Structured Contracts to be entered are set out as follows:

(1) Exclusive Technical Service Agreement

Parties: (a) the WFOE; and

(b) the OPCO

The OPCO and the WFOE entered into an exclusive technical service agreement (the "**Exclusive Technical Service Agreement**") with the following terms:

Term: The Exclusive Technical Service Agreement shall remain effective from the execution date and shall remain valid unless being terminated in accordance with the terms therein.

The Exclusive Technical Service Agreement shall be terminated in the event that (i) upon the WFOE gives a prior notice in writing or (ii) upon the event that it becomes permitted under PRC laws for the WFOE to directly hold the equity interest in the OPCO, and the WFOE or its designated entity has obtained all the equity interest in the OPCO.

Subject: The OPCO agrees to engage the WFOE as its exclusive service provider to the extent permitted under applicable PRC laws in exchange for service fees to provide, including but not limited to, online game service and network culture operation. Pursuant to the Exclusive Technical Service Agreement, the OPCO shall pay to the WFOE a service fee before 15 April of each calendar year for the services provided in the preceding year. The service fee shall be equivalent to the net profit attributable to the OPCO in the financial year.

The WFOE shall have exclusive proprietary rights to IP (including but not limited to copyright, patent, technical secret and trade secret) in the work outcomes jointly developed by the WFOE and the OPCO or the work outcomes developed by the OPCO independently but relying on the services provided by the WFOE pursuant to the Exclusive Technical Service Agreement. The OPCO could only apply for the IP rights in accordance with the terms stated in the Exclusive Technical Service Agreement, including obtaining prior consent from the WFOE.

(2) Exclusive Option Agreement

Parties:	(a) the Registered Owner;
	(b) the WFOE; and
	(c) the OPCO

The Registered Owner, the WFOE and the OPCO entered into an exclusive option agreement (the "**Exclusive Option Agreement**") with the following terms:

Term:	The Exclusive Option Agreement shall remain effective from the execution date and terminate when all the equity interests in the OPCO have been legally transferred to the WFOE or its designee in accordance with the terms of the Exclusive Option Agreement.
Subject:	The OPCO irrevocably grants the WFOE an exclusive right to purchase or nominate any individuals/entities to purchase all or part of its assets at the purchase price which shall be the permissible minimum under the applicable PRC laws.
	Each of the Registered Owner and the OPCO irrevocably and unconditionally grants, to the WFOE or any individuals/entities designated by the WFOE, the exclusive conversion options and asset purchase options to purchase (at any time, in one or more times), to the extent permitted under relevant PRC Laws, all or part of the shares and/or assets in the OPCO.

The Registered Owner shall be prohibited from selling, offering to sell, transferring, pledging or otherwise disposing of all or part of his equity interests in the OPCO, or granting others a right to purchase such equity interests, without the prior written consent from the WFOE.

The OPCO shall be prohibited from selling, offering to sell, transferring, pledging or otherwise disposing of all or part of its assets, or granting others a right to purchase such assets, without the prior written consent from the WFOE.

Without the prior written consent of the WFOE, the Registered Owner shall not sell, transfer, mortgage or dispose of in any manner any assets of the OPCO (except in the ordinary course of business or disposal to the WFOE or parties designated by the WFOE), or legal or beneficial interest in the business or revenues of the OPCO, or allow the creation of any security interest thereon.

The Registered Owner shall, and the Registered Owner has undertaken to, return any income, profit distribution, dividends and bonus they received from the OPCO to the WFOE.

(3) Loan Agreement

Parties:	(a)	the WFOE, as lender;
	(b)	the OPCO, as borrower; and
	(c)	the Registered Owner, as guarantor

The WFOE, the OPCO and the Registered Owner entered into a loan agreement (the "**Loan Agreement**") with the following terms:

Principal:	The WFOE shall provide a loan, at nil interest rate, in an aggregate amount of RMB5.1 million to the OPCO to pay up the registered capital of Dequ Technology. The Registered Owner agrees to pledge all of the OPCO's equity interests held by it to the WFOE to guarantee the performance under the Loan Agreement.
Term:	The Loan Agreement shall remain effective from the execution date. There is no repayment date under the Loan Agreement, except for when the WFOE is allowed to hold equity interests in Dequ Technology that the loan shall be repaid. The repayment obligation under the Loan Agreement would be fulfilled when the WFOE or its designee upon it is permitted under the PRC laws (i) exercises the share options under the Equity Interest Pledge Agreement (as defined below) to acquire the entire equity interest held by the Registered Owner in the OPCO or (ii) acquires the entire equity interest held by the OPCO in Dequ Technology by offsetting the loan amount of RMB5.1 million. Any tax arising from the loan shall be borne by the WFOE. The PRC Legal Adviser is of the opinion that the Loan Agreement, including the offsetting arrangement set out above, is permitted and feasible under the PRC laws.

(4) Power of Attorney on Shareholder's Voting Rights and the Power of Attorney

Parties: (a) the Registered Owner;

(b) the WFOE; and

(c) the OPCO

The OPCO, the Registered Owner, and the WFOE entered into a power of attorney on shareholder 's voting rights (the "**Power of Attorney on Shareholders' Voting Rights**"), and the Registered Owner signed a power of attorney (the "**Power of Attorney**") with the following terms:

Term: The Power of Attorney on Shareholder's Voting Rights shall remain effective and terminate upon the WFOE gives a prior notice in writing. If the Registered Owner transfers all its equity interests in the OPCO with the prior consent of the WFOE, the Registered Owner will no longer be a party to the Power of Attorney on Shareholder's Voting Rights, but the obligations and commitments of other parties under the agreement will not be adversely affected.

The Power of Attorney shall remain effective and terminate upon the Registered Owner's ceasing to be a shareholder of the OPCO.

Subject: The Registered Owner irrevocably appoints designee(s) (including a liquidator replacing its directors) of the WFOE, to act as its attorney on its behalf to exercise all rights in connection with matters concerning its rights as shareholder of the OPCO, including but not limited to:

(a) holding and attending shareholder's meeting of the OPCO as representative(s) of the Registered Owner;

(b) representing the Registered Owner in the exercise of voting right and veto right on all matters requiring the decisions of shareholders;

(c) voting as shareholders as contemplated under the articles of association of the company; and

(d) signing relevant equity transfer agreements, asset transfer agreements (if applicable), and other relevant documents on behalf of the Registered Owner, and handling relevant government approvals, registrations and filings.

(5) The Equity Interest Pledge Agreement

Parties: (a) the Registered Owner, as pledger;

(b) the WFOE, as pledgee; and

(c) the OPCO

The Registered Owner, the WFOE and the OPCO entered into an equity interest pledge agreement (the "**Equity Interest Pledge Agreement**") with the following terms:

Term: Effective upon execution of the Equity Interest Pledge Agreement and shall remain valid until all the contractual obligations among the Registered Owner, the WFOE and the OPCO under the Equity Interest Pledge Agreement have been fully discharged and that all outstanding loans have been fully repaid.

Subject: The Registered Owner agrees to pledge all of its shares in the OPCO to the WFOE as a security interest to guarantee the payment of outstanding loans of the OPCO.

During the period of pledge, without the prior written consent of the WFOE, the Registered Owner shall not create or agree to create any new pledge or other security on the equity interests of the OPCO, nor assign or transfer any of the equity interests in the OPCO.

(6) **Spousal Consent**

Party:	the spouse of the Registered Owner

The spouse of the Registered Owner executed an irrevocable undertaking with the following terms:

Subject:	The spouse of the Registered Owner expressly undertakes that, among others, (i) not to take any action with the intent to interfere with the arrangements mentioned above, including making any claim that such equity interest constitutes the property or community property; and (ii) to unconditionally and irrevocably waive any and all rights or entitlements whatsoever to such equity interest that may be granted to the spouse according to any applicable laws.

(7) **Disputes Resolutions, Succession and Liquidation Under the Structured Contracts**

Disputes resolutions

The Contractual Arrangements are governed by and shall be construed in accordance with the PRC laws. In the event of any dispute arising under or in connection with the Structured Contracts and the parties failing to reach an agreement within 30 days after the relevant dispute arises, the relevant dispute shall be submitted to Suzhou Arbitration Committee (蘇州仲裁委員會) in accordance with the then effective arbitration rules. The arbitration award shall be final and binding on all parties. Any party shall have the right to apply to courts with competent jurisdiction for enforcement of arbitration awards after the relevant arbitration award comes into effect. During the dispute settlement period, except for the matters in dispute, the parties shall continue to exercise their respective rights and perform their respective obligations under the Structured Contracts. In support of the arbitration pending formation of the arbitral tribunal or in appropriate cases, the courts in Hong Kong, the Cayman Islands, the PRC and the location where the OPCO' principal assets are located shall have the jurisdiction to grant interim remedies over the assets of the OPCO.

Succession

The provisions set out in the Contractual Arrangements are also binding on the successors of the parties, as if the successors were a signing party to the Contractual Arrangements. Although the Contractual Arrangements do not specify the identity of successors, under the PRC Civil Code《(中華人民共和國民法典》), the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents, and any breach by the successors would be deemed to be a breach of the Contractual Arrangements.

Liquidation

In the event of a mandatory liquidation of the OPCO as required by the PRC laws, the Registered Owner shall transfer the proceeds they received from liquidation as a gift to the WFOE or its designee(s) to the extent permitted by the PRC laws.

Unwinding the structure under the Contractual Arrangements

The Company will unwind the structure created as a result of the Contractual Arrangements as soon as the PRC laws allow the Prohibited Businesses to be operated without such structure, and the WFOE may acquire the equity interest in the OPCO held by the Registered Owner and/or the assets of the OPCO to the extent as permitted by the then applicable PRC laws. In the event the WFOE exercises the right under the Exclusive Option Agreement to acquire the equity interest in the OPCO held by the Registered Owners and/or the assets of OPCO to unwind the structure under the Contractual Arrangements, the Registered Owner and the OPCO undertake to return to the WFOE or its designated entity any consideration received.

(8) Loss Sharing

Under the relevant PRC laws and regulations, none of the Company and the WFOE is legally required to share the losses of, or provide financial support to, the OPCO. Further, the OPCO is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Nevertheless, the WFOE intends to continuously provide to or assist the OPCO in obtaining financial support when deemed necessary. In addition, given that the Group conducts the Prohibited Businesses in the PRC through the OPCO Group, and that their financial position and results of operations are consolidated into the Group's financial statements under the applicable accounting principles, the Company's business, financial position and results of operations would be adversely affected if the OPCO Group suffers losses.

(9) **Conflict of Interests**

The Registered Owner gives its irrevocable undertakings in the Powers of Attorney on Shareholder's Voting Rights which address potential conflicts of interests that may arise in connection with the Contractual Arrangements. Pursuant to the Powers of Attorney on Shareholder's Voting Rights, the Registered Owner will irrevocably appoint any person as designated by the WFOE as its representative, to act as its attorney on its behalf to exercise all rights in connection with matters concerning its rights as shareholder of the OPCO, including but not limited to: (i) holding and attending shareholder's meeting of the OPCO as representative(s) of the Registered Owner; (ii) representing the Registered Owner in the exercise of voting right and veto right on all matters requiring the decisions of shareholders; (iii) voting as shareholders as contemplated under the articles of association of the company; and (iv) signing relevant equity transfer agreements, asset transfer agreements (if applicable), and other relevant documents on behalf of the Registered Owner, and handling relevant government approvals, registrations and filings. Therefore, it is unlikely that there will be potential conflicts of interests between the Company and the Registered Owner.

7. Internal Control Measures to Be Implemented by the Group

The Structured Contracts contain certain provisions in order to exercise effective control over and to safeguard the assets of the OPCO Group.

In addition to the internal control measures as provided in the Structured Contracts, it is the intention of the Company, to implement, through the WFOE, additional internal control measures against the OPCO Group as appropriate, having regard to the internal control measures adopted by the Group from time to time, which may include but not limited to:

(a) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;

(b) the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

(c) the Company will disclose the overall performance of and compliance with the Contractual Arrangements in its annual reports; and

(d) the Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of the WFOE and the OPCO Group to deal with specific issues or matters arising from the Contractual Arrangements.

To maintain effective control in the ownership and operations of Dequ Technology and Quanzhou Dequ by the Company, the Company has implemented additional internal control measures against Dequ Technology and Quanzhou Dequ, which include:

(I) Dequ Technology

(a) the Company shall have the right to nominate and appoint two directors, and Dream Studio shall have the right to nominate and appoint one director, to the board of directors of Dequ Technology. The Company, through its control over the majority members of the board of directors of Dequ Technology, has the overall control, including the appointment and removal, of the senior management of Dequ Technology;

(b) the company seal of Dequ Technology shall be kept and affixed by the directors of Dequ Technology who are appointed by the Company; and

(c) the entering into of transaction(s) of RMB1 million or above shall be subject to the approval of the board of directors of Dequ Technology.

(II) Quanzhou Dequ

(a) the following matters, among others, shall be approved by Dequ Technology as the majority shareholder of Quanzhou Dequ: (i) the operation policies and investment plans; (ii) the election and replacement of director; (iii) share transfer and capital injection by the shareholders; (iv) merger, division, change in corporate form, dissolution and liquidation; and (v) appointment and dismissal of managers, deputy managers, directors and financial officers;

(b) the sole director of Quanzhou Dequ, as nominated and appointed by the Company through Dequ Technology, has the power to, among others, act according to the shareholders' resolutions, formulate the annual budget and the fundamental management rules of Quanzhou Dequ;

(c) company seal of Quanzhou Dequ shall be kept and affixed by the general manager of Quanzhou Dequ, who is appointed by the Company through Dequ Technology;

(d) the financial officer of Quanzhou Dequ is responsible for assessing the financial implications of the entering into of loans, guarantees and investments by Quanzhou Dequ, and the entering into of these transactions shall be approved by the general manager of Quanzhou Dequ, who is appointed by the Company through Dequ Technology;

(e) all payments of Quanzhou Dequ shall require the approval from both the Company and Fujian Lisen Yingke Trading Co., Ltd.;

(f) the Company shall have the right to, and the financial officer of Quanzhou Dequ shall have the duty to, collect monthly management accounts, bank statements, cash balances and major operational data of Quanzhou Dequ within 15 days after each month end for review. The Company will seek explanations from the senior management of Quanzhou Dequ on any material fluctuations of the aforesaid collected items;

(g) Quanzhou Dequ must assist and facilitate the Company to conduct all on-site internal audits if required by the Company; and

(h) if the financial officer of Quanzhou Dequ fails to discharge his duties and responsibilities, Dequ Technology, being the majority shareholder of Quanzhou Dequ, shall have the power to remove the financial officer.

The Board is of the view that given (i) the Company is the majority shareholder of Dequ Technology and Quanzhou Dequ; (ii) the majority of the directors of Dequ Technology is nominated and appointed by the Company; (iii) the sole director of Quanzhou Dequ is nominated and appointed by Dequ Technology; and (iv) the implementation of the above additional internal control measures, the Group will, pursuant to the Contractual Arrangements, receive the economic benefits derived by Dequ Technology and Quanzhou Dequ which they are entitled to by virtue of the equity interests they hold.

8. Compliance of Contractual Arrangements with PRC Laws, Rules and Regulations

The PRC Legal Adviser was of the opinion that:

(i) the Structured Contracts are legal and valid, binding on the signatories and enforceable;

(ii) the Structured Contracts are not contrary to the articles of association of the signatory;

(iii) except that the establishment of the pledge rights under the Equity Interest Pledge Agreement is subject to registration with the relevant governmental authorities, and the exercise of the exclusive purchase rights of the OPCO or its designee shall be subject to the corresponding approval, filing or registration procedures in accordance with the provisions of the PRC laws, the execution of the above agreements and related documents do not require the administrative permission or approval of other governmental authorities, and will not be vetoed or terminated by the relevant governmental authorities; and

(iv) the Structured Contracts do not exist in the circumstances of invalidation of the PRC Civil Code and there is no violation of Chinese laws and relevant regulations of industry authorities.

The PRC Legal Adviser also advised us that there are uncertainties regarding the interpretation and application of current and future PRC laws and regulations, and accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to or otherwise different from the above opinion.

The Structured Contracts, as confirmed by the parties thereto, would be entered into for the purpose of realizing the commercial purpose of the parties, and are narrowly tailored to the extent possible to minimize potential conflict with applicable existing PRC laws and regulations. Furthermore, the PRC Civil Code came into effect on January 1, 2021, which no longer specifies "concealing illegal intentions with a lawful form" as the statutory circumstances of a void contract but stipulates certain circumstances which will lead to the invalidation of civil juristic acts, including but not limited to a civil juristic act performed by a person having no capacity for civil conducts, a civil juristic act performed by the actor and the counterparty based on false expression of intention, a civil juristic act violates the mandatory provisions of laws and administrative regulations, a civil juristic act violates of public order and morals, etc. The provisions on the validity of civil juristic acts also apply to the validity of contracts. As such, the Structured Contracts would not fall within the above circumstances which will result in the invalidity of the Structured Contracts.

Based on the above, the Directors believe that the Structured Contracts are unlikely to be deemed ineffective or invalid under the relevant PRC laws and regulations, subject to certain issues discussed in the paragraphs headed "Risk Factors in Relation to the Contractual Arrangements" herein.

9. The Board's view on the Contractual Arrangements

By entering into the Structured Contracts, the Group, through the WFOE, shall enjoy the entire economic interests and benefits generated by the OPCO, since:

(i) service fees which are equivalent to the net profit attributable to the OPCO in the financial year are payable by the OPCO to the WFOE under the Exclusive Technical Service Agreement;

(ii) the WFOE shall have exclusive proprietary rights to intellectual property (including but not limited to copyright, patent, technical secret and trade secret) in the work outcomes jointly developed by the WFOE and the OPCO or the work outcomes developed by the OPCO independently but relying on the services provided by the WFOE; and

(iii) without the prior written consent of the WFOE, the Registered Owner shall not sell, transfer, mortgage or dispose of in any manner any assets of the OPCO (except in the ordinary course of business), or legal or beneficial interest in the business or revenues of the OPCO, or allow the creation of any security interest thereon; and pursuant to the Power of Attorney and Power of Attorney on Shareholder's Voting Rights, the Registered Owner has irrevocably appointed designee(s) of the WFOE to act as its attorney on its behalf to exercise all rights in connection with matters concerning its rights as shareholder of the OPCO, including but not limited to the exercise of voting and veto rights on all matters requiring the decisions of shareholders.

As stipulated under the paragraphs headed "Reasons for Use of Contractual Arrangements" herein, for the purpose of operating the online games in compliance with applicable PRC laws and regulations, the Company would not be currently allowed to hold any equity interests in the OPCO given that the OPCO Group operates the foreign-prohibited business. The Board (including the independent non-executive Directors) is of the view that the Structured Contracts, when viewed in totality, are in compliance with the requirements set out in the Stock Exchange's Guidance Letter HKEx GL77-14, and being narrowly tailored to achieve the transactions contemplated under the Contractual Arrangements and to minimize the potential conflicts with and are enforceable under the relevant PRC laws. The Board confirms that appropriate arrangements have been made to protect the interests of the Group in the OPCO in the event of the OPCO's or the Registered Owner's (as the case may be) liquidation, dissolution, bankruptcy or termination to avoid any practical difficulties in enforcing the Contractual Arrangements. The Contractual Arrangements and the transactions contemplated thereunder are fundamental to the Group's legal structure and business operations, and such transactions have been or will be entered into in the Group's ordinary and usual course of business. The terms of the Structured Contracts are fair and reasonable and on normal commercial terms or better, and the entering into of such agreements is in the interests of the Group and the Shareholders as a whole, and as such would enable the WFOE to gain control over the OPCO and entitle it to the economic interests and benefits of the OPCO Group.

The Board (including the independent non-executive Directors) further believes that save for such issues as disclosed in the paragraphs headed "Risk Factors in Relation to the Contractual Arrangements – Certain terms of the Contractual Arrangements may not be enforceable under PRC laws", the Structured Contracts conferring significant control and economic benefits from the OPCO to the Company are enforceable under the relevant PRC laws, and that the Contractual Arrangements will provide a mechanism that enables the WFOE to exercise effective control over the OPCO based on the following reasons:

(i) The Directors have consulted with the PRC Legal Adviser in respect of their views on the Structured Contracts as stipulated under paragraphs headed "Compliance of Contractual Arrangements with PRC Laws, Rules and Regulations".

(ii) The Directors undertake that they shall consult the PRC Legal Adviser from time to time to check if there are any legal developments in the PRC affecting the Contractual Arrangements, and shall, where necessary, immediately report to the Board and provide it with appropriate advice and recommendations to enable it to timely determine if any modification or amendment needs to be made in compliance with the updated legal requirements.

As a result, the Contractual Arrangements enable the Group to

(i) irrevocably exercise such voting rights as entitled by shareholders of the OPCO;

(ii) exercise effective financial and operational control over the OPCO;

(iii) receive substantially all such economic interest returns generated by the OPCO through the fees charged for the services provided by the WFOE;

(iv) obtain an irrevocable and exclusive right to purchase all or part of the equity interests in the OPCO from the shareholder(s) at the minimum consideration permitted by PRC laws; and

(v) obtain a pledge over the entire equity interests of the OPCO from its respective equity holders to secure performance of the OPCO's obligations under the Contractual Arrangements.

The Board (including the independent non-executive Directors), based on the advice of the PRC Legal Adviser, considers that the use of Contractual Arrangements is in compliance with the relevant PRC laws and regulations currently in effect and are legally binding and enforceable. As a result of the Contractual Arrangements, the Group is able to exert effective control over the OPCO as it has rights to exercise power over the OPCO (as entitled by its equity holder), receive variable returns from its arrangements with the OPCO, and has the ability to affect those returns through its power over the OPCO. Consequently, the Group will treat each of the OPCO, Dequ Technology and Quanzhou Dequ as a controlled entity and consolidate the financial position and results of operations of the OPCO Group in the consolidated financial statements of the Group in accordance with Hong Kong Financial Reporting Standards. The Company has discussed with the Company's auditors and the Company's auditors concurred with management's assessment and conclusion on the accounting treatment.

10. Risk Factors in Relation to the Contractual Arrangements

The Group believes the following risks are associated with the Contractual Arrangements:

(1). If the PRC government finds that the Contractual Arrangements that allow the Company to consolidate the results of operations, assets and liabilities, and cash flows of the OPCO which operates the Prohibited Businesses do not comply with the applicable PRC laws and regulations, the Company could be subject to penalties and its business may be materially and adversely affected

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law, and the Implementation Rules to the PRC Foreign Investment Law came into effect as of January 1, 2020, which clarified and elaborated the relevant provisions of the Foreign Investment Law.

While the Foreign Investment Law does not define contractual arrangements as a form of foreign investment explicitly, it has a catch-all provision under the definition of "foreign investment" that includes investments made by foreign investors in the PRC through other means as provided by laws, administrative regulations or the State Council.

Notwithstanding the PRC Legal Adviser is of the view that the Contractual Arrangements are valid, legal and binding on and enforceable against all the signing parties to the Contractual Arrangements, the PRC laws and regulations are still evolving and the interpretation and application of current and future PRC laws and regulations may change from time to time; accordingly, the PRC regulatory authorities may take a view that is contrary to the opinion of the PRC Legal Adviser. It is uncertain whether any other new PRC laws or regulations relating to the OPCO structures will be adopted or if adopted, what they would provide. If the Company or its OPCO is found to be in violation of any existing or future PRC laws or regulations, or fails to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have discretion to take action in dealing with such violations or failures in accordance with relevant PRC laws and regulations, including:

- revoking the Group's business and operating licenses;
- discontinuing or restricting the Group's operations;
- imposing fines or confiscating any of the Group's income that they deem to have been obtained through illegal operations;
- imposing conditions or requirements with which the Company or the OPCO may not be able to comply;
- requiring the Group or the OPCO to restructure the relevant ownership structure or operations; or
- taking other regulatory or enforcement actions in accordance with relevant PRC laws and regulations.

The imposition of any of these penalties could have a material and adverse effect on the Group's business, financial condition and results of operations. If any of these penalties results in the Group's inability to direct the activities of OPCO that most significantly impact its economic performance, and/or the Group's failure to receive the economic benefits from the OPCO, the Company may not be able to consolidate the entity in its consolidated financial statements.

The Company cannot guarantee the Shareholders that future laws and regulations will not provide for contractual arrangements as a form of such foreign investment. Therefore, there can be no assurance that the Company's control over the OPCO through the Contractual Arrangements will not be deemed as foreign investment in the future. In the event that any possible implementing regulations of the Foreign Investment Law, or any other future laws, administrative regulations or provisions deem contractual arrangements as a means of foreign investment, or as otherwise in violation of such laws, administrative regulations or provisions, the Contractual Arrangements may be deemed as invalid and illegal, and the Group may be required to unwind the Contractual Arrangements and/or dispose of any affected business. Also, if future laws, administrative regulations or provisions mandate further actions to be taken with respect to the Contractual Arrangements, the Group may face substantial uncertainties as to whether the Group can complete such actions in a timely manner, or at all.

(2). Certain terms of the Contractual Arrangements may not be enforceable under PRC laws

The Contractual Arrangements provide that the arbitration tribunal may award remedies over the shares and/or assets of the OPCO or injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of the OPCO, and any party may apply to the courts of Hong Kong, the Cayman Islands (being the place of incorporation of the Company) and China (being the place of incorporation of the OPCO and the place where the principal assets of the WFOE or the OPCO is located) for interim remedies or injunctive relief. However, pursuant to the PRC laws, the arbitration tribunal may have no power to grant the aforementioned remedies or injunctive relief or to order the winding up of the OPCO. As a result, in the event that the OPCO or the Registered Owner breaches the terms of the Contractual Arrangements, the WFOE may not be able to obtain sufficient remedies in a timely manner, and its ability to exert effective control over the OPCO could be materially and adversely affected.

(3). The Contractual Arrangements may not be as effective in providing control over the OPCO as equity ownership

The Group has relied and expects to continue to rely on the Contractual Arrangements with the OPCO and the Registered Owner to operate the Prohibited Businesses. If the Company had equity ownership of the OPCO, the Company would be able to exercise its rights as a shareholder to effect changes in the board of directors of the OPCO, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the Contractual Arrangements, the Group relies on the performance by the OPCO and the Registered Owner of their obligations under the contracts to exercise control over the OPCO. However, the Registered Owner may not act in the best interests of the Group or may not perform its obligations under these contracts. Such risks exist throughout the period in which the Group intends to operate its business through the Contractual Arrangements with the OPCO. The Company may replace the registered owner of the OPCO at any time pursuant to the Contractual Arrangements with the OPCO and the Registered Owner. However, if any dispute relating to these contracts remains unresolved, the Group will have to enforce its rights under these contracts through the operation of PRC law and courts and will be subject to uncertainties with respect to the outcome of such disputes. Therefore, the Contractual Arrangements with the OPCO may not be as effective in ensuring the Company's control over the relevant portion of its business operations as equity ownership would be.

(4). Any failure by the OPCO or the Registered Owner to perform their obligations under the Contractual Arrangements would potentially lead to the Group having to incur additional costs and expend material resources to enforce such arrangements, and/or temporary or permanent loss of control over the Prohibited Businesses and the revenue from these businesses

If the OPCO or the Registered Owner fail to perform their respective obligations under the Contractual Arrangements, the Group may have to incur additional costs and expend material resources to enforce such arrangements, and/or this may lead to the Group's temporary or permanent loss of control over the Prohibited Businesses and the revenue from these businesses. The Group may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and claiming damages, which the Company cannot guarantee the Shareholders will be effective. For example, if the Registered Owner refuses to transfer its equity interest in the OPCO to the Company or its designee when the WFOE exercises the purchase option pursuant to the Contractual Arrangements, or if it otherwise acts in bad faith towards the Group, the Group may have to take legal actions to compel it to perform its contractual obligations. In the event the Group is unable to enforce the Contractual Arrangements, the Company may not be able to exert effective control over the OPCO, and the Group's ability to conduct its businesses may be negatively affected, which may have a material and adverse effect on the Group's financial condition and results of operations.

(5). The Registered Owner may have potential conflicts of interest with the Group, which may materially and adversely affect the Group's business and financial condition

The Registered Owner may have potential conflicts of interest with the Group. The Registered Owner may breach, or cause the OPCO to breach, or refuse to renew, the Contractual Arrangements the Group has with him and the OPCO, which would have a material and adverse effect on the Company's ability to effectively control the OPCO Group and receive substantially all the economic benefits from it. The Company cannot guarantee the Shareholders that when conflicts of interest arise, the Registered Owner will act in the best interests of the Group or such conflicts will be resolved in the Group's favor. If the Group cannot resolve any conflict of interest or dispute between the Group and the Registered Owner, the Group would have to rely on legal proceedings, which could result in disruption of its business and subject the Group to substantial uncertainty as to the outcome of any such legal proceedings.

(6). The Contractual Arrangements may subject the Company to scrutiny by the PRC tax authorities and may result in a finding that the Company owes additional taxes or is ineligible for tax exemptions, or both, which could substantially increase taxes owed and thereby reduce profit attributable to equity shareholders of the Company

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. The Company could face material and adverse tax consequences if the PRC tax authorities determine that the Structured Contracts entered into with the OPCO do not represent an arm's-length price and adjust any of those entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could increase tax liabilities of the Company. In addition, PRC tax authorities may form the view that the OPCO has improperly minimized their tax obligations, and the Company may not be able to rectify any such incident within the limited timeline required by PRC tax authorities. As a result, the PRC tax authorities may impose late payment fees and other penalties on the Company for underpaid taxes in accordance with relevant PRC laws and regulations, which could materially and adversely affect business, financial condition and results of operations of the Company.

(7). If any of the WFOE or OPCO becomes the subject of a bankruptcy or liquidation proceeding, the Company may lose the ability to use and enjoy certain important assets, which could materially and adversely affect its businesses

The OPCO is expected to contribute a portion of the Group's revenue. The Contractual Arrangements contain terms that specifically obligate the Registered Owner to ensure the valid existence of the OPCO and restrict the disposition of material assets or any equity interest of the OPCO. However, in the event the Registered Owner breaches the terms of the Contractual Arrangements and voluntarily liquidates the OPCO, or the OPCO declares bankruptcy and all or part of its assets become subject to liens or rights of third-party creditors, or are otherwise disposed of without the Company's consent, the Group may be unable to operate some or all of its business, which could have a material adverse effect on the Group's business, financial condition and results of operations. Furthermore, if the OPCO undergoes a voluntary or involuntary liquidation proceeding, its equity holders or unrelated third-party creditors may claim rights to some or all of the assets of the OPCO, thereby hindering the Group's ability to operate its business.

(8). The Company's exercise of the option to acquire the equity interests of the OPCO may be subject to certain limitations and the ownership transfer may incur substantial costs

In case the WFOE exercises its option to acquire all or part of the equity interest in the OPCO under the Exclusive Option Agreement, such acquisition may only be conducted to the extent as permitted by the applicable PRC laws and will be subject to necessary approvals or relevant procedures under applicable PRC laws. In addition, the aforementioned acquisitions may be subject to a permissible minimum price (such as an appraised value for the equity interest in the OPCO) or other limitations as imposed by applicable PRC laws. Further, a substantial amount of other costs (if any) and time may be involved in acquiring and transferring the ownership of the OPCO, which may have a material adverse impact on the WFOE and/or the Company's businesses, prospects and profitability.

(9). The Company does not have any insurance which covers the risks relating to the Contractual Arrangements and the transactions contemplated thereunder

The insurance of the Group does not cover the risks relating to the Contractual Arrangements and the transactions contemplated thereunder and the Company has no intention to purchase any new insurance in this regard. If any risk arises from the Contractual Arrangements in the future, such as those affecting the enforceability of the Contractual Arrangements and the relevant agreements for the transactions contemplated thereunder and the operation of Contractual Arrangements, the results of the Group may be adversely affected. However, the Group will monitor the relevant legal and operational environment from time to time to comply with the applicable laws and regulations. The Company will continue evaluating the feasibility, cost and benefit of insuring the transactions contemplated under the Contractual Arrangements.

11. Listing Rules Implications

The Registered Owner, being a cousin of Mr. Hui Ha Lam, is a deemed connected person of the Company. Therefore, the continuing transactions under the Contractual Arrangements should constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules, and such transactions should be subject to all applicable reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

However, the Directors (including the independent non-executive Directors) are of the view that it is inappropriate for the Company to (a) set an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules; or (b) limit the term of the Contractual Arrangements to a fixed term under Rule 14A.52 of the Listing Rules on the following grounds:

(i) the Contractual Arrangements and the transactions contemplated thereunder are fundamental to the Group's legal structure and business operations as the adoption of the Contractual Arrangements enables the Group to continue, through the WFOE, to maintain effective control over, and receive all the economic benefits generated by, the businesses operated by the OPCO and operate the Prohibited Businesses;

(ii) the Contractual Arrangements are entered into for the benefit of the Group. Unlike typical connected transactions, since the Registered Owner acts as shareholder of the OPCO to facilitate the arrangements whereby economic benefits from the OPCO are transferred to the Company, there is no concern of leakage of economic benefits to connected persons to the detriment of minority shareholders of the Company under the Contractual Arrangements;

(iii) the Directors (including independent non-executive Directors) consider that the Contractual Arrangements are on normal commercial terms or on terms more favorable to the Group, in the ordinary and usual course of business of the Group and are fair and reasonable or to the advantage of the Group, and are in the interests of the Company and the Shareholders as a whole;

(iv) the Structured Contracts will be approved by the Independent Shareholders at the general meeting of the Company. In particular, in the circular to be dispatched to the Independent Shareholders, the Independent Financial Adviser would have advised the Independent Shareholders on, among other things, the terms of the Structured Contracts, including but not limited to the absence of annual cap and fixed term of the Structured Contracts. As such, each of the Independent Shareholders has been given an opportunity to consider and vote on the Structured Contracts after having benefit of the recommendation of the Independent Financial Adviser on the Structured Contracts; and

(v) taking into account (i) the transactions are fundamental to the Group's legal structure in holding the OPCO and the management of the Prohibited Businesses of the OPCO in the PRC, (ii) the transactions contemplated under the Structured Contracts are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and (iii) the Independent Shareholders have been given a chance to vote on the Structured Contracts having received recommendation from the Independent Financial Adviser, there is no presumption of undue influence that justifies an additional layer of check and balance prescribed by the Listing Rules. It is impractical and unduly burdensome and adds to the additional cost and administrative burden on the Company to require the Company to adopt an annual cap or set a definite term to the Structured Contracts which may be otherwise detrimental to the commercial interest of the Company.

12. Application for Waivers from Strict Compliance with Chapter 14A of the Listing Rules

The Company has applied for, and the Stock Exchange has granted, a waiver (the "**Waiver**") from strict compliance with (i) the requirement of setting an annual cap for the transactions under the Structured Contracts under Rule 14A.53 of the Listing Rules, and (ii) the requirement of fixing a definite term of the Structured Contracts under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange. Pursuant to the requirements under Rule 14A.52 of the Listing Rules, the Company has appointed the Independent Financial Adviser who is of the view that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole to enter into the Structured Contracts without a fixed term exceeding three years.

The Company has applied for the Waiver for the following reasons:

(i) the Contractual Arrangements would enable the Group to, through the WFOE, obtain effective control over, and receive all the economic benefits generated by, the businesses operated by the OPCO Group. The principal business of the OPCO Group includes the Prohibited Businesses. The OPCO Group does not have any interest in other entities as subsidiaries or associates, save for Dequ Technology and Quanzhou Dequ. The OPCO is an investment holding company and does not carry out Prohibited Businesses, which are carried out by Dequ Technology and will also be carried out by Quanzhou Dequ in the future. The Company undertakes that the OPCO Group will not establish other subsidiaries that engage in the non-Prohibited Businesses. Setting annual caps on the transactions under the Contractual Arrangements would be unnecessary and impractical as it might (a) limit the potential ability of the Group to operate the business and enjoy the economic interests and benefits to be generated by the OPCO Group; and (b) incur additional costs and administrative burdens arising from monitoring and ensuring that the amounts of transactions are within the annual caps;

(ii) the Group is ineligible to hold any equity interest in the OPCO due to the foreign ownership restrictions under the applicable PRC laws and regulations;

(iii) the Contractual Arrangements are intended to be long term arrangements that it would be unduly burdensome and impracticable for the parties thereto to renew such arrangements every three years or less, whereas a comparatively long duration of the Contractual Arrangements without a fixed term would provide stability to the Group's operations and potentially extend the period of income to be derived from the businesses operated by the OPCO Group; and

(iv) the Directors are of the view that it is justifiable and normal business practice for agreements of this type to be of a term of more than three years. Such transactions will be entered into in the ordinary and usual course of business of the Group on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Waiver is granted by the Stock Exchange for so long as the Shares are listed on the Stock Exchange and subject to the following conditions:

(i) No change without independent non-executive Directors' approval

Except as described below, no change to the Contractual Arrangements will be made without the approval of the independent non-executive Directors.

(ii) No change without Independent Shareholders' approval

Except as described below, no changes to the Structured Contracts will be made without the approval of the Independent Shareholders. Once the Independent Shareholders' approval of any change has been obtained, no further announcement or approval of the Independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed.

(iii) Economic benefits and flexibility

The Contractual Arrangements shall continue to enable the Group to receive the economic benefits derived by the OPCO Group which they are entitled to by virtue of the equity interests they hold through: (a) the options to acquire, all or part of the entire equity interests in the OPCO for nil consideration or minimum amount of consideration permitted by applicable PRC laws and regulations; (b) the business structure under which the profit generated by the OPCO Group are substantially retained by the Group such that no annual cap shall be set on the amount of service fee payable to the WFOE under the Exclusive Technical Service Agreement; and (c) the WFOE's right to control the management and operation of, as well as, in substance, all of the voting rights of the OPCO.

(iv) **Renewal and replication**

On the basis that the Contractual Arrangements provide a framework for the relationship between the Group and the OPCO Group, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company), without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the Contractual Arrangements. Such renewal or replication would be on the condition that the new framework would have substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executives or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company engaging in the same business as that of the Group which the Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, be treated as connected persons of the Company and transactions between these connected persons and the Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This renewal/replication is subject to relevant PRC laws, regulations and approvals.

(v) **Ongoing reporting and approvals**

The Group will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

(a) the Contractual Arrangements in place during each financial period will be disclosed in the annual reports and accounts of the Company in accordance with the relevant provisions of the Listing Rules.

(b) the independent non-executive Directors will review the Contractual Arrangements annually and confirm in the annual report of the Company for the relevant year that: (1) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements; (2) no dividends or other distributions have been made by OPCO to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and (3) any new contracts entered into, renewed or reproduced between the Group and the OPCO Group during the relevant financial period above are fair and reasonable, or advantageous, so far as the Group is concerned and in the best interests of the Company and Shareholders as a whole.

(c) the Company's auditor will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to the Directors confirming that the transactions have received the approval of the Directors and have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by the OPCO to the holders of their equity interests which are not otherwise subsequently assigned or transferred to the Group.

(d) for the purposes of the Chapter 14A of the Listing Rules, and in particular the definition of "connected person", the OPCO will be treated as the Company's subsidiary, and the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the OPCO and its respective associates will be treated as connected persons of the Company, and transactions between these connected persons of the Group, other than those under the Contractual Arrangements, will be subject to the requirements under Chapter 14A of the Listing Rules.

(e) the OPCO will, for as long as the Shares are listed on the Stock Exchange, provide the Group's management and the Company's auditor with full access to its relevant records for the purpose of reporting on the connected transactions.

13. Material change in relation to the Contractual Arrangements

During the year ended 31 December 2024, there is no material change in the Contractual Arrangements and/or the circumstances under which they were adopted.

14. Unwinding the Contractual Arrangements

For the year ended 31 December 2024, none of the Contractual Arrangements had been unwound as none of the restrictions that led to the adoption of the Contractual Arrangements had been removed.

If and when Ministry of Commerce of the PRC (中華人民共和國商務部) and/or other relevant governmental authorities promulgate any measures for the administration of foreign-invested enterprises engaging in value-added telecommunication services business or such entities invested by foreign investors, depending on the maximum percentage of equity interest permitted to be held by foreign investors (if any), the Company will partially unwind the Contractual Arrangements and hold (directly or indirectly) equity interest in the Structured Entities up to the maximum percentage prescribed by such measures; and if there is no prescribed limit on the percentage of equity interest permitted to be held by foreign investors and the Company would be allowed to directly hold the 100% equity interests in the Structured Entities, the Company will fully unwind the Contractual Arrangements and directly hold the 100% equity interests in the Structured Entities.

Annual Review by the Independent Non-executive Directors and the Auditor

During the year ended 31 December 2024, the independent non-executive Directors have reviewed all of the above non-exempt continuing connected transactions, and confirmed that they have:

(i) been entered into in the usual and ordinary course of business of the Group;

(ii) been conducted based on normal or better commercial terms; or been entered into based on the terms no less favorable than those available from or provided by independent third parties; and

(iii) been carried out according to the agreements for related transactions with terms that are fair and reasonable and in line with the interests of the Company and its shareholders as a whole.

During the year ended 31 December 2024, independent non-executive Directors have also reviewed the above Contractual Arrangements and confirmed that:

(i) the transactions carried out during the year ended 31 December 2024 have been entered into in accordance with the relevant provisions of the Contractual Arrangements;

(ii) no dividends or other distributions have been made by the Structured Entities to the holders of their equity interests which are not otherwise subsequently assigned or transferred to the Group; and

(iii) any new contracts entered into, renewed or reproduced between the Group and the Structured Entities are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter to the Board containing their findings and conclusions in respect of the above continuing connected transactions under Rule 14A.56 of the Listing Rules:

(i) nothing has come to its attention that causes it to believe that the disclosed continuing connected transactions have not been approved by the Board;

(ii) nothing has come to its attention that causes it to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;

(iii) with respect to the aggregate amount of each of the continuing connected transactions (other than those transactions with the Structured Entities under the Contractual Arrangements, nothing has come to its attention that causes it to believe that the disclosed continuing connected transactions have exceeded their respective annual caps set by the Company; and

(iv) with respect of the disclosed continuing connected transactions with the Structured Entities under the Contractual Arrangements, nothing has come to its attention that causes it to believe that dividends or other distributions have been made by the Structured Entities to the holders of the equity interests of the Structured Entities which are not otherwise subsequently assigned or transferred to the Group.

Save as disclosed above, during the year ended 31 December 2024, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements set out in Chapter 14A of the Listing Rules.

* *For identification purposes only.*

RELATED PARTY TRANSACTIONS

Details of material related party transactions of the Group undertaken in the usual course of business are set out in note 32 to the consolidated financial statements.

Certain related party transactions set out in note 32 to the consolidated financial statements are regarded as connected transactions or continuing connected transactions of the Group. Save for those as disclosed in the section headed "Continuing Connected Transactions", none of the related party transactions is required to be disclosed under Chapter 14A of the Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Principal corporate governance practices of the Company are set out in the section headed "Corporate Governance Report" on pages 106 to 124 of this annual report.

USE OF PROCEEDS FROM GLOBAL OFFERING

The Shares have been listed on the Stock Exchange since 17 January 2022. Based on the offer price of HK$2.05 per Share, the net proceeds from the global offering, after deducting listing related expenses, amounted to approximately HK$206.8 million (the "**Net Proceeds**").

The Group will utilise such Net Proceeds for the purposes set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. Nevertheless, the Directors will constantly evaluate the Group business objectives and may change or modify the plan against changing market conditions to ascertain the business growth of the Group.

The table below sets out the planned application of the Net Proceeds:

Intended application of the Net Proceeds	Percentage of total Net Proceeds	Planned allocation	Amount unutilized as at 1 January 2024	Amount utilized during the year ended 31 December 2024	Amount unutilized as at 31 December 2024	Expected timeline for utilization of the remaining proceeds
		HK$ in million	HK$ in million	HK$ in million	HK$ in million	
Enhancing the Company's brand image and awareness of its IP characters	25.8%	53.4	37.3	13.7	23.6	December 2025
Establishing the Company's "Fans Platform"	25.7%	53.2	24.2	17.1	7.1	December 2025
Strengthening the Company's new economy online sales channel	17.5%	36.2	25.8	14.8	11.0	December 2025
Further enhancing the Company's in-house design capabilities to offer creative and innovative solutions	11.8%	24.4	–	–	–	N/A
Repaying existing indebtedness to improve the Group's gearing ratio	9.2%	19.0	–	–	–	N/A
General working capital	10%	20.6	–	–	–	N/A
Total	100.0%	206.8	87.3	45.6	41.7	

The Company has continued to search for suitable premises, as the volatility in the PRC property market persists. The process of identifying and securing ideal locations remains a priority to ensure the effective utilisation of the allocated funds within the projected timeline. It is expected that the remaining amount of the unutilised Net Proceeds allocated for enhancing the Company's brand image and awareness of its IP characters will be fully utilised by December 2025.

The Company has continued to establish the "Fans Platform". The delay in fully utilizing proceeds for the new "Fans Platform" by 2024 stemmed from the slowdown in our extensive marketing campaign is primarily attributed to the overall softening of the consumer market, which has led to reduced discretionary spending and heightened competition for customer attention. Therefore, the remaining unutilized Net Proceeds allocated for establishing the Company's "Fans Platform" are now expected to be fully utilized by December 2025.

Similarly, the Company has continued conducting site visits to identify suitable lease properties for establishing a training centre for key opinion leaders (KOLs) in China and has progressed with face-to-face interviews to recruit qualified KOLs. However, due to the extended time required to finalize an optimal location for the training centre amid ongoing challenges in securing lease properties, coupled with the detailed recruitment process, the remaining unutilized Net Proceeds allocated for strengthening the Company's new economy online sales channel are now expected to be fully utilized by December 2025.

The unutilized Net Proceeds have been placed in short-term interest-bearing accounts with licensed banks in Hong Kong. In the event that the Directors decide to use such Net Proceeds in a manner different from that stated in the Prospectus, the Company will issue further announcement in compliance with the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company maintained the public float as required under the Listing Rules since the Listing Date and has continued to maintain such float as at the date of this annual report.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and the audited consolidated financial statements of the Group for the year ended 31 December 2024. There is no disagreement between the Board and the Audit Committee regarding the accounting treatment adopted by the Company.

AUDITOR

The Shares have been listed on the Stock Exchange since 17 January 2022 and there has been no change in auditor of the Company since the Listing Date. The financial statements for the year ended 31 December 2024 have been audited by PricewaterhouseCoopers, who will retire, being eligible, offer themselves for re-appointment at the AGM. A resolution will be proposed at the AGM to re-appoint PricewaterhouseCoopers as auditor of the Company.

On behalf of the Board

Hui Ha Lam
Chairman

28 March 2025

The Company is committed to maintaining high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders of the Company and to enhance corporate value and accountability.

CORPORATE GOVERNANCE PRACTICE

The Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code as set out in Part 2 of Appendix C1 to the Listing Rules (the "**CG Code**"). During the year ended 31 December 2024, save for the deviation from code provisions C.2.1 and D.1.2 of the CG Code as disclosed below, the Board considers that, the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the CG Code and the Directors will use their best endeavours to procure the Company to comply with the CG Code and make disclosure of deviation from the CG Code in accordance with the Listing Rules.

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be segregated and should not be performed by the same individual. Mr. Hui Ha Lam ("**Mr. Hui**") is the chairman of the Board and the chief executive officer of the Company. Considering that Mr. Hui has been operating and managing the Group since its foundation, the Board believes that it is in the best interest of the Group to have Mr. Hui taking up both roles for effective management and business development. Therefore, the Board considers that the deviation from code provision C.2.1 of the CG Code is appropriate in such circumstance. The Board will continue to review and consider splitting the roles of chairman and chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

In respect of code provision D.1.2 of the CG Code, the Company did not provide all members of the Board with monthly updates. However, the Company has based on business situation, provided to the Board from time to time, updated business information to enable the Board as a whole and each Director to discharge their duties. The Company considers that such business information arising out of the ordinary business provided to the Board from time to time instead of monthly updates are sufficient for the Board to discharge its duties. In the event if there are any significant updates, the Company will update all the Directors as early as practicable for discussion and resolution.

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interest of the Company. The Directors are responsible for ensuring the Group keeps proper accounting records which disclose at any time the financial position of the Group from which the financial statements of the Group could be prepared in accordance with statutory requirements and the appropriate accounting policies. The Board has delegated the authority and responsibilities for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference. All Board committees are provided with sufficient resources to perform their duties. The Board regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board currently comprises seven Directors, consisting of three executive Directors, a non-executive Director and three independent non-executive Directors:

Executive Directors

Mr. HUI Ha Lam *(Chairman of the Board and Chief Executive Officer)*
Mr. KWOK Chun Kit
Mr. CHEUNG Chin Yiu
Mr. TSE Tsz Leong *(resigned on 24 May 2024)*

Non-executive Director

Mr. LI Xiang *(resigned on 23 October 2024)*
Mr. LIANG Xingchao *(appointed on 23 October 2024)*

Independent non-executive Directors

Ms. LEUNG Ping Fun Anita
Mr. SUNG Chi Keung
Dr. CHAN Kai Yue Jason, *MH, JP (resigned on 2 January 2025)*
Prof. CHAN Ka Yin Karen, *JP (appointed on 2 January 2025)*

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board and has met the requirement under the Listing Rules for the Board to have at least one-third of its members comprising independent non-executive Directors. The biographical information of the Directors is set out on pages 34 to 40 under the section headed "Biographies of Directors and Senior Management".

Chairman and Chief Executive Officer

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be segregated and should not be performed by the same individual. Mr. Hui Ha Lam is the chairman of the Board and the chief executive officer of the Company. Considering that Mr. Hui has been operating and managing the Group since its foundation, the Board believes that it is in the best interest of the Group to have Mr. Hui taking up both roles for effective management and business development. As about half of the Board members are independent non-executive Directors, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. Furthermore, as Mr. Hui is the founder of the Group and has substantial professional experience in the industry, the Board believes that the appointment of Mr. Hui to the combined role of Chairman and Group Chief Executive Officer is beneficial to the sustainable development of the Group, and for the long-term interests of the shareholders. Therefore, the Board considers that the deviation from code provision C.2.1 of the CG Code is appropriate in such circumstance. The Board will continue to review and consider splitting the roles of chairman and chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Independent Non-Executive Directors

During the year ended 31 December 2024 and up to the date of this annual report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise. The Company has received a confirmation of independence from each of the independent non-executive Directors. The Board has assessed their independence and concluded that all independent non-executive Directors are independent.

Term of Appointment of Non-executive Directors

Mr. Liang Xingchao, a non-executive Director, has entered into a letter of appointment with the Company for an initial term of three years commencing from 23 October 2024 (subject to termination in certain circumstances as stipulated in the relevant letter of appointment). Ms. Leung Ping Fun Anita and Mr. Sung Chi Keung, both independent non-executive Directors, have each entered into a letter of appointment with the Company for an initial term of three years, commencing from 20 December 2024 (subject to termination in certain circumstances as stipulated in the respective letters of appointment). Prof. Chan Ka Yin Karen, *JP,* also an independent non-executive Director, has entered into a letter of appointment with the Company for an initial term of three years, commencing from 2 January 2025 (subject to termination in certain circumstances as stipulated in her letter of appointment). Each of such appointment is subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to the Articles.

Prof. Chan Ka Yin Karen, *JP*, and Mr. Liang Xingchao obtained legal advice referred to in Rule 3.09D of the Listing Rules on 2 January 2025 and 3 January 2025, respectively. They each confirmed that they understood their obligations as directors of the Company.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

Directors must keep abreast of their collective responsibilities. All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Group. All Board members, namely, Mr. Hui Ha Lam, Mr. Kwok Chun Kit, Mr. Cheung Chin Yiu, Mr. Liang Xingchao, Ms. Leung Ping Fun Anita, Mr. Sung Chi Keung and Prof. Chan Ka Yin Karen, *JP*, had participated in continuous professional development with respect to directors' duties, and/or had perused reading materials and updated information on the latest developments of the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practice. All Directors had provided their relevant training records for the year ended 31 December 2024 to the Company.

The Company will continuously update the Directors on the latest developments regarding the Listing Rules and other applicable regulatory and statutory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

BOARD MEETINGS AND GENERAL MEETINGS

During the year ended 31 December 2024, the Company held four general meetings: the 2024 annual general meeting on 27 May 2024 and three extraordinary general meetings on 27 May 2024, 3 September 2024 and 17 December 2024, respectively. Additionally, eight Board meetings were held during the same period.

	Number of meetings attended/Number of Meetings Eligible to attend				
Name of Directors	Board meeting	Audit committee meeting	Nomination committee meeting	Remuneration committee meeting	General Meeting
Mr. HUI Ha Lam	8/8	N/A	2/2	4/4	4/4
Mr. KWOK Chun Kit	8/8	N/A	N/A	N/A	4/4
Mr. CHEUNG Chin Yiu	8/8	N/A	N/A	N/A	4/4
Mr. TSE Tsz Leong *(Note (1))*	4/4	N/A	N/A	N/A	N/A
Mr. LI Xiang *(Note (2))*	7/7	N/A	N/A	N/A	1/3
Mr. LIANG Xingchao *(Note (3))*	1/1	N/A	N/A	N/A	0/1
Ms. LEUNG Ping Fun Anita	8/8	2/2	N/A	4/4	4/4
Mr. SUNG Chi Keung	8/8	2/2	2/2	4/4	1/4
Dr. CHAN Kai Yue Jason, *MH, JP*	8/8	2/2	2/2	N/A	3/4

Notes:

(1) Mr. Tse Tsz Leong resigned as an executive Director on 24 May 2024. Prior to his resignation, four Board meetings were held, and no general meeting took place.

(2) Mr. Li Xiang resigned as a non-executive Director on 23 October 2024. Prior to his resignation, seven Board meetings and three general meetings were held.

(3) Mr. Liang Xingchao was appointed as a non-executive Director on 23 October 2024. After his appointment, one Board meeting and one general meeting were held.

The Board intends to hold Board meetings regularly at least four times a year at approximately quarterly intervals. Notices of not less than fourteen days will be given for all regular Board meetings to provide all Directors with an opportunity to attend and propose matters to be discussed in the meeting agenda.

For other Board and Board committee meetings, reasonable notice will generally be given. The agenda and accompanying documents are dispatched to the Directors or Board committee members at least three days before the meetings to ensure that they have sufficient time to review the documents and be adequately prepared for the meetings.

When Directors or Board committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of the Board meetings and Board committee meetings will be recorded in sufficient detail to include the matters considered by the Board and the Board committee and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board committee meeting will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

AUDIT COMMITTEE

The Company established the Audit Committee on 15 December 2021 with written terms of reference in compliance with the Listing Rules and the CG Code. The Audit Committee comprises all independent non-executive Directors, namely Mr. Sung Chi Keung, Ms. Leung Ping Fun Anita and Prof. Chan Ka Yin Karen, *JP*, with Mr. Sung Chi Keung being the chairman of the Audit Committee.

The primary responsibilities of the Audit Committee include, among others, (i) providing an independent view of the effectiveness of the financial reporting process, internal control, compliance and risk management systems of the Group, (ii) nominating and monitoring the work of external auditors; (iii) overseeing the audit process and performing other duties and responsibilities as assigned by the Board; (iv) developing and reviewing the Group's policies and practices on corporate governance with legal and regulatory requirements and requirements under the Listing Rules; and (v) developing, reviewing and monitoring the code of conduct applicable to the Group's Directors and employees.

Two Audit Committee meetings were held during the year ended 31 December 2024 and the attendance of the members of the Audit Committee has been set out in the paragraph headed "Board Meetings and General Meetings" of this Corporate Governance Report.

The work performed by the Audit Committee during the year ended 31 December 2024 was summarized as follows:

(a) reviewed the Group's annual audited financial statements for the year ended 31 December 2023, and reviewed the unaudited interim financial statements for the six months ended 30 June 2024 including the accounting principles and accounting standards adopted with recommendations made to the Board for approval;

(b) reviewed the changes in accounting standards and assessed their potential impacts on the Group's financial statements;

(c) reviewed the Group's risk management, internal control system and related matters;

(d) considered and made recommendations on the re-appointment of the independent auditor of the Group, and the terms of engagement;

(e) reviewed the Company's whistleblowing policy;

(f) reviewed the Company's practices on corporate governance and the Company's compliance with the CG Code and disclosure in the Corporate Governance Report of the Company;

(g) reviewed the training and continuous professional development of Directors and senior management of the Company; and

(h) reviewed the necessity of establishing an internal audit function.

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2024 and is of the opinion that such consolidated financial statements complied with the applicable accounting standards, the Listing Rules, other applicable legal requirements and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 15 December 2021 with written terms of reference in compliance with the Listing Rules as well as the CG Code.

The Remuneration Committee comprises three members, namely Ms. Leung Ping Fun Anita, Mr. Hui Ha Lam and Mr. Sung Chi Keung, out of whom Ms. Leung Ping Fun Anita and Mr. Sung Chi Keung are independent non-executive Directors whilst Mr. Hui Ha Lam is an executive Director. The chairperson of the Remuneration Committee is Ms. Leung Ping Fun Anita.

The Remuneration Committee has adopted the approach under code provision E.1.2(c)(ii) under the CG Code to make recommendations to the Board on remuneration packages of the Directors and the members of senior management. The Remuneration Committee will review and recommend the Board the remuneration and compensation packages (including incentive plans) of the Directors and senior management members, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of the Directors and senior management team, as well as the overall performance of the Company. The executive Directors and senior management may also be granted options under the share option scheme of the Company.

The primary responsibilities of the Remuneration Committee include, among others, (i) making recommendations to the Board on the Group's policy and structure for all remuneration of Directors and senior management members and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives resolved by the Board from time to time; (iii) making recommendations to the Board on the terms of specific remuneration packages, bonuses and other forms of compensation payable to the Group's Directors and senior management members; and (iv) reviewing and/or approving matters relating to share schemes of the Company.

Four Remuneration Committee meetings were held during the year ended 31 December 2024 and the attendance of the members of the Remuneration Committee has been set out in the paragraph headed "Board Meetings and General Meetings" of this Corporate Governance Report.

The work performed by the Remuneration Committee during the year ended 31 December 2024 mainly included: (i) the assessment of the performance of executive Directors; (ii) the review of the remuneration packages of Directors and senior management; (iii) the grants of Awarded Shares under the Share Award Scheme; and (iv) consideration of the remuneration package of the proposed Director and making recommendations to the Board.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 15 December 2021 with written terms of reference in line with the CG Code. The Nomination Committee comprises three members, namely Mr. Hui Ha Lam, Mr. Sung Chi Keung and Prof. Chan Ka Yin Karen, *JP*, out of whom Mr. Hui Ha Lam is an executive Director while Mr. Sung Chi Keung and Prof. Chan Ka Yin Karen, *JP* are independent non-executive Directors. The chairman of the Nomination Committee is Mr. Hui Ha Lam.

The primarily responsibilities of the Nomination Committee include, among others, (i) reviewing the structure, size and composition of the Board; (ii) making recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management team; (iii) assessing the independence of independent non-executive Directors; and (iv) overseeing the process for evaluating the performance of the Board.

Two Nomination Committee meetings were held during the year ended 31 December 2024 and the attendance of the members of the Nomination Committee has been set out in the paragraph headed "Board Meetings and General Meetings" of this Corporate Governance Report.

The work performed by the Nomination Committee during the year ended 31 December 2024 mainly included reviewing the structure and composition of the Board (including the skills, knowledge and experience), as well as reviewing the implementation and effectiveness of the Company's board diversity policy (the "**Board Diversity Policy**") and recommending it to the Board for approval. The Nomination Committee considered that an appropriate balance of diverse perspectives on the Board is maintained.

BOARD DIVERSITY POLICY AND NOMINATION POLICY

The Board has adopted the Board Diversity Policy since 15 December 2021 and will review its composition on a yearly basis. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All Board appointments will be based on meritocracy and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board. The Company commits to selecting the best person for the role. Selection of candidates will be based on a range of diversity perspectives, and measurable objectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. When identifying potential candidates to the Board, the Nomination Committee and the Board will, among others, (i) consider the current level of representation of female members on the Board and the senior management when making recommendations for nominees as well as succession planning to the Board and senior management; (ii) consider the criteria that promotes diversity by making reference to the code of practices on employment published by the Equal Opportunities Commission from time to time; (iii) communicate this Board Diversity Policy to the Nomination Committee and encourage a cooperative approach to ensure diversity on the Board. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board.

As at the date of this annual report, the Board comprised seven Directors, two of whom are female. The Company targets to avoid a single gender Board and will timely review the gender diversity of the Board in accordance with the business development of the Group. The Company believes the balance of gender on the Board would bring more inspiration to the Board and enhance the business development of the Group, thus gender diversity is the essential factor for the Company to select suitable candidate as a Director. As at 31 December 2024, approximately 41.11% of the Company's workforce (including the Directors and senior management) is male and approximately 58.89% is female which is considered as satisfactory.

The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will review and monitor the implementation and effectiveness of the Board Diversity Policy annually.

To ensure changes to the Board composition can be managed without undue disruption, there should be a formal, considered and transparent procedure for selection, appointment and re-appointment of Directors, as well as plans in place for orderly succession (if considered necessary), including periodical review of such plans. For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation. The Nomination Committee shall then evaluate such candidate based on the criteria as set out in the nomination policy and recommend to appoint the appropriate candidate for directorship. The appointment of a new Director (to be an additional Director or fill a casual vacancy as and when it arises) or any re-appointment of Directors is a matter for decision by the Board upon the recommendation of the proposed candidate by the Nomination Committee.

Selection of Board candidates shall be based on amongst others, character and integrity, qualifications, willingness to devote adequate time and a range of diversity perspectives with reference to the Company's business model and specific needs. Selection and recommendation of candidates will be based on the nomination procedures and the process and criteria adopted by the Nomination Committee and a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services, personal integrity and time commitments of the proposed candidates. The Company will deploy multiple channels for identifying suitable candidates, including referral from Directors, Shareholders, management, advisors and external executive search firms. The Company should also take into account factors relating to its own business model and specific needs from time to time.

In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service and any other factors that the Board may consider relevant and applicable from time to time. The composition of the Board from diversified angles up to the date of this report and summarised as follows:

		No. of Directors
Gender:	Male	5
	Female	2
Ethnicity:	Chinese	7
Age Group:	41-50	3
	51-60	3
	>60	1
Length of Service (year):	1-10	7

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

The Company should comply with the requirements on board composition in the Listing Rules from time to time. The number of independent non-executive Directors should be not less than three and one-third of the Board. At least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise. At least one Director should be the professional or have intensive experience of the industry on which the business of the Group is. The Board has achieved the measurable objectives under the Board Diversity Policy for the year ended 31 December 2024.

As at the date of this report, the Board comprises 5 male Directors and 2 female Directors. The Nomination Committee considered that the Board had achieved gender diversity and possessed skill and expertise and a diverse mix appropriate for the business of the Company and will review the composition and diversity of the Board annually to ensure its continued effectiveness. Measures to develop a pipeline of potential successors to achieve gender diversity:

- The Board will identify potential successors internally, having regard to the industry expertise, leadership skills, decision making capabilities, communication skills and professional qualification of the staff.

- The Board will also consider outside sources such as head hunter and referral. The details of workforce composition were disclosed under Environmental, Social and Governance Report in this report.

The Board is not aware of any factors or circumstances which make achieving gender diversity across the workforce (including senior management) of the Group more challenging or less relevant.

MECHANISM TO ENSURE THAT THE BOARD OBTAINS INDEPENDENT OPINIONS AND PERSPECTIVES

The Board has established the following mechanism to ensure that the Board obtains independent opinions and perspectives:

(i) where appropriate, the Company shall arrange suitable and sufficient resources to cover any matters relating to the obtaining of an independent advice or opinion by the Board, including but not limited to the engagement of a legal team or any other professionals for such purpose, where appropriate, at the Group's expenses;

(ii) where appropriate, the Directors shall give at least three working days' notice to the Company Secretary of the Company to obtain an independent advice or opinion, including but not limited to engaging a professional team for such purpose;

(iii) the Board is required to review its structure, size, composition (including skills, knowledge and experience) and diversity policy at least annually to ensure that the composition of the Board complies with the relevant requirements of the Listing Rules including maintaining a balanced mix of executive and non-executive directors (including independent non-executive directors) so that the Board has a strong element of independence which can effectively exercise independent judgment; and

(iv) if all the independent non-executive Directors have served on the Board for more than nine years, the Company should consider to appoint a new independent non-executive director at the forthcoming annual general meeting.

The Board considers that the said mechanism has been operating effectively during the year ended 31 December 2024 and will continue to monitor the implementation and effectiveness of such mechanism on an annual basis.

CORPORATE GOVERNANCE FUNCTIONS

The corporate governance functions were performed by the Board.

The corporate governance functions are to develop and review the Company's policies and practices on corporate governance to comply with the CG Code and other legal or regulatory requirements, to review and monitor the training and continuous professional development of Directors and senior management, to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors, and to review the Company's compliance with the CG Code and the disclosure in the Corporate Governance Report according to the code provisions set out in part 2 of Appendix C1 to the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges that it is responsible for the risk management and internal control systems and oversees such systems on an ongoing basis, while ensuring a review of the effectiveness of these systems of the Group is conducted at least annually. The scope of such review covers all material controls, including financial, operational and compliance controls. The Group's risk management and internal control systems are designed to managing risks rather than eliminating the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has delegated its responsibilities (with relevant authorities) of risk management and internal control to the Audit Committee, and management has provided a confirmation to the Audit Committee (and the Board) on the effectiveness of these systems for the year ended 31 December 2024.

The Company adopted a series of risk management policies, measures and procedures designated to provide the management and staff of the Group to identify, assess, treat, monitor and communicate on key risks including strategic, financial, operational and compliance risk. The risk management process of the Company comprises of five activities, including determining context, risk assessment, risk treatment, risk monitoring and risk reporting. The relevant procedures are set out below:

Determine context

The Directors and senior management of the Group to determine the context of risks to be assessed.

Risk assessment

The Directors and senior management of the Group along with the department heads should hold a meeting annually to discuss and address the key risks faced by the Company using relevant and up-to-date information.

Risk treatment

The management of the Group should determine whether or not to reduce the current level of risk to an acceptable level through implementation of additional controls or risk mitigation actions.

Risk monitoring

Once an appropriate risk treatment has been determined, the Company's monitoring and review process should ensure that, among other things, the risk control and treatment measures are effective in both design and operation.

Risk reporting

The risk assessment results should be registered and such register should be approved by the Board.

The Group endeavours to uphold the integrity of its business by maintaining an internal control system into its organisational structure. The Group's internal control and risk management systems cover, among others, corporate governance, operations, management, legal matters, finance, auditing and ESG.

Risk assessment and internal control review report is submitted to the Audit Committee and the Board annually. The Board, through the Audit Committee, had performed a review on the effectiveness of the Group's risk management and internal control systems, including, but not limited to, (i) the changes in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment; (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems, (iii) the extent and frequency of communication of monitoring results to the Audit Committee and the Board which enables them to assess control of the Company and the effectiveness of risk management, (iv) significant control failings or weaknesses that have been identified, and (v) the effectiveness of the Company's processes for financial reporting and the Listing Rules compliance, and concluded that the risk management and internal control systems were effective and adequate for the year ended 31 December 2024. No significant areas of concern that might affect the financial, operational, compliance controls, and risk management functions of the Group were identified. The scope of such review covers the adequacy of resources, staff qualification and experience, training programmes and budget of the Group's accounting and financial reporting functions as well as those relating to the Company's ESG performance and reporting.

WHISTLEBLOWING POLICY

The Company has adopted arrangement to facilitate employees and other stakeholders to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters. The Audit Committee shall review such arrangement regularly and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action. During the year ended 31 December 2024, the Group did not receive any material whistleblowing incidents.

INSIDE INFORMATION

The Company is aware of and strictly complies with the requirements of the currently applicable laws, regulations and guidelines, including the obligations to disclose inside information under the SFO and the Listing Rules, and the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission, at the time when the relevant businesses are transacted. The Group has established the authority and accountability, as well as the handling and dissemination procedures in relation to inside information, and has communicated to all relevant personnel and provided them with specific trainings in respect of the implementation of the continuous disclosure policy. The Board considers that the Company's handling and dissemination procedures and measures in relation to inside information are effective.

INTERNAL AUDIT FUNCTION

The Company does not have an internal audit department. The Board has reviewed the need for an internal audit function and is of the view that in light of the size, nature and complexity of the business of the Group, as opposed to diverting resources to establish a separate internal audit department, it would be more cost effective to appoint external independent professionals to perform independent review of the adequacy and effectiveness of the risk management and internal control systems of the Group. Nevertheless, the Board will continue to review at least annually the need for an internal audit department.

ANTI-CORRUPTION

The Group has established the Anti-fraud and Anti-corruption Policy and systems which prohibit any form of bribery or corruption. Accepting or offering advantages in any manner from or to clients, suppliers, or any person in connection with the Group's business is prohibited.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct for securities transactions by Directors. The Directors are reminded of their obligations under the required standard of dealings set out in the Model Code on a regular basis. Having made specific enquiries to all the Directors, all the Directors have confirmed that they have complied with the Model Code during the year ended 31 December 2024 and up to the date of this annual report.

The Group's senior management who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code for securities transactions. No incident of non-compliance with the Model Code by such employees was noted by the Company during the year ended 31 December 2024 and up to the date of this annual report.

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to prepare financial statements of the Group and other financial disclosures required under the Listing Rules and the Company's management will provide information and explanation to the Board to enable it to make informed assessments of the financial and other decisions. The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they 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.

The statement of the auditor of the Company in respect of its reporting responsibilities on the Company's financial statements for the year ended 31 December 2024 is set out in the "Independent Auditor's Report" on pages 159 to 168 of this annual report.

AUDITOR'S REMUNERATION

The total fees paid/payable to the external auditor of the Company, PricewaterhouseCoopers, in respect of audit services and non-audit services for the years ended 31 December 2024 are set out below:

	31 December 2024
Audit services	
Consolidated financial statements	1,360,000
	1,360,000
Non-audit services	
Report on preliminary results announcement	10,000
Report on continuing connected transactions	10,000
Interim financial information review	270,000
Total non-recurring fees	290,000

DIRECTORS AND SENIOR MANAGEMENT EMOLUMENTS

The remuneration of the senior management (including Directors) of the Company for the years ended 31 December 2024 and 2023, by band is set out below (senior management refers to the same persons referred to in this annual report and required to be disclosed under paragraph 12 of Appendix D2):

Remuneration Band	Number of individuals	
	2024	2023
Nil	–	–
HK$1 to HK$1,000,000	8	6
HK$1,000,001 – HK$1,500,000	2	4
HK$1,500,001 – HK$2,000,000	–	–
	10	10

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

COMPANY SECRETARY

The Company engaged an external professional company secretarial services provider, Uni-1 Corporate Services Limited ("**Uni-1**"), to provide compliance and full range of company secretarial services to the Group in order to assist the Group to cope with the changing regulatory environment and to suit different commercial needs.

Madam Mak Yuk Kiu ("**Madam Mak**"), the representative of Uni-1, was appointed as the named Company Secretary of the Company.

Mr. Wong Wing Chiu, the Company's chief financial officer, is the primary point of contact at the Company for the Company Secretary.

During the year ended 31 December 2024, Madam Mak has undertaken not less than 15 hours of relevant professional training as required by the Rule 3.29 of the Listing Rules.

SHAREHOLDERS' COMMUNICATION POLICY

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable its shareholders and investors to make the best investment decisions. The Company has adopted a Shareholders' Communication Policy to ensure that Shareholders' views and concerns are appropriately addressed. The Company endeavours to maintain an on-going dialogue with its shareholders and in particular, through annual general meetings and other general meetings. The general meetings of the Company provide a platform for communication between the Board and its shareholders. The chairman of the Board as well as chairmen of the Audit Committee, the Remuneration Committee and the Nomination Committee or, in their absence, other members of the respective committees, will be available to answer shareholders' questions at general meetings. The external auditor of the Company will also be invited to attend the annual general meetings of the Company to answer questions about the conduct of audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company maintains a website, where information and updates on the Company's financial information, corporate governance practices, biographical information of the Board and other information are available for public access. Media interviews are available on a regular basis in order to facilitate communication between the Company, Shareholders and the investment community. Shareholders and the investment community may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or management of the Group. Such questions, requests and comments can be addressed to the Company Secretary of the Company by mail to Unit A6, 25/F, TML Tower, 3 Hoi Shing Road, Tsuen Wan, N.T., Hong Kong, or by email to info@semk.net.

Based on the above, the Board considered that the Company's Shareholders' Communication Policy was effectively implemented during the year ended 31 December 2024.

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting on requisition by shareholders

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

Article 12.3 of the Articles provides that general meetings shall be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, Shares representing not less than one-tenth of the voting rights, on a one vote per share basis, of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and the resolutions to be added to the meeting agenda, and signed by the requisitionist(s). If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Putting forward proposals at General Meetings

Save for the procedures for the shareholders to convene an extraordinary general meeting, there are no provisions allowing shareholders to propose new resolutions at the general meetings under the Articles or the Companies Law of the Cayman Islands, as amended, modified and supplemented.

Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

Putting forward enquiries to the Board

Shareholder(s) may at any time send their enquiries and concerns to the Board in writing through the Company Secretary by post at Unit A6, 25/F, TML Tower, 3 Hoi Shing Road, Tsuen Wan, N.T., Hong Kong or by email to info@semk.net.

CONSTITUTIONAL DOCUMENTS

Pursuant to a special resolution of the then shareholders of the Company passed on 20 December 2021, the existing Articles were adopted, conditional upon and with effect from the Listing Date.

Save as disclosed above, there was no change in the Articles during the year ended 31 December 2024 and up to the date of this annual report.

The existing Articles are available on the websites of the Stock Exchange and the Company.

ABOUT THE REPORT

B.Duck Semk Holdings International Limited (the **"Company"**) and its subsidiaries (the **"Group"** or **"We"**) is pleased to present the fourth Environmental, Social and Governance (**"ESG"**) Report (the **"Report"**), capturing the ESG performance during the year ended 31 December 2024 (the **"Reporting Period"** or **"FY2024"**). The Report is designed to enable the shareholders, investors (including potential investors) and the public to have a more comprehensive understanding of the Group's corporate governance and culture. The Group is willing to take up more social responsibilities in order to maintain the balance between the interest of shareholders and social benefits. Data contained in the Report is derived from various Company's documents and report, as well as summary and statistical data provided by the Group. It is recommended that the Report is to read together with the Corporate Governance Report as laid down in the Group's Annual Report for the year ended 31 December 2024.

REPORTING SCOPE AND BOUNDARY

The Report covers subsidiaries and operations (includes the character licensing business and e-commerce and other business) that contribute to the Group's principal activities and have a significant influence on the Group's ESG performance spanning over the period from 1 January 2024 to 31 December 2024. Unless otherwise specified, the environmental aspect in the Report covers the Group's Headquarter in Shenzhen in the People's Republic of China (the **"PRC"** or the **"Mainland China"**), and the Headquarter and principal place of business in Hong Kong. For the social aspect, all business units of the Group are covered, including those in the PRC, Hong Kong and Thailand.

REPORTING PRINCIPLES

The structure of the Report is by reference to the Environmental, Social and Governance Reporting Guide (the **"ESG Reporting Guide"**) under Appendix C2 to the Rules Governing the Listing of Securities (the **"Listing Rules"**) on The Stock Exchange of Hong Kong Limited (the **"SEHK"**), complying with basis of reporting principles, including materiality, quantitative, balance and consistency:

- "Materiality" Principle: Materiality assessment was conducted with key stakeholders to identify material issues during the Reporting Period, thereby adopting the confirmed material issues as the focus for the preparation of the ESG Report. The materiality of issues was reviewed and confirmed by the Board (the "**Board**") of Directors (the "**Directors**") and the Environmental, Social and Governance Working Group (the "**ESG Working Group**") of the Company. For further details, please refer to the sections headed "Materiality Assessment" and "Stakeholders Communication".

- "Quantitative" Principle: Key performance indicators (**"KPIs"**) in respect of historical data need to be measurable. The issuer should set targets (which may be actual numerical figures or directional, forward-looking statements) to reduce a particular impact. In this way the effectiveness of ESG policies and management systems can be evaluated and validated. Quantitative information should be accompanied by a narrative, explaining its purpose, impacts, and giving comparative data where appropriate.

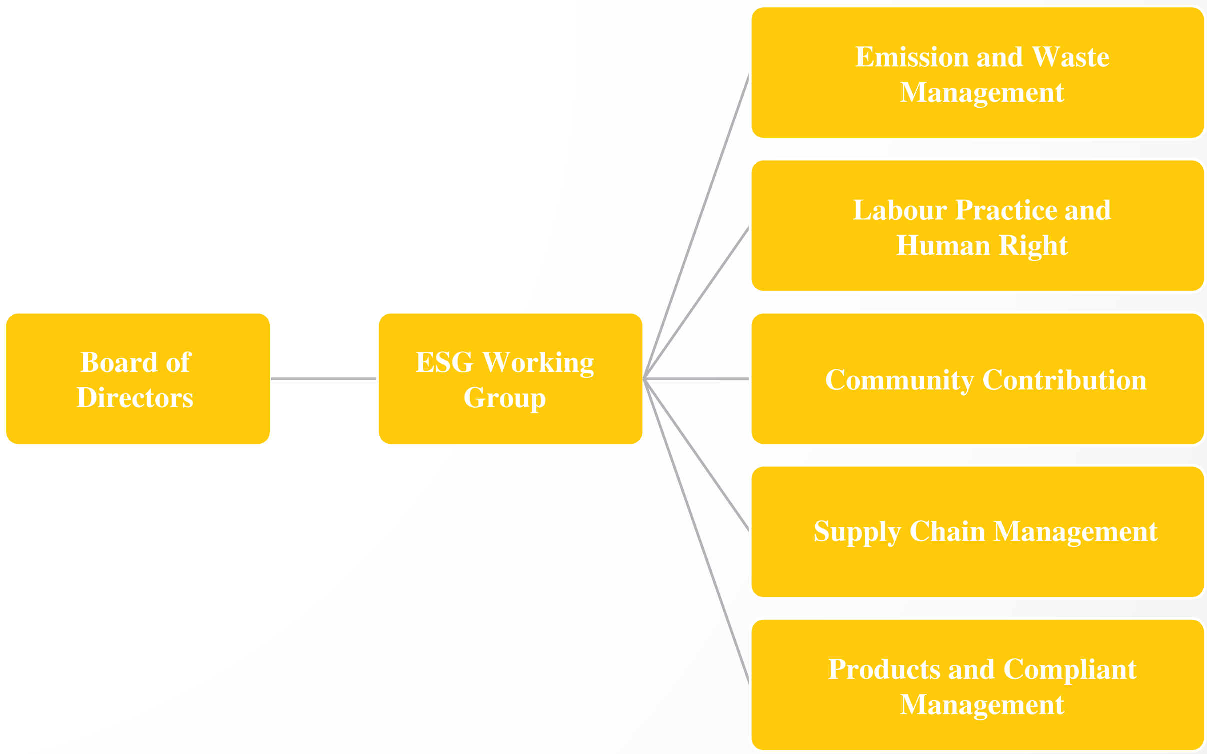
- "Balance" Principle: The Report should provide an unbiased picture of the issuer's performance. The Report should avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the readers.

- "Consistency" Principle: The issuer should use consistent methodologies to allow for meaningful comparisons of ESG data over time.

BOARD STATEMENT

The Board has an overall responsibility for overseeing and determining the Group's environmental, social, and climate-related risks and opportunities impacting the Group, establishing and adopting the ESG Policy and targets of the Group, and reviewing the Group's performance annually against the ESG targets and revising the ESG strategies as appropriate if significant variance from the target is identified.

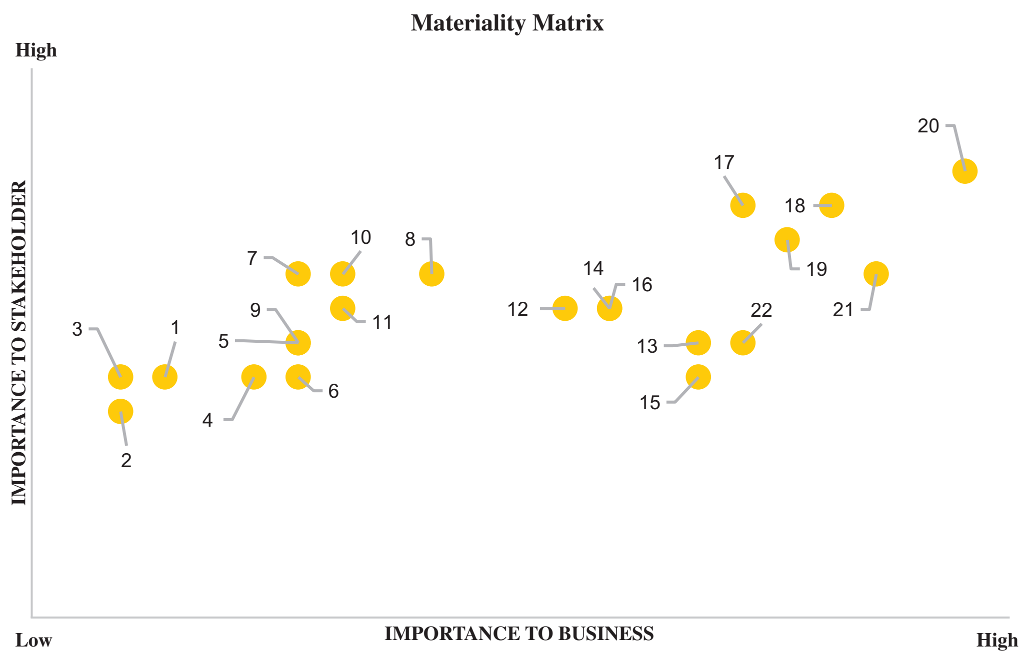
ESG Working Group comprises four members, including the Group's chief financial officer, human resources director, human resources manager, and senior compliance manager. The ESG Working Group serves as a supportive role to the Board in implementing the agreed ESG Policy, targets and strategies; conducting materiality assessments of environmental-related, climate-related, social-related risks and assessing how the Group adapts its business in light of climate change; collecting ESG data from different parties while preparing for the ESG report; and continuously monitoring of the implementation of measures to address the Group's ESG-related risks. The ESG Working Group has to report to the Board on a semi-annual basis on the ESG performance of the Group and the effectiveness of the ESG systems. The Group's governance structure for its sustainability matters is illustrated as follows:



MATERIALITY ASSESSMENT

The management and staff of the Group have participated in the preparation of the Report to assist the Group in reviewing the operations and identifying relevant ESG issues. Materiality assessment has been conducted to assess the importance of related matters to the businesses and stakeholders. To identify potential material topics for disclosure in the Report, the Group adopted the disclosure topics of the ESG Reporting Guide. Based on the assessed significant ESG issues, information was collected from relevant departments of the Group and approved by the Board. The Group has built a two-dimensional analysis matrix and prioritised the 22 issues accordingly. The main concerns and material issues of the Group are listed below:

ESG aspects as set out in the ESG Reporting Guide		Material ESG issues for the Group
A. Environmental	A1. Emissions	1. Air Emission 2. Greenhouse Gas (**"GHG"**) Emission 3. Waste Management
	A2. Use of Resources	4. Energy Consumption 5. Water Consumption 6. Paper Consumption
	A3. The Environment and Natural Resources	7. Environmental Risk Management
	A4. Climate Change	8. Mitigation of significant climate-related issues 9. Extreme Weather
B. Social	B1. Employment	10. Human Resources Practices 11. Employment and Remuneration Policies 12. Equal Opportunity
	B2. Health and Safety	13. Employees' Health and Workplace Safety
	B3. Development and Training	14. Employee Development
	B4. Labour Standards	15. Anti-child and Forced Labour
	B5. Supply Chain Management	16. Supplier Practices
	B6. Product Responsibility	17. Intellectual Property 18. Legal Issue 19. Goods/Services quality and Customers Satisfaction 20. Protection of Customers Privacy
	B7. Anti-corruption	21. Anti-corruption and Anti-money Laundering
	B8. Community Investment	22. Community Investment


Materiality Matrix
High
IMPORTANCE TO STAKEHOLDER
Low
IMPORTANCE TO BUSINESS
High
1
2
3
4
5
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9
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11
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STAKEHOLDERS COMMUNICATION

The Group emphasises communication with stakeholders and strives to understand their requirements and aspirations. Therefore, the Group has a variety of channels that allow different stakeholders to share their opinions and demands on its operation and performances on topics covering the environmental, social, and governance aspects. The Group's major stakeholders include government authorities and regulators, customers, employees, investors, supplier and community. The table below is an overview of the Group's communication channels with its major stakeholders.

Relevant Stakeholder	Engagement Channel	Purpose
Government Authorities and Regulators	• Annual reports • Regulatory or voluntary disclosures • Written correspondence	To facilitate (i) the appropriate risk governance on ESG matters, including climate-related risks and opportunities; (ii) ESG strategy formation procedures; (iii) ESG risk management and monitoring; (iv) the identification of KPIs; and (v) the relevant measurements and mitigating measures.
Customers	• Customer service hotline or emails • On-site survey • Direct communication • Media	To maintain quality products and services, protect customer privacy and promote the Group's business integrity and ethics.
Employees	• Appraisals • On-the-job coaching • Trainings • Internal memorandum • Human resources manual • Exit interview	To promote well-being in the workplace, which is crucial to long-term performance. The Group seizes the opportunities to improve workplace conditions and avoid occupational hazards, takes into account public health issues and addresses weaknesses and shortcomings.

Relevant Stakeholder	Engagement Channel	Purpose
Investors	• Annual or special general meetings • Corporate publications • Circulars and announcements • Corporate website • Media interviews • Written correspondence, phone or emails	To minimise risk caused from ESG, and to enhance corporate value while achieving a stable and long-term growth for the benefit of its shareholders.
Suppliers	• On-site evaluation visits • Business meetings • Tendering for procurement of products or services	To ensure fair tendering and build long-term reliable partnership with suppliers.
Community	• Community activities • Media conferences • Written correspondence	To support the development of social and solidarity-based companies and is committed to improve education, health, culture and social supportiveness.

ENVIRONMENTAL PROTECTION

Environmental Policy and Compliance

The Group recognises the importance of good environmental management and is committed to protecting and conserving the environment and natural resources. The Group strives to continuously improve its environmental performance for the management philosophy of sustainable development. In response to the global environmental protection trends, the Group implements the environmental protection policies to promote energy conservation, reduce emission of pollutants and to mitigate environmental risks, including compliance of the applicable local laws and regulations, ensuring efficient use of energy, water and other resources during operations, raising staff's awareness in environmental protection, and management monitoring of the implementation of environmental policies.

Emission

The Group recognises the importance of establishing a balance between economic development and environmental protection as the impacts of the environmental and climate related issues become more severe in recent years. In the Reporting Period, the Group is not aware of any material non-compliance environmental protection laws and regulations that had a significant impact on the Group relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes.

The Group strictly complies with environmental laws and regulations in Hong Kong and the Mainland China, including but not limited to:

- Air Pollution Control Ordinance (Cap. 311 of the Laws of Hong Kong);
- Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong);
- Environmental Impact Assessment Ordinance (Cap. 499 of the Laws of Hong Kong);
- Environmental Protection Law (《中華人民共和國環境保護法》) in the PRC; and
- Atmospheric Pollution Prevention and Control Law (《中華人民共和國大氣污染防治法》) in the PRC.

No fines or non-monetary sanctions for non-compliance with relevant laws and regulations had been reported in the Reporting Period.

Air and GHG Emissions

The Group's core business does not directly generate significant air and GHG emissions. The most common emission from its daily business activities is GHG emissions. It is mainly generated from the consumption of purchased electricity and the fuel consumed from the use of motor vehicles. Although the environmental impact is limited, the Group still strives to be more proactive on emission and energy reduction by its Environmental Policy and Emission Policy.

To properly manage GHG emissions, the Group actively adopts energy saving and electricity conservation measures as well as other measures, including:

- Encourage employees to switch off IT devices, such as computers and monitors when not in use;
- Maintain indoor temperature at an optimal level for comfort; and
- Check and clean electrical appliances, such as refrigerator, air conditioning, ventilation and paper shredder regularly to ensure they are maintained at an efficient operating state.

The Group's objection is to achieve net-zero target by 2060.

The emission data of GHG during the Reporting Period are set out as follows:

Scope of GHG Emissions	Unit	FY2024[1]	FY2023[1]
Scope 1 Direct GHG emission	tCO_2e	38.0	20.2
Scope 2 Energy Indirect GHG emissions	tCO_2e	112.7	121.1
Scope 3 Other indirect GHG emissions	tCO_2e	1.3	39.7
Total GHG emissions	**tCO_2e**	**152.0**	**181.0**
GHG emissions intensity[2]	**tCO_2e/employee**	**0.8**	**1.0**

Note(s):

1. Emission factors were made reference to the ESG Reporting Guide under Appendix C2 of the Listing Rules as set out by the SEHK, the "Global Warming Potential Values (August 2024)" issued by the Intergovernmental Panel on Climate Change ("**IPCC**"), the "Sustainability Report 2024 – ESG Databook" published by the CLP Power Hong Kong Limited, and the "2023 National Electricity Carbon Footprint Factor" (《2023年全國電力碳足跡因子》)" issued by the Ministry of Ecology and Environment of the PRC.

2. The total number of employees used for intensity calculation is the number at the end of the reporting period, unless stated otherwise.

Apart from GHG emissions, fuel consumption from motor vehicles also emits air pollutants, such as nitrogen oxides, sulphur oxides and particulate matter.

The amount of air pollutants emitted from the vehicles used by the Group are set out as follows:

Types of air pollutants	Unit	FY2024	FY2023
Nitrogen oxides (NO_x)	kg	45.7	24.0
Sulphur oxides (SO_x)	kg	0.2	0.1
Particulate Matter (PM)	kg	4.0	2.1

Waste Management

The Group does not generate any hazardous wastes, including chemical wastes, clinical wastes and hazardous chemicals, in the ordinary course of business. Non-hazardous waste produced from the operations of the Group is mainly comprised of general office consumables which have no significant impact on the environment. The Group's wastes are mainly classified into two categories, including general wastes (household wastes) and recyclable wastes. The Group has implemented Waste Management Policy to reduce waste generation and enhance resource recycling efficiency.

The summary of non-hazardous wastes produced by the Group during the Reporting Period and their intensity are as follows:

Non-hazardous waste	Unit	FY2024	FY2023
Total non-hazardous waste produced	tonnes	3.6	5
Non-hazardous waste intensity[1]	**tonnes/employee**	**0.02**	**0.03**

Note(s):

1. The total number of employees used for intensity calculation is the number at the end of the reporting period, unless stated otherwise.

In summary, to the best of its Directors' knowledge, there was no material non-compliance with the applicable local rules and regulations relating to air emissions, GHG emissions, water and land discharges, and generation of hazardous and non-hazardous wastes in all material aspects. The Group's objection is to achieve 15% reduction of non-hazardous wastes by year 2031 from a base year of 2021, major reduction measures including to eliminate single use plastic from the Group's operation, to make all the Group's event paperless and set up recycling points for material recycling.

Use of Resources

The Group grasps every opportunity to encourage its employees in supporting the green initiatives in daily operations and incorporating environmental sustainability into its business operation. Due to the nature of the office's operations and business, the major resources consumed by the Group are electricity, water and paper.

Energy Consumption

The direct and indirect energies consumption by type are set out as follows:

Energy and Resources Use	Unit	FY2024	FY2023
Direct energy consumption (Petrol)[1]	kWh	137,911	73,644
Indirect energy consumption (Purchased electricity for operation in headquarters)	kWh	200,509	220,260
Indirect energy consumption (Purchased electricity for electric vehicles)	kWh	2,155	Not Applicable
Total energy consumption	**kWh**	**340,575**	**293,904**
Energy consumption intensity[2]	**kWh/employee**	**1,892**	**1,580**

Note(s):

1. Conversion factors reference to the Energy Statistics Manual issued by the International Energy Agency, unless stated otherwise.

2. The total number of employees used for intensity calculation is the number at the end of the reporting period, unless stated otherwise.

The Group is committed to instilling the awareness of resources conservation and environmental protection into the work and life of every employee. The Group seeks business partners who also share the philosophy and commitment to environment conservation and compliance with the applicable environmental laws and regulations. The Group believes that these initiatives are capable to reflect its commitment to offering the best quality of services while maintaining the least adverse environmental impact on the planet.

Water Consumption

With respect to water conservation, the Group encourages all employees and customers to develop the habit of conserving water consciously. Pantry and washrooms are posted with environmental messages to remind employees the importance and urgency of water conservation.

Apart from education, the utility facilities are maintained regularly for service, to ensure that water seepage or leaking pipelines are replaced or repaired on a timely basis.

In the production process, water curtain cabins are employed so that wastewater can be recycled for the purpose of controlling air pollution in the spraying procedure.

The water consumption data are set out as follows:

Water Resources	Unit	FY2024	FY2023
Total water consumption	**Cubic metre**	**191.8**	**188.0**
Water consumption intensity[1]	**Cubic metre/employee**	**1.1**	**1.0**

Note(s):

1. The total number of employees used for intensity calculation is the number at the end of the reporting period, unless stated otherwise.

During the Reporting Period, there is no issue in sourcing water, and the Group planned to achieve 15 % water reduction in water consumption by year 2031 from a base year of 2021.

Packaging Material

Due to the business nature of the Group, the management believe that it is not applicable to the Group. Moreover, the Group’s products are packaged by the suppliers and the Group will continue to adopt the principles of defective packaging and green packaging for procurement and selecting suppliers.

The Environment and Natural Resources

The principal business activities of the Group do not have a significant impact on the environment and natural resources. Despite this, the Group is committed to sustainability by seeking to reduce the environmental impact of its operations, with a particular focus on the reduction of GHG emissions and preservation of resources.

Employees are well-informed of the green measures adopted by the Group through regular meetings and sending them emails and relevant materials to advocate their awareness and behavioural change. The Group encourages all employees to participate in different kinds of recycling activities and minimise the use of natural resources. The Group will continue to reduce emissions and wastes on an ongoing basis in order to minimise the Group's impacts of activities on the environment and natural resources.

As mentioned in the above sections, the Group has implemented various measures to protect water resources and reduce waste. The Group is also devoted to green office and resources conservation in order to contribute to the sustainable development of mankind.

Climate Change

Governance

The Board is responsible for steering the Group's sustainability strategy, ensuring that climate-related considerations are integrated into the broader business framework. This includes overseeing the progress of sustainability initiatives, addressing key stakeholder concerns, and ensuring alignment with the Group's long-term goals. Furthermore, the Board regularly reviews, evaluates, and approves the core sustainability strategies, risk management policies, and evaluates performance of KPIs against these objectives to drive continuous improvement.

The ESG Working Group is tasked with developing objectives, formulating plans, and establishing performance metrics to manage the Group's overall climate-related sustainability performance. Additionally, the ESG Working Group will report to the Board and provide recommendations on significant sustainability issues, including but not limited to climate-related matters, as appropriate.

Strategy

In response to the growing public concern about climate change and related issues, the Group has established a Climate Change Policy to mitigate its impacts. This policy outlines the measures taken by the Group's management to address climate-related challenges, as well as its commitment to driving climate change mitigation and enhancing climate resilience within its business operations and value chain.

Risk Management

Acute Physical Risk

As climate change intensifies, extreme weather events such as typhoons, floods, and heatwaves may have a direct impact on the Group's operations. For instance, since the Group's business operations rely on suppliers and partners, climate change could lead to reduced production capacity in certain regions, affecting the supply and cost of raw materials. Additionally, disruptions in the supply chain or delays in logistics may impact product delivery, ultimately affecting sales performance. Therefore, we will proactively implement measures to strengthen risk management, ensuring that we can maintain business sustainability and resilience in the face of challenges posed by climate change.

Chronic Physical Risk

As global temperatures continue to rise, this may lead to changes in production and operational environments. We anticipate an increase in the severity and frequency of extreme weather events, which could potentially damage the Group's operational facilities, ultimately leading to higher insurance premiums. Furthermore, with a higher temperature in the future, the Group may need to allocate more spending on indoor cooling. In the meantime, prolonged high temperatures may also impact employee work efficiency and health, increasing the Group's operating costs and potentially affecting productivity and overall well-being.

Transition Risk

As governments worldwide tighten environmental protection regulations, requiring businesses to reduce carbon emissions and enhance product sustainability standards, the Group anticipates challenges such as increased compliance costs and the need to adjust business operations. Additionally, considering the SEHK will implement mandatory climate-related disclosure requirements in FY2025, the Group may face challenges in establishing comprehensive data collection systems to meet new requirements. Failure to comply could result in legal risks, including fines, lawsuits, and reputational damage. Simultaneously, industry peers are adopting advanced green business strategies and low-carbon, energy-efficient technologies. If the Group does not align with these trends, it may lose the competitive edge in the market.

Metrics and Targets

The Group acknowledges the impacts of business operations to climate change and recognises the urgent need to promote environmental conservation. In view of these, GHG emissions have been identified as a critical metric within our strategic planning and risk management frameworks. We have quantified our emissions across direct emissions (Scope 1), energy indirect emissions (Scope 2), and other indirect emissions (Scope 3). For a detailed overview of our GHG emissions for FY2024, please refer to the section headed "Air and GHG Emissions" above.

EMPLOYMENT AND LABOUR PRACTICES

Employment

The Group values the vocational well-being of its staff, as we believe greater creativity and productivity are cultivated in happy workplaces. The Group ensures strict compliance with regulations to safeguard its employees' lawful rights. Employees of the Group in Hong Kong are covered by the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong); while employees in the Mainland China are covered by the Labour Contract Law (《中華人民共和國勞動合同法》) of the PRC, the Social Insurance Law (《中華人民共和國社會保險法》), the Juvenile Protection Act (《未成年人保護法》), the Measures for Paid Annual Leave (《帶薪年休假辦法》), the Minimum Wage Regulations (《最低工資條例》), and the female labours are also protected by the Female Workers' Labour Protection Regulations (《女職工勞動保護規定》) of the PRC, and employees in Thailand are covered by the Labour Protection Act.

The management regularly reviews the Group's remuneration and benefits policies in reference to the market standards and is committed to safeguarding the rights and interests of the employee including but not limited to policies regarding compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. Remuneration and benefits have been adjusted in accordance with the employees' individual performance, contribution and market conditions. Remuneration packages include holidays, annual leave, medical scheme, group insurance, mandatory provident fund and discretionary bonus.

In the recruitment process, the appointment of employees at all levels of the Group was based on academic qualifications, integrity, abilities and experience required for the position. Recruitment was conducted mainly through job posting. Candidates are vetted by the human resources department and reviewed by the heads of the hiring department. All appointments are submitted to the general manager for approval to ensure the decisions are fair and reasonable.

The Group encourages differences and individuality in employees, with the philosophy that diversity can bring new ideas, dynamics and challenges to the operations; but discourages all forms of discrimination on gender, age, family status, sexual orientation, disability, race and religion. The Group is committed to supporting the employees to maintain a family-friendly work environment and strives to make sure employees and business partners comply with laws and regulations, follow ethical business practices and respect equal opportunities in employment.

During the Reporting Period, the Group continues to strictly observe the applicable laws and regulations and follow the employment policies relating to recruitment and promotion, compensation and dismissal, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, by providing competitive remuneration package, including internal promotion opportunities and performance-based bonus, so as to recruit and retain experienced employees.

The Group had a total number of 180 employees as at 31 December 2024. The employee compositions by gender, age group and geographical region were as follows:

Employee Structure		Number of employees as at 31 December 2024	Percentage of employees as at 31 December 2024	Number of employees as at 31 December 2023	Percentage of employees as at 31 December 2023
Total number of employees		180	100%	186	100%
By gender	Male	74	41.1%	68	36.6%
	Female	106	58.9%	118	63.4%
By age	Aged 18 – 30	94	52.2%	93	50.0%
	Aged 31 – 40	61	33.9%	72	38.7%
	Aged 41 – 60	23	12.8%	20	10.8%
	Aged over 60	2	1.1%	1	0.5%
By employment type	General Staff	88	48.8%	145	78.0%
	Middle Management	55	30.6%	27	14.5%
	Senior Management	28	15.6%	7	3.8%
	Contract of short term	9	5.0%	7	3.8%
By geographical region	Hong Kong	27	15.0%	40	21.5%
	Mainland China	152	84.4%	144	77.4%
	Thailand	1	0.6%	2	1.1%

Promotion and Career Development

The promotion of the Group's employees is subject to review regularly. The Group has established objective performance indicators for annual performance evaluation.

During the Reporting Period, the employee turnover rate of the Group was 61%. Those employees who left the Group were in their own accord. The Group was not aware of any material non-compliance with laws and regulations relating to employment and labour practices that had a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare for the Reporting Period.

The following table sets for the turnover rates of the Group's employees for the Reporting Period:

		FY2024		FY2023	
Summary of Employee Data		Number of employees resigned	Turnover rates[1]	Number of employees resigned	Turnover rates[1]
By gender	Male	39	54.9%	36	54.1%
	Female	73	65.2%	84	71.8%
By age	Aged 18 – 30	75	80.2%	77	80.2%
	Aged 31 – 40	32	48.1%	37	54.8%
	Aged 41 – 60	5	23.3%	6	31.6%
	Aged over 60	0	0%	0	0%
By geographical region	Hong Kong	22	65.7%	21	50.0%
	Mainland China	89	60.1%	99	70.5%
	Thailand	1	66.7%	0	0%

Note(s):

1. Calculation of turnover rate for each of the categories = Number of employees who left in the category during the Reporting Period/[(Number of employees in the category at the end of the previous reporting period + Number of employees in the category at the end of this reporting period)/2] × 100%.

Health and Safety

The Group has been attaching great importance to a comfortable and safe working environment for the employees which protect them from potential occupational hazards and health and safety risks, in order to achieve zero tolerance of accidents and injuries.

As employees' health and safety are of paramount importance to the operation of the Group, the Group has accordingly formulated a series of relevant personnel management policy to provide employees with a healthy, positive and motivative working atmosphere.

The Group maintains the risk management system including identification, prevention and management of risks and hazards throughout the workplaces as well as follow-up actions for accidents or personal injuries. The Group has taken the following measures:

- Maintaining a safe working environment which poses no threat to health under the Group's control;
- Irregularly participating in occupational health and safety related seminars; and
- Conducting fire drills and emergency evacuation simulations to raise employees' awareness of fire prevention and to equip employees with appropriate knowledge and skills in the event of emergency.

Additionally, the Group provides induction programs and safety training programs to new employees such that they can be familiar with the corporate policies in relation to health and safety matters upon joining the Group.

Summary of Data	FY2024	FY2023	FY2022
Work injury cases ≤ 3 days	0	0	0
Work injury cases > 3 days	0	0	0
Fatalities	0	0	0
Lost days due to work injury	0	0	0

During the Reporting Period, the Group did not record any work-related injury or fatality of employees, nor any lost days due to work injury. The Group is not aware of any material non-compliance with the relevant laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards. The relevant laws and regulations include, but are not limited to, the Employment Ordinance of Hong Kong, the Labor Law of the People's Republic of China, the Production Safety Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases in the PRC, and the Occupational Safety, Health and Environment Act in Thailand.

Development and Training

The Group sees each position of the Group to be of unique professional and technical needs. Thus, a comprehensive training scheme is in place to provide support and coaching to the employees.

For every new joiner, the Group provides proper orientation training and mentoring in order to help them adapt to the new working environment quickly. Mentoring and guidance in relation to the operating procedures and technical production requirements will be provided by senior staff or supervisor in each production unit.

The Group acknowledges the importance of continuous training and development of employees and encourages on-the-job training in each department. At the end of each year, all departments are required to draw up a training plan for the next year based on the specific need and nature of work in the department. Based on the nature and need of job duties, employees of certain positions will receive professional training from external institutes so that they can master the knowledge and skills required in the position. The Group also provides training subsidy to employees attending approved training courses related to the job.

A total of 84 training hours were conducted in the Reporting Period, and training hours (categorised by gender and employee category) are shown below:

Occupational Training Data		FY2024	FY2023
Training Hours of Employees by Gender	Male	35	55
	Female	49	108
Training Hours of Employees by Category	General Staff	55	135
	Middle Management	12	20
	Senior Management	8	5
	Contract or Short Term	9	3
Average Training Hours of Employees by Gender[1]	Male	0.5	0.8
	Female	0.5	0.9
Average Training Hours of Employees by Category[2]	General Staff	0.6	0.9
	Middle Management	0.2	0.7
	Senior Management	0.3	0.6
	Contract or Short Term	1.0	0.9
Percentage of employees trained by Gender	Male	41.7%	33.3%
	Female	58.3%	66.7%
Percentage of employees trained by Employment Category	General Staff	65.5%	82.9%
	Middle Management	14.3%	10.9%
	Senior Management	9.5%	3.9%
	Contract or Short Term	10.7%	2.3%

Note(s):

1. Average Training Hours of Employees by category = Total training hours of employees in the category during the Reporting Period/Total number of employees in the category at the end of the Reporting Period.

2. Percentage of employees trained by category = (Number of employees in the category received training during the Reporting Period/Total number of employees received training at the end of the Reporting Period) × 100%.

Labour Standards

The Group strictly prohibits the use of child and forced labour. Through the well-established recruitment policies, including verifying the identity documents of all applicants by the human resources department during the recruitment process, the Group ensured that its employees are all above the minimum legal working age and no forced labour is hired. In case any irregularities in ages, identities and/or validities of employment status were found, employment will be terminated immediately, and the Group will report the incident to relevant authorities. The Group has complied with all applicable laws and regulations in relation to employment matters during the Reporting Period, the relevant laws and regulations include, but are not limited to the Employment Ordinance of Hong Kong, the Provisions on the Prohibition of the Use of Child Labour (《禁止使用童工規定》) of the PRC and the Labour Protection Act in Thailand.

OPERATING PRACTICES

The Group is determined to disseminate the pursuit of sustainability into the core business which is regarded as part of the responsibility of an accountable corporate citizen. A series of management systems and procedures have been developed in alignment with the Corporate Governance requirements required by the SEHK. Furthermore, the Group encourages all business partners to incorporate those sustainability practices and policies into their operation thoroughly in order to work together in pursuit of sustainable development.

Supply Chain Management

The Group understands that supply chain management has always been one of the key aspects of the Group's operation. The supply chain management team not only considers economic and commercial benefits during the tendering processes but also evaluates the suppliers' and contractors' track record relating to legal and regulatory compliance which include safeguarding workers' health and safety and mitigating environmental impacts.

In addition to purchasing products and services according to the specified standards, the Group has established a sound supplier management system to manage the key links of the supply chain, including provisions about supplier admittance, supplier assessment and supplier evaluation, etc.

To maintain a good corporate control and governance, the Group has developed a series of management system and procedures in alignment with the Corporate Governance requirements required by the SEHK and is obliged to terminate the cooperation contract with suppliers that may cause or have caused serious legal violation.

The Group believes in sourcing from local suppliers where possible and where procurement from overseas suppliers is required, it will be based on the suppliers' availability and capability. For the Reporting Period, the Group worked closely with 4 suppliers, all of them are located in the PRC.

The Group will prioritise engaging suppliers that have established a robust environmental management system, such as those certified with ISO 14000 or similar environmental certifications. The Group continuously evaluates the environmental performance of its suppliers. The Group may terminate the contract with suppliers that refuse to address situations that cause significant harm to the environment.

Product Responsibility

The Group has been dedicated in providing high product quality and professional services with the highest degree of integrity and pursuit of excellence to its customers. The Company has set different systems and procedures such as the Store Standard Operating Procedures, the Customer Service Handling Procedures for Return and Exchange and the Customer Complaints System to standardise store operations, promote follow-ups, handling and feedback of various issues.

The Company continues to improve the customer complaint handling system, and set up a customer service centre to investigate and follow up customer complaints about the Group's products and service. Customer service staff will be arranged based on the complaint types and deal with issues such as product quality, product after-sales and employee service attitudes, and within a limited time scale, communicate the Group's responses with the complainant in a timely manner. For products are defected or other quality problems, the Group will conduct product return or exchange depending on the severity of the problem. Meanwhile, the Company's quality inspection team will track and supervise the complaint processing results, so that customer demands can be resolved satisfactorily.

During the Reporting Period, there were no material recalls, significant complaints against the products, or any material amount of sales return for safety and health reasons.

Privacy Protection and Intellectual Property

The Group is committed to comply with the privacy laws and regulations. The Group undertakes to strictly comply with the requirements of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), the Corporate Finance Consultant Code of Conduct, the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), the Personal Data Protection Act of Thailand and local legislations, to ensure that all data are securely kept in the internal system with access control. The Group has separated the customer data from other ordinary information to protect customers' privacy. Meanwhile, only authorised personnel can access the personal data collected from the Group's customers. Through internal training and confidential agreements with employees, the Group emphasises confidentiality obligations and the legal consequences of the breaches of relevant rules.

While striving for excellent quality and high-tech quality, the Group complies with the requirements of the Patents Ordinance (Cap. 514) of Hong Kong, the Patent Law of the PRC (《中華人民共和國專利法》) and the Patent Act in Thailand, focusing on protecting original designs and legally obtaining copyrights. Also, the staff periodically check the Hong Kong Intellectual Property Journal and other international source, the Group will raise objection accordingly if there is new application of trademark registration which is likely to make confuse with the Group's trademarks. To improve productivity and market competitiveness, the Group has obtained relevant patents for its products and has used them in its operations. The Group also will conclude an e-commerce platform agreement with customers to achieve the consumer data protection.

During the Reporting Period, the Group is not aware of any incidents of non-compliance with regulations and/or voluntary codes concerning the Group's products and services relating to health and safety, advertising, labelling and privacy matters.

Anti-corruption

The Group is committed to upholding high standards of business integrity, honesty and transparency in all its business dealings and strictly prohibits any form of fraud or corruption, and is committed to the prevention, deterrence, detection and investigation of all forms of fraud and corruption. The Group will arrange anti-corruption training programmes for Board members and employees in Hong Kong and the Mainland China to update them on the latest anti-corruption enforcements and proper practice procedures.

The Group observed the related laws and regulations that have significant impact on the Group relating to bribery, extortion, fraud and money laundering, such as the Prevention of Bribery Ordinance (Chapter 201 of Criminal Laws) of Hong Kong, the Criminal Law of the PRC (《中華人民共和國刑法》), the Regulations of the PRC for Suppression of Corruption (《中華人民共和國懲治貪污條例》) and the Organic Act on Counter Corruption of Thailand. During the Reporting Period, the Group complied with the relevant laws and regulations relating to bribery, extortion, fraud and money laundering mentioned above, as well as the "Anti-Fraud and Anti-corruption Policy" set up by the Group, and there were no cases of anti-corruption.

Under the Group's whistleblowing policy, employees and other stakeholders of the Company may anonymously report any suspected or actual events of bribery and corruption to the Company's compliance manager, without the threat of dismissal or retaliation. The compliance manager who receives the reports will promptly act to evaluate the issue and investigate the issue where appropriate. The results of the investigation will be reported to the Group's Audit Committee accordingly.

During the Reporting Period, the Group did not receive any complaints from employees and/or other stakeholders of the Group.

COMMUNITY INVESTMENTS

Being a socially responsible company, the Group actively strives to contribute to a better society through active involvement in the community, by putting the best effort into helping the employees and local communities through company events and outdoor activities.

The Group believes that a good corporate culture and harmonic working environment will help to achieve the work-life balance of the employees. In the coming future, the Group will continue to attach great importance to the well-being of the staff and community.

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KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change	137-138
B. Social			
Aspect B1: Employment			
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment	139

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration	Page
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employment	140
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment — Promotion and Career Development	141
Aspect B2: Health and Safety			
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety	142-143
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years, including the reporting year.	Health and Safety	142-143
KPI B2.2	Lost days due to work injury.	Health and Safety	142-143
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety	142-143

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration	Page
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training	143
KPI B3.1	The percentage of employees trained by gender and employee category.	Development and Training	144
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training	144
Aspect B4: Labour Standards			
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards	145
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards	145
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards	145

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration	Page
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	145-146
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management	146
KPI B5.2	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management	145-146
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management	145-146
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management	145-146

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration	Page
Aspect B6: Product Responsibility			
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility Privacy Protection and Intellectual Property	146
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility	146
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Product Responsibility	146
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Privacy Protection and Intellectual Property	147
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility	146
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Privacy Protection and Intellectual Property	147

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration	Page
Aspect B7: Anti-corruption			
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption	147-148
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption	148
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	Anti-corruption	148
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption	147-148

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration	Page
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investments	148
KPI B8.1	Focus area of contribution	Community Investments	148
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	Community Investments	148

To the Members of B.Duck Semk Holdings International Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of B.Duck Semk Holdings International Limited (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 169 to 257, comprise:

- the consolidated statement of financial position as at 31 December 2024;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

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 Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Key Audit Matters

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

Key audit matters identified in our audit are summarised as follows:

- Expected credit losses on other receivables, trade receivables and contract assets
- Net realisable value of inventories

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit losses on other receivables, trade receivables and contract assets Refer to Notes 4, 5(c), 20 and 21 to the consolidated financial statements. As at 31 December 2024, the Group had other receivables, trade receivables and contract assets with gross carrying amount HK$77,844,000, HK$57,561,000, and HK$20,946,000 respectively, and expected credit loss allowance amounting to HK$2,176,000, HK$18,493,000 and HK$1,233,000 respectively.	Our audit procedures relating to management's assessment of the expected credit losses on other receivables, trade receivables and contract assets included: We understood, evaluated and tested, on a sample basis, the internal controls over the Group's process in estimating the expected credit loss to determine the loss allowance for other receivables, trade receivables, contract assets and evaluated the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; For trade receivables and contract assets: • We understood and evaluated the modelling methodologies used by management for measuring expected credit losses; assessed key parameters and assumptions made by management with reference to the relevant historical credit loss data of the Group and observable external economic data;

Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit losses on other receivables, trade receivables and contract assets *(continued)* The Group provides expected credit loss allowance for trade receivables and contract assets based on the lifetime expected credit losses. Trade receivables and contract assets are grouped in accordance with credit risk characteristics to determine the expected credit loss. The management assesses the expected credit loss for contract assets and trade receivables individually or collectively, based on the consideration of probability of default, loss given default, exposure and forward-looking adjustments. For other receivables, the Group adopted a general 3-stage approach when providing expected credit loss allowance. Significant judgement is exercised by the management in making assumptions about risk of default and expected loss rates. In making such judgement, management needs to select the inputs to the expected credit losses calculations, based on the past collection history of the Group, existing market conditions as well as forward-looking estimates at the end of each reporting period, in developing its expectation of the ultimate realisation of the other receivables, trade receivables and contract assets. The assessment was an area of focus for the audit given the judgment exercised by the management, inherent uncertainties in this area and the significance of the related balances.	• We evaluated the reasonableness of grouping of trade receivables and contract assets against the nature of the risk characteristics; • We checked, on sample basis, the accuracy of ageing profile of trade receivables and contract assets and their settlement records, which are extracted from management's reports used by management in the expected credit losses assessment; • We evaluated the outcome of prior year assessment of the loss allowance, by checking receivable settlement records, to assess the effectiveness of management's estimation process; • We involved our in-house valuation experts in assessing the methodology and the underlying assumptions adopted by management in the estimation of expected credit losses for trade receivables and contract assets of individually assessed customers; • We assessed the appropriateness of management's process to identify significant changes of credit risks characteristics of specific customers and perform individual assessment of expected credit losses, in consideration of relevant factors, such as turnover days, settlement records and background of the customers;

Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit losses on other receivables, trade receivables and contract assets *(continued)*	• For forward looking estimates, we evaluated the appropriateness of economic indicators selected by management; evaluated the economic scenarios and the underlying probability weightings applied by management with reference to market data, our industry knowledge; and tested the resulting calculation of the economic indicators determined thereby; and • We tested the mathematical accuracy of the calculations of provision for expected credit losses. For other receivables: • We assessed the appropriateness of the expected credit loss provisioning methodology and assumptions adopted by management with reference to market data and other relevant information; • We assessed the appropriateness of the management's identification of significant increase in credit risk for the other receivables, in consideration of the settlement pattern and other relevant information;

Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit losses on other receivables, trade receivables and contract assets *(continued)*	• We challenged management for the assumptions and data used in assessing the expected credit loss rate, corroborated explanations and involvement of inhouse valuation expert, through examining underlying relevant supporting documents such as settlements record, default rate of comparable companies from public data, and other corresponding documents; • For forward looking estimates, we evaluated the appropriateness of economic indicators selected by management; evaluated the economic scenarios and the underlying probability weightings applied by management with reference to market data, our industry knowledge; and tested the resulting calculation of the economic indicators determined thereby; and • We tested the mathematical accuracy of the calculations of provision for expected credit losses. Based on the procedures performed, we found the judgement and estimates made by management in respect of the expected credit loss on other receivables, trade receivables and contract assets to be supportable by available evidence.

Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Net realisable value of inventories Refer to Notes 4 and 18 to the consolidated financial statements. Inventories are carried at the lower of cost and net realisable value, being the estimated selling price less estimated costs necessary to make the sale. As at 31 December 2024, the Group's inventories amounted to HK$20,189,000, net of provision for inventories amounted to HK$6,310,000. The determination of provision for inventories involves significant judgement, which is made with reference to recent selling prices, estimated costs necessary to make the sale ageing profile of the inventories and the marketability of the obsolete and/or slow-moving inventories. We focused on this area due to the judgment exercised by management in determining the net realisable value of inventories.	Our audit procedures relating to management's assessment of the net realisable value of inventories included: We understood, evaluated and tested management's internal controls and process for estimating net realisable values, including how management gathered sources of inventory data and adopted the assumptions for determining provision allowance. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; We assessed the appropriateness of methodology applied to identify obsolete and slow-moving inventories by inquiring management and other relevant employees and comparing against sales records and other relevant information; We tested, on a sample basis, the estimated selling price, costs necessary to make the sale and sales pattern by comparing it with sales records of the selected items and historical selling expenses; We tested, on a sample basis, the inventory aging profile of the inventories; and We tested the mathematical accuracy of the calculations of net realisable value of inventories.

Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Net realisable value of inventories *(continued)*	We evaluated the outcome of prior year assessment of the provision for inventories impairment, by reviewing actual utilisation rate of inventories, to assess the effectiveness of management's estimation process. Based on the procedures performed, we found the judgment applied by management in respect of the net realisable value of inventories to be supportable by available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in B.Duck Semk Holdings International Limited 2024 Annual Report (the "**annual report**") other than the consolidated financial statements and our auditor's report thereon.

We have obtained some of the other information including Corporate Information, Financial Highlights, Report of the Directors and Financial Summary prior to the date of this auditor's report. The remaining other information, including Chairman's Statement, Major Licensees and Activities, Management Discussion and Analysis, Biographies of Directors and Senior Management, Corporate Governance Report, Environmental, Social and Governance Report and the other sections to be included in the annual report, is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 identified above 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.

Other Information *(continued)*

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the remaining other information to be included in the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee and take appropriate action considering our legal rights and obligations.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism 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 consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

The engagement partner on the audit resulting in this independent auditor's report is Li Wang Kei.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 28 March 2025

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Note	For the year ended 31 December 2024 HK$'000	2023 HK$'000
Revenue	5	128,526	129,542
Other income	6	10,412	15,558
Other loss, net	6	(4,485)	(844)
Net (loss)/gain on financial asset of fair value through profit or loss	6	(535)	914
Cost of inventories sold		(36,453)	(39,518)
Employee benefit expenses	7	(64,604)	(64,547)
Promotion costs		(18,426)	(16,193)
Online platform usage fee		(10,195)	(5,410)
Depreciation and amortisation		(15,544)	(14,058)
Net impairment losses on financial assets and contract assets		(3,049)	(8,315)
Other expenses	8	(37,884)	(40,793)
Operating loss		(52,237)	(43,664)
Finance income	9	4,356	1,940
Finance costs	9	(2,861)	(4,438)
Finance income/(costs), net	9	1,495	(2,498)
Loss before income tax		(50,742)	(46,162)
Income tax expense	10	1,402	(529)
Loss for the year		(49,340)	(46,691)
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
– Currency translation differences		(1,426)	(2,280)
Item that will not be subsequently reclassified to profit or loss:			
– Currency translation differences		(104)	(17)
		(1,530)	(2,297)
Total comprehensive loss for the year		(50,870)	(48,988)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Note	For the year ended 31 December 2024 HK$'000	2023 HK$'000
Loss for the year attributable to			
Equity holders of the Company		(46,404)	(46,206)
Non-controlling interests		(2,936)	(485)
		(49,340)	(46,691)
Total comprehensive loss attributable to:			
Equity holders of the Company		(47,830)	(48,486)
Non-controlling interests		(3,040)	(502)
		(50,870)	(48,988)
Loss per share for loss attributable to the equity holders of the Company for the year:			
– Basic and diluted (expressed in HK cents per share)	11	(4.9)	(4.8)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Note	As at 31 December 2024 HK$'000	2023 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	13,374	13,292
Intangible assets	16	3,313	2,877
Right-of-use assets	15	16,276	23,591
Deferred income tax assets	19	11,323	8,042
Deposits, prepayments and other receivables	21	64,232	64,234
Financial assets at fair value through profit or loss	17	9,000	9,735
		117,518	121,771
Current assets			
Inventories	18	13,879	18,535
Trade receivables	20	39,068	51,028
Contract assets	5(c)	19,713	19,216
Deposits, prepayments and other receivables	21	39,887	45,125
Tax recoverable		–	873
Time deposits with original maturity over three months	22	40,000	40,000
Cash and cash equivalents	22	22,985	51,723
		175,532	226,500
Total assets		293,050	348,271
Equity and liabilities			
Equity attributable to holders of the Company			
Share capital	23	191	191
Share premium	23	240,511	245,253
Capital reserve	24	(33,883)	(34,386)
Retained earnings		39,808	86,212
Other reserves	24	(55,057)	(49,864)
		191,570	247,406
Non-controlling interests		1,345	1,573
Total equity		192,915	248,979

As at 31 December 2024

	Note	As at 31 December 2024 HK$'000	2023 HK$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	26	10,357	18,319
Deferred income tax liabilities	19	13	164
		10,370	18,483
Current liabilities			
Contract liabilities	5(c)	10,116	9,592
Trade payables	27	2,307	5,646
Accruals and other payables	28	22,344	14,222
Current income tax liabilities		2,124	–
Borrowings	29	45,923	43,572
Lease liabilities	26	6,951	7,777
		89,765	80,809
Total liabilities		100,135	99,292
Total equity and liabilities		293,050	348,271

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 169 to 257 were approved by the Board of Directors on 28 March 2025 and were signed on its behalf:

Hui Ha Lam	**Kwok Chun Kit**
Executive Director	*Executive Director*

For the year ended 31 December 2024

	Attributable to the holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 *(Note 24)*	Share-based payment reserve HK$'000 *(Note 24)*	Shares held for Share Award Scheme HK$'000 *(Note 24)*	Other reserves HK$'000 *(Note 24)*	Retained earnings HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total HK$'000
Balance at 1 January 2024	191	245,253	(34,386)	5,618	(54,654)	(828)	86,212	247,406	1,573	248,979
Comprehensive income										
Loss for the year	–	–	–	–	–	–	(46,404)	(46,404)	(2,936)	(49,340)
Other comprehensive income										
Currency transaction differences	–	–	–	–	–	(1,426)	–	(1,426)	(104)	(1,530)
Total comprehensive income	–	–	–	–	–	(1,426)	(46,404)	(47,830)	(3,040)	(50,870)
Transactions with holders in their capacity of holders										
Share purchase under share award scheme *(Note 25)*	–	–	–	–	(9,666)	–	–	(9,666)	–	(9,666)
Repurchase of shares from non-controlling interest	–	–	503	–	–	–	–	503	(1,003)	(500)
Equity-settled share-based payments under Share-based payment reserve *(Note 25)*	–	–	–	5,899	–	–	–	5,899	–	5,899
Dividend paid	–	(4,742)	–	–	–	–	–	(4,742)	–	(4,742)
Non-controlling interest on acquisition of subsidiary	–	–	–	–	–	–	–	–	3,815	3,815
Total transactions with holders in their capacity of holders	–	(4,742)	503	5,899	(9,666)	–	–	(8,006)	2,812	(5,194)
Balance at 31 December 2024	191	240,511	(33,883)	11,517	(64,320)	(2,254)	39,808	191,570	1,345	192,915

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Attributable to the holders of the Company									
	Share capital	Share premium	Capital reserve	Share-based payment reserve	Shares held for Share Award Scheme	Other reserves	Retained earnings	Total	Non-controlling interest	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Note 24)	*(Note 24)*	*(Note 24)*	*(Note 24)*				
Balance at 1 January 2023	195	294,437	(34,386)	–	(42,809)	1,452	132,418	351,307	–	351,307
Comprehensive income										
Loss for the year	–	–	–	–	–	–	(46,206)	(46,206)	(485)	(46,691)
Other comprehensive income										
Currency transaction differences	–	–	–	–	–	(2,280)	–	(2,280)	(17)	(2,297)
Total comprehensive income	–	–	–	–	–	(2,280)	(46,206)	(48,486)	(502)	(48,988)
Transactions with holders in their capacity of holders										
Share purchase under share award scheme *(Note 25)*	–	–	–	–	(11,845)	–	–	(11,845)	–	(11,845)
Shares repurchased and cancelled	(4)	(30,043)	–	–	–	–	–	(30,047)	–	(30,047)
Equity-settled share-based payments under Share-based payment reserve *(Note 25)*	–	–	–	5,618	–	–	–	5,618	–	5,618
Dividend paid	–	(19,141)	–	–	–	–	–	(19,141)	–	(19,141)
Non-controlling interest on acquisition of subsidiary	–	–	–	–	–	–	–	–	2,075	2,075
Total transactions with holders in their capacity of holders	(4)	(49,184)	–	5,618	(11,845)	–	–	(55,415)	2,075	(53,340)
Balance at 31 December 2023	191	245,253	(34,386)	5,618	(54,654)	(828)	86,212	247,406	1,573	248,979

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Note	For the year ended 31 December 2024 HK$'000	2023 HK$'000
Cash flows from operating activities			
Net cash (used in)/ generated from operations	31(a)	(5,105)	4,243
Income tax paid		739	(10,241)
Net cash used in operating activities		(4,366)	(5,998)
Cash flows from investing activities			
Prepayment and addition of intangible assets		(2,264)	(2,762)
Additions to property, plant and equipment		(6,231)	(11,162)
Addition of financial asset at fair value through profit or loss		–	(8,886)
Proceed from disposal of property, plant and equipment		90	13
Interest received		4,266	181
Net cash used in investing activities		(4,139)	(22,616)
Cash flows from financing activities			
Repurchase of shares under Share Award Scheme	24	(9,666)	(11,845)
Proceeds from borrowings	31(b)	5,485	46,000
Injection from non-controlling shareholders		3,815	2,075
Repurchase of shares from non-controlling interest		(500)	–
Repurchase and cancellation of shares	23(i)	–	(30,047)
Placement of time deposit		–	(40,000)
Release of time deposit		–	2,524
Repayments of borrowings	31(b)	(3,048)	(2,428)
Interest paid on borrowings	31(b)	(1,841)	(1,366)
Repayments of lease liabilities		(8,267)	(6,963)
Interest paid on lease liabilities		(904)	(869)
Dividend paid to shareholders		(4,742)	(19,141)
Interest paid		–	(73)
Net cash used in financing activities		(19,668)	(62,133)
Net decreases in cash and cash equivalents		(28,173)	(90,747)
Cash and cash equivalents at beginnings of the year		51,723	141,677
Effect of foreign exchange rate changes on cash and cash equivalents		(565)	793
Cash and cash equivalents at the end of the year		22,985	51,723

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 General Information

B.Duck Semk Holdings International Limited (the "**Company**") was incorporated in the Cayman Islands on 10 December 2020 as an exempted company with limited liability under the Companies Act (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the "**Group**") are principally engaged in the provision of licensing services, design consultation services and trading of licensed brand products in Hong Kong and the Mainland China (the "**Business**").

Semk Products (Holdings) Limited is the ultimate holding company of the Company.

Mr. Hui Ha Lam is the ultimate controlling shareholder of the Group.

The consolidated financial statements are presented in Hong Kong dollars (HK$) and all values are rounded to the nearest thousand ("**HK$'000**") unless otherwise stated.

2 Summary of Accounting Policy Information

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(a) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

2 Summary of Accounting Policy Information *(continued)*

2.1 Basis of preparation *(continued)*

(a) Compliance with HKFRS and HKCO *(continued)*

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

(b) Historical cost convention

The financial statements have been prepared on a historical cost basis.

(c) Adoption of new or amended standards and interpretations that are effective on 1 January 2024

The following new and amended standards and interpretations apply for the first time to the Group's financial reporting period commencing on 1 January 2024:

HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
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
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements

The adoption of amendments to standards listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2 Summary of Accounting Policy Information *(continued)*

2.1 Basis of preparation *(continued)*

(d) New and amended standards and interpretations that have been issued but are not yet effective

The following new and amended standards and interpretations, which are potentially relevant to the Group's financial statements have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

		Effective for accounting periods beginning on or after
HKAS 21 and HKFRS 1 (Amendments)	Lack of Exchangeability	1 January 2025
HKFRS 9 and HKFRS 7 (Amendments)	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	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
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

2 Summary of Accounting Policy Information *(continued)*

2.1 Basis of preparation *(continued)*

(d) New and amended standards and interpretations that have been issued but are not yet effective *(continued)*

The Group has commenced, but not yet completed, an assessment of the impact of the new standards and amendments to standards on its results of operations and financial position. The Group is not yet in a position to state whether these new standards, amendments to standards and interpretations would have any significant impact on its results of operations and financial positions.

2.2 Summary of material accounting policies

2.2.1 Principles of consolidation

(a) Subsidiaries

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Group.

2 Summary of Accounting Policy Information *(continued)*

2.2 Summary of material accounting policies *(continued)*

2.2.1 Principles of consolidation *(continued)*

(b) Changes in ownership interests (continued)

When the Group ceases to consolidate for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

(c) Other structured entities through contractual arrangements

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements.

The Group's major structured entities are disclosed in Note 32 to the consolidated financial statements.

According to the contractual arrangements, the Group is considered as the primary beneficiary of these entities and also has the power to direct the activities of these entities. As a result, the results of the operations, assets and liabilities of the Group's structured entities have been included in the Group's consolidated financial statements.

2 Summary of Accounting Policy Information *(continued)*

2.2 Summary of material accounting policies *(continued)*

2.2.2 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that are related to borrowings are presented in the comprehensive income within "finance income" or "finance cost". All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within "other (losses)/gains, net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

2 Summary of Accounting Policy Information *(continued)*

2.2 Summary of material accounting policies *(continued)*

2.2.2 Foreign currency translation *(Continued)*

(c) Group companies

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

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

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

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

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2 Summary of Accounting Policy Information *(continued)*

2.2 Summary of material accounting policies *(continued)*

2.2.3 Property, plant and equipment

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

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

Depreciation on plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Leasehold improvements	Lease terms or 5 years, whichever is shorter
Motor vehicles	5 years
Computer equipment	2 – 3 years
Office equipment	2 – 3 years
Mold	5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.2.5).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized within "other (losses)/gains, net" in the consolidated statements of comprehensive income.

2 Summary of Accounting Policy Information *(continued)*

2.2 Summary of material accounting policies *(continued)*

2.2.4 Intangible assets

(i) Trademark

Trademark that has a finite useful life are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives of 10 years, based on validity of trademarks, expected economic benefits and useful life estimated by market comparable.

(ii) Computer software

Acquired software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives of 10 years, based on expected economic benefits and useful life estimated by market comparable.

(iii) License

Acquired licenses and distribution rights are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation is calculated on a straight-line basis over their estimated useful lives up to 3 years, based on expected economic benefits and useful life estimated by market comparable.

2.2.5 Impairment of non-financial assets

Property, plant and equipment, intangible assets and right-of-use assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2 Summary of Accounting Policy Information *(continued)*

2.2 Summary of material accounting policies *(continued)*

2.2.6 Financial assets

(a) Classification

The Group classifies its financial assets to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 Summary of Accounting Policy Information *(continued)*

2.2 Summary of material accounting policies *(continued)*

2.2.6 Financial assets *(continued)*

(c) Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other (losses)/gains, net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

(d) Credit loss allowance

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(b) details how the Group determines whether there has been significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.2.7 Inventories

Inventories, comprising licensed brand products, are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out ("**FIFO**") method. The cost of finished goods comprises the cost of purchased inventory after deducting rebates or discounts. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

2 Summary of Accounting Policy Information *(continued)*

2.2 Summary of material accounting policies *(continued)*

2.2.8 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If no, they are presented as non-current assets.

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

2.2.9 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.2.10 Share capital and shares held for employee share scheme

Ordinary shares and non-redeemable participating preference shares are classified as equity, mandatorily redeemable preference shares are classified as liabilities.

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

Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owner of the Company.

Shares held under trust by a financial institution ("**Trust**") are disclosed as treasury shares and deducted from contributed equity.

2 Summary of Accounting Policy Information *(continued)*

2.2 Summary of material accounting policies *(continued)*

2.2.11 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.2.12 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.2.13 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

2 Summary of Accounting Policy Information *(continued)*

2.2 Summary of material accounting policies *(continued)*

2.2.13 *Current and deferred income tax (continued)*

(a) Current income tax

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the country where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

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

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2 Summary of Accounting Policy Information *(continued)*

2.2 Summary of material accounting policies *(continued)*

2.2.13 Current and deferred income tax *(continued)*

(b) Deferred income tax (continued)

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.2.14 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

2.2.15 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

2 Summary of Accounting Policy Information *(continued)*

2.2 Summary of material accounting policies *(continued)*

2.2.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, stated net of discounts and returns. Revenue is recognised when control of goods or services is transferred to the customer.

Depending on the terms of the contract and the laws that apply to the contract, service may provide over time or at a point in time. Service is provided over time if the Group's performance:

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

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

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

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation.

When determining the transaction price to be allocated for different performance obligations, the Group first determines the service fees that the Group entitles in the contract period and adjusts the transaction price for variable considerations. The Group includes in the transaction price some or all of an amount of variable considerations only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

2 Summary of Accounting Policy Information *(continued)*

2.2 Summary of material accounting policies *(continued)*

2.2.16 Revenue recognition *(continued)*

If a contract involves multiple services, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

The following is description of the accounting policy for the principal revenue stream of the Group:

(a) Revenue from provision of licensing services

Revenue from provision of licensing services relates to granting licensees the right to use trademarks created, developed and registered by the Group in different categories of licensees' products and/or services, including license for use on (i) consumer products; (ii) promotional and marketing gifts; (iii) entertainment, dining and leisure destinations; and (iv) online and offline media. The revenue from the provision of licensing services is recognised over the licensing period.

(b) Revenue from provision of design consultation services

Revenue from provision of design consultation services relates to provision of design consultation and brand management services to third parties and is recognised over time when the services are provided to the customer.

(c) Sales of licensed brand products

Revenue from the sales of licensed brand products primarily comprised of sales from self-operated retail platform and sales from wholesale market. Revenue is recognised when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been delivered to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

2 Summary of Accounting Policy Information *(continued)*

2.2 Summary of material accounting policies *(continued)*

2.2.16 Revenue recognition *(continued)*

(c) Sales of licensed brand products (continued)

Most of the Group's sales of licensed brand products are made to customers through online platform with the remaining portion of sales being made to wholesalers, for which revenue is recognised when control of the goods is transferred, being at the point the customer receives the goods at the agreed location.

Revenue from sales of licensed brand products is recognised based on the price specified in the contract, net of discounts, returns and value added taxes. Accumulative experience is used to estimate returns at the time of sale at a portfolio level (expected value method), and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

2.2.17 Other income

(a) Income from sample sales

Income from sample sales relates to selling of design prototypes to the customers. Such income is recognised at the point that the control of the deliverables has been transferred to the customer, being when the customer has accepted the deliverables and there is no unfulfilled obligation that could affect the customer's acceptance of the deliverables.

(b) Management fee income

The Group provides management services to related companies. Income is recognised over the contract period when the relevant services are provided by the Group and the related companies simultaneously receive and consume the benefits provided by the Group's performance.

2.2.18 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assume performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations give rise to a net asset or net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if consideration received (or an amount of consideration is due) from the customer exceeds the measure of the remaining unsatisfied performance obligations.

2 Summary of Accounting Policy Information *(continued)*

2.2 Summary of material accounting policies *(continued)*

2.2.19 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(b) Pension obligations

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

Full time employees of the Mainland China entity participate in a government mandated multiemployer defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. Chinese labour regulations require the entity to accrue for these benefits based on certain percentages of the employees' salaries. Management believes full time employees who have passed the probation period are entitled to such benefits.

(c) Bonus plan

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholder. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2 Summary of Accounting Policy Information *(continued)*

2.2 Summary of material accounting policies *(continued)*

2.2.19 Employee benefits *(continued)*

(d) Share based compensation

The Group operates a not defined Share Award Scheme ("**Share Award Scheme**"). Under the Share Award Scheme, the directors and certain employees of the Group are entitled to receive shares in the Company. The shares held under trust by the Trustee for the benefit of the director and employees, would be paid and the paid up consideration would be capitalised in the Company's reserves. The Trustee has been instructed to buy shares from the market using the funds held by the Trustee to grant shares to the director and employees. The fair value of the employee services received in exchange for the grant of the share options and shares awarded is recognised as an employee benefits expense with a corresponding increase in equity.

2.2.20 Leases

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

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

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date

2 Summary of Accounting Policy Information *(continued)*

2.2 Summary of material accounting policies *(continued)*

2.2.20 Leases *(continued)*

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

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

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

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

2 Summary of Accounting Policy Information *(continued)*

2.2 Summary of material accounting policies *(continued)*

2.2.20 Leases *(continued)*

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

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

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

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

2 Summary of Accounting Policy Information *(continued)*

2.2 Summary of material accounting policies *(continued)*

2.2.21 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

– the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and

– by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

– the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and

– the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.3 Summary of other accounting policies

2.3.1 Separate financial statements

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

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

2 Summary of Accounting Policy Information *(continued)*

2.3 Summary of other accounting policies *(continued)*

2.3.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers ("**CODM**"). The CODM, who are responsible for allocating resources and assessing performance of the operating segments, has been identified as directors that make strategic decisions.

2.3.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.3.4 Borrowings costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

2.3.5 Government grants

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

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

2.3.6 Interest income

Interest income is recognised using the effective interest method.

3 Financial Risk Management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and fair value and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Management regularly manages the financial risks of the Group. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activities are undertaken by management.

(a) Market risk

(i) Foreign exchange risk

The Group operates principally in Hong Kong and Mainland China and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollar ("**USD**") and Renminbi ("**RMB**"). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. The Group does not hold or issue any derivative financial instruments to manage its exposure to foreign currency risk.

Majority of the revenue generated, and cost incurred from the local operations are primarily transacted in local functional currency and therefore foreign exchange transactional risks are minimal.

Management manages its foreign exchange risks by performing regular review and monitoring its foreign exchange exposure. Management is of the view that the Group's exposure to US$ is minimal since HK$ is pegged to the US$.

As at 31 December 2024 and 2023, if HK$ had weakened/strengthened by 5% against RMB, with all other variables held constant, post-tax loss for the year would have been HK$1,251,000 and HK$2,927,000 higher/lower, respectively, mainly as a result of foreign exchange losses/gains on translation of foreign currency-denominated non-derivative financial assets and liabilities.

3 Financial Risk Management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(ii) Fair value and cash flow interest rate risk

As at 31 December 2024 and 2023, except for bank borrowings and cash at bank, the Group is substantially independent from changes in market interest rates and the Group has no other significant interest bearing assets and liabilities.

The management considered that fluctuation of interest rates will not result in significant impact the Group's performance as the net assets that are subjected to variable interest rates are insignificant.

(b) Credit risk

The Group is exposed to credit risk in relation to its trade receivables, contract assets, deposits and other receivables, amounts due from related companies, time deposits and cash and cash equivalents. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

The credit risk on cash and cash equivalents are limited because cash are placed in banks with sound credit ratings.

The Group is exposed to concentration of credit risk as at 31 December 2024 and 2023 that other receivables, contract assets and trade receivables which totalled approximately HK$67,814,000 (2023: HK$70,433,000), HK$8,086,000 (2023: HK$1,635,000) and HK$31,057,000 (2023: HK$4,300,000) respectively were due from the largest customer of the Group and accounted in total for 36% (2023: 22%) of the total assets of the Group. The management considered the business relationship and the historical settlement pattern by the customer, as well as the inventory pledged for the other receivables, that the credit risk is manageable.

It is the Group's policy that all customers who wish to have credit terms are subject to credit verification procedures. The management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews regularly the recoverable amount of the customers' profiles and subsequent settlement to ensure that adequate impairment is made for the irrecoverable amount.

Receivables are written-off when there there is no reasonable expectation of recovery.

Loss allowance for trade receivables and contract assets

The Group applied the simplified approach in HKFRS 9 to measuring expected credit loss which uses a lifetime expected credit loss for trade receivables and contract assets. Except for trade receivables and contract assets with known insolvencies or significant outstanding balances which are assessed individually, the Group determines the expected credit loss on the remaining balances by using a provision matrix grouped by common risk characteristic.

3 Financial Risk Management *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

Measurement of expected credit loss

The expected loss rates are based on the payment profiles of sales over a period of 36 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

	Gross carrying amount of trade receivables and contract assets (HK$'000)	Credit loss allowance (HK$'000) (Note 5(c) and 20)	Expected loss rate
As at 31 December 2024			
Character licensing			
Individual assessment	55,335	(16,192)	29.3%
Collective assessment			
Not yet past due and past due up to 30 days	13,023	(300)	2.3%
Past due 31-60 days	313	(47)	15.0%
Past due 61-90 days	179	(28)	15.6%
Past due 91-120 days	62	(13)	21.0%
Past due 121-180 days	697	(274)	39.3%
Past due over 180 days	3,984	(2,371)	59.5%
Total	18,258	(3,033)	
E-commerce and other			
Not yet past due and past due up to 30 days	4,415	(317)	7.2%
Past due 31-60 days	199	(22)	11.1%
Past due 61-90 days	22	(3)	13.6%
Past due 91-120 days	34	(8)	23.5%
Past due 121-180 days	67	(19)	28.4%
Past due over 180 days	177	(132)	74.6%
Total	4,914	(501)	

3 Financial Risk Management *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

	Gross carrying amount of trade receivables and contract assets (HK$'000)	Credit loss allowance (HK$'000) (Note 5(c) and 20)	Expected loss rate
As at 31 December 2023			
Character licensing			
Individual assessment	56,384	(14,450)	25.6%
Collective assessment			
Not yet past due and past due up to 30 days	20,777	(532)	2.6%
Past due 31-60 days	1,862	(234)	12.6%
Past due 61-90 days	220	(39)	17.7%
Past due 91-120 days	2,134	(684)	32.1%
Past due 121-180 days	750	(271)	36.1%
Past due over 180 days	5,172	(3,329)	64.4%
Total	30,915	(5,089)	
E-commerce and other			
Not yet past due and past due up to 30 days	2,179	(59)	2.7%
Past due 31-60 days	238	(19)	8.0%
Past due 61-90 days	33	(4)	12.1%
Past due 91-120 days	38	(8)	21.1%
Past due 121-180 days	71	(21)	29.6%
Past due over 180 days	732	(696)	95.1%
Total	3,291	(807)	

3 Financial Risk Management *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

Other financial assets at amortised cost

The Group adopts general approach for other financial assets at amortised cost. The Group determines that there is significant increase in credit risk when there are contractual payments past due more than 30 days or other qualitative factors. The Group considers that these financial assets have not significantly increased in credit risk from initial recognition, expect for certain other receivables. These financial assets are classified in stage one and only consider 12-month expected credit losses. Considering the history of default, financial position of these debtors and forward looking factor, the expected credit loss is immaterial.

For the consideration receivables from transfer of trademarks, the management makes periodic individual assessment on the recoverability based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

During the year ended 31 December 2024, the management considered there was significant increase in credit risk of other receivables due to a third party amounted HK$69,990,000. Consequently, lifetime expected credit losses of approximately HK$2,176,000 were recognised as at 31 December 2024.

The following table show reconciliation on loss allowance of deposits and other receivable under general approach:

	2024 HK$'000	2023 HK$'000
As at 1 January	3,863	1,310
(Reversal of)/provision on impairment loss recognised	(1,687)	2,553
As at 31 December	2,176	3,863

3 Financial Risk Management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk

The Group measures and monitors its liquidity through the maintenance of prudent ratio regarding the liquidity structure of the overall assets, liabilities, loans and commitments of the Group. The Group also maintains a prudent level of liquid assets and committed banking facilities to ensure the availability of sufficient cash flows to meet any unexpected and material cash requirements in the ordinary course of business.

The directors of the Company have given careful consideration to its available liquid assets and sources of financing in assessing whether the Group will have sufficient financial resources to support its operation. As at 31 December 2024, the Group had net current assets of HK$85,767,000 and cash and cash equivalents of approximately HK$22,985,000 and time deposits of HK$40,000,000, and concluded that there sufficient resources for the Group to meet its liabilities as they fall due and carry on its business without a significant curtailment of operations in the twelve months from 31 December 2024.

The following tables show the remaining contractual maturities at the end of the reporting period of the Company's financial liabilities based on contractual undiscounted cash flows and the earliest date the Company can be required to pay. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	On demand or within 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2024				
Trade payables	2,307	–	–	2,307
Other payables	13,923	–	–	13,923
Lease liabilities	6,979	4,496	6,471	17,946
Borrowing	45,923	–	–	45,923
	69,132	4,496	6,471	80,099
As at 31 December 2023				
Trade payables	5,646	–	–	5,646
Other payables	6,979	–	–	6,979
Lease liabilities	7,946	7,541	12,022	27,509
Borrowing	43,572	–	–	43,572
	64,143	7,541	12,022	83,706

3 Financial Risk Management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

The table below summarises the maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
A s at 31 December 2024	13,584	8,732	26,196	1,451	49,963
A s at 31 December 2023	4,565	8,042	26,196	10,183	48,986

3.2 Capital risk management

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

In order to maintain or adjust the capital structure, the Group may return capital to shareholder, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity', as shown in the consolidated statement of financial position, plus net debt.

As at 31 December 2024 and 2023, the amount of cash and cash equivalents (including time deposits with original maturity over three months) exceeded that of total borrowings, the Group was at a net cash position. Thus, the gearing ratio is not applicable.

3 Financial Risk Management *(continued)*

3.3 Fair value estimation

(a) Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The carrying amounts of the Group's current financial assets, including trade and other receivables, amounts due from related parties, cash and cash equivalents, restricted cash and; current financial liabilities, including trade payables, other payables and accruals and borrowings, approximate their fair values as at the reporting date due to their short term maturities. The carrying value of non-current financial assets and liabilities approximate its fair value as at the reporting date.

The following table presents the Group's assets that are measured at fair value

	2024 HK$'000	2023 HK$'000
Recurring fair value measurements		
Level 3:		
Financial assets at fair value through profit and loss	9,000	9,735

There were no transfers of financial assets between the fair value hierarchy classification during the years ended 31 December 2024 and 2023.

3 Financial Risk Management *(continued)*

3.3 Fair value estimation (continued)

(b) Fair value measurement using significant unobservable inputs (Level 3)

Specific valuation techniques used to value financial instruments include:

- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- A combination of observable and unobservable inputs, including risk-free rate, discount rate, discount rate for lack of marketability, market multiples, etc.

Level 3 instruments of the Group's assets include unlisted equity investment.

The following table summarises the quantitative information about the significant unobservable inputs used in Level 3 fair value measurements:

Description	Fair value as at 31 December 2024 HK$'000	Valuation technique	Unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Interests in unlisted equity	9,000	Discounted cash flow	Discount rate	20.34%	The higher the discount rate, the lower the fair value
			Growth rate	2.0%	The higher the growth rate, the higher the fair value

Description	Fair value as at 31 December 2023 HK$'000	Valuation technique	Unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Interests in unlisted equity	9,735	Discounted cash flow	Discount rate	20.75%	The higher the discount rate, the lower the fair value
			Growth rate	2.0%	The higher the growth rate, the higher the fair value

4 Critical Accounting Estimates and Judgements

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

(a) Revenue recognition

Revenue from provision of licensing services is recognised over time when the Group grants licensees the right to use the trademarks created, developed and registered by the Group. Revenue from provision of design consultation services is recognised over the period that the services are provided.

For contracts that include multiple performance obligations, the transaction price is allocated to the performance obligations on a relative stand-alone selling price basis. Management estimates the stand-alone selling price at contract inception based on observable prices of the services rendered in similar circumstances to others.

(b) Impairment of other receivables, trade receivables and contract assets

Provision for expected credit loss is made when the Group is not expected to collect all amounts due. The provision is determined by grouping together debtors with similar risk characteristics and collectively, or individually assessing them for likelihood of recovery. The provision matrix is determined based on the Group's historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. In making the judgement, management considers reasonable and supportive forwarding-looking information available such as actual or expected significant changes in the operating results of customers and actual or expected significant adverse changes in business and customers' financial position. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed by the Group's management.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling prices in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in economic conditions in places where the Group operates and changes in customer taste and competitor actions in response to changes in market conditions. Management reassesses these estimates at each statement of financial position date.

4 Critical Accounting Estimates and Judgements *(continued)*

(d) Fair value measurement of financial assets at fair value through profit or loss

The Group recognised the financial assets at fair value at recognition date as well as at each subsequent recording date. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these financial instruments.

(e) Share-based payments

Judgement is exercised in the assessment of the fair value of the share-based payments to employees. In making its judgement, management considers the nature of services received and a wide range of factors such as the share price of the Company and other market performance conditions and non-vesting conditions.

(f) Income taxes

The Group is subject to income taxes in Hong Kong and the Mainland China. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates have been changed.

5 Revenue and Segment Information

(a) Revenue

	For the year ended 31 December 2024 HK$'000	For the year ended 31 December 2023 HK$'000
Revenue		
Recognised over time		
Provision of licensing services	43,602	56,622
Provision of design consultation services	16,468	12,344
	60,070	68,966
Recognised at a point in time		
Sales of licensed brand products	68,456	60,576
Total revenue	128,526	129,542

For the year ended 31 December 2024, there was 1 customer (2023: 1) which individually contributed 10% or more of the Group's total revenue. The revenue contributed from the customers that contributed 10% or more of the Group's revenue is as follow:

	For the year ended 31 December 2024 HK$'000	For the year ended 31 December 2023 HK$'000
Customer A – licensing services and design consultation services	14,071	18,158

5 Revenue and Segment Information *(continued)*

(b) Segment information

The directors have been identified as the CODM of the Group who review the Group's internal reporting in order to assess performance and allocate resources. The directors regard the Group's business as two reporting segments based on respective revenue and segment results, being profit after tax before unallocated expenses for the purposes of allocating resources and assessing performance. These reports are prepared on the same basis as these consolidated financial statements. Information relating to segment assets and liabilities are not disclosed as such information not regularly reported to the CODM.

The CODM identifies two reportable segments considering the nature of products and services, namely Character licensing and E-commerce and other. The Character licensing business is mainly engaged in the provision of licensing services and design consultation services, whilst E-commerce and other business is mainly engaged in the trading of licensed brand products through online platforms and offline channels.

	Character licensing HK$'000	E-commerce and other HK$'000	Total HK$'000
For the year ended 31 December 2024			
Gross revenue	62,650	68,456	131,106
Inter-segment revenue	(2,580)	–	(2,580)
Revenue from external sales	60,070	68,456	128,526
Segment results	(39,971)	(3,470)	(43,441)
Unallocated:			
– Share-based payment			(5,899)
Loss after income tax			(49,340)
Other segment items			
Employee benefit expenses	(38,579)	(20,126)	(58,705)
Depreciation and amortisation	(13,064)	(2,480)	(15,544)
Cost of inventories sold	–	(36,453)	(36,453)
Other expenses	(31,163)	(6,721)	(37,884)

5 Revenue and Segment Information *(continued)*

(b) Segment information *(continued)*

	Character licensing HK$'000	E-commerce and other HK$'000	Total HK$'000
For the year ended 31 December 2023			
Gross revenue	70,906	60,576	131,482
Inter-segment revenue	(1,940)	–	(1,940)
Revenue from external sales	68,966	60,576	129,542
Segment results	(30,004)	(11,069)	(41,073)
Unallocated:			
– Share-based payment			(5,618)
Loss after income tax			(46,691)
Other segment items			
Employee benefit expenses	(40,005)	(18,924)	(58,929)
Depreciation and amortisation	(8,895)	(5,163)	(14,058)
Cost of inventories sold	–	(39,518)	(39,518)
Other expenses	(36,773)	(4,020)	(40,793)

The amount of revenue by customers' location is shown in the following table:

	For the year ended 31 December	
	2024 HK$'000	2023 HK$'000
Mainland China	121,460	123,021
Hong Kong	2,211	2,420
Southeast Asia and Taiwan	4,391	4,030
Others	464	71
	128,526	129,542

As of 31 December 2024, the total of non-current assets other than deferred tax assets located in Hong Kong was HK$69,716,000 (2023: HK$69,849,000) and the total of these non-current assets located in Mainland China was HK$36,479,000 (2023: HK$43,880,000).

5 Revenue and Segment Information *(continued)*

(c) Assets and liabilities related to contracts with customer

The Group has recognised the following assets and liabilities related to contracts with customer:

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Contract assets	20,946	19,759
Less: loss allowance of contract assets	(1,233)	(543)
	19,713	19,216
Contract liabilities	10,116	9,592

Movement on the provision for impairment of contract assets is as follows:

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Beginning of the year	543	1,431
Provision for/(reversal of) impairment loss recognised of contract assets	712	(869)
Currency translation differences	(22)	(19)
End of the year	1,233	543

Revenue recognised in relation to contract liabilities

	For the year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Revenue recognised in current year that was included in the contract liabilities balance at the beginning of the year	8,031	12,787

5 Revenue And Segment Information *(continued)*

(c) Assets and liabilities related to contracts with customer *(continued)*

Unfulfilled performance obligation

Aggregate amount of the transaction price allocated to contracts that are partially or fully unfulfilled as at the end of the year and are expected to be fulfilled in the following time bands. The amounts disclosed below do not include variable consideration.

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Within 1 year	23,579	29,760
1 – 2 years	14,989	15,691
2 – 3 years	8,685	10,439
3 – 4 years	662	5,683
After 4 years	29	724
	47,944	62,297

Assets recognised from costs to fulfil a contract

In addition to the contract balances disclosed above, the Group has also recognised an asset in relation to costs to fulfil a long-term contract. This is presented within contract costs in the consolidated statement of financial position (Note 21).

6 Other Income and Other (Loss)/Gain, Net

	For the year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Other income		
Sample sales	1,220	2,435
E-commerce solutions service *(Note c, 32(a))*	2,197	–
Management fee income *(Note 32(a))*	2,726	2,419
Government subsidies *(Note a)*	313	1,935
Compensation received *(Note b)*	2,874	7,748
Gain on early termination of leases	224	101
Sundry income	858	920
	10,412	15,558
Other loss, net		
Fair value change from financial assets at fair value through profit or loss	(535)	914
Net foreign exchange losses	(4,584)	(886)
Changes in surrender value of investment life insurance contract	99	42
	(5,020)	70

Note a: Government subsidies comprise grant received from various local governments in Mainland China and Hong Kong. There are no unfulfilled conditions or contingencies in relation to the grants.

Note b: The amount represented compensation from legal action against third parties for infringement of the Group's trademark.

Note c: During the year ended 31 December 2024, the Group provided operation support to the e-commerce business of ENS Toys (Huizhou) Limited.

7 Employee Benefit Expenses

(a) Employee benefit expenses, including benefits and interests of directors

	For the year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Salaries and allowances	49,770	50,206
Social security costs	7,061	6,259
Pension costs – defined contribution plan	463	463
Share-based payment *(Note 25)*	5,899	5,618
Other employee benefits	1,411	2,001
	64,604	64,547

Note:

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "**MPF Scheme**"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group (the employer) and its employees make monthly contributions to the scheme generally at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employee are subject to a maximum contribution of HK$1,500 per month (for period after 1 June 2014) and thereafter contributions are voluntary. The Group has no further obligation for postretirement benefits beyond the contributions.

As stipulated by rules and regulations in the Mainland China, the Group contributes to state-sponsored retirement plans for employees of its subsidiaries established the Mainland China.

No forfeited contributions were utilised during the years ended 31 December 2024 and 2023 and none was left available as at 31 December 2024 and 2023 to reduce future contributions. Contributions totaling HK$33,000 were payable to the fund as at 31 December 2024 (2023: HK$47,000).

7 Employee Benefit Expenses *(continued)*

(b) Benefits and interests of directors

The remuneration of every director of the Company (in their role as senior management and employee before their appointment as directors respectively) for the years ended 31 December 2024 and 2023 are set out below:

Name of director	Fees	Salaries, allowances and benefits in kind	Employer's Contribution to pension scheme	Bonuses	Total
	$'000	$'000	$'000	$'000	$'000
For the year ended 31 December 2024					
Executive directors					
Mr. Hui Ha Lam	–	1,279	18	–	1,297
Mr. Kwok Chun Kit	–	1,189	18	–	1,207
Mr. Cheung Chin Yiu	–	814	18	–	832
Mr. Tse Tsz Leong (resigned on 24 May 2024)	–	734	8	–	742
Non-executive director					
Mr. Liang Xingchao (appointed on 23 October 2024)	–	–	–	–	–
Mr. Li Xiang (resigned on 23 October 2024)	–	–	–	–	–
Independent Non-executive directors					
Ms. Leung Ping Fun Anita	180	–	–	–	180
Mr. Sung Chi Keung	180	–	–	–	180
Dr. Chan Kai Yue Jason, *MH, JP*	180	–	–	–	180
	540	4,016	62	–	4,618

7 Employee Benefit Expenses *(continued)*

(b) Benefits and interests of directors *(continued)*

Name of director	Fees	Salaries, allowances and benefits in kind	Employer's Contribution to pension scheme	Bonuses	Total
	$'000	$'000	$'000	$'000	$'000
For the year ended 31 December 2023					
Executive directors					
Mr. Hui Ha Lam	–	1,421	18	–	1,439
Mr. Kwok Chun Kit	–	1,321	18	–	1,339
Mr. Cheung Chin Yiu	–	999	18	–	1,017
Mr. Tse Tsz Leong	–	1,310	18	–	1,328
Non-executive directors					
Mr. Li Xiang (appointed on 28 April 2023 and resigned on 23 October 2024)	–	–	–	–	–
Mr. Chen Hongjiang (resigned on 28 April 2023)	–	–	–	–	–
Independent Non-executive directors					
Ms. Leung Ping Fun Anita	180	–	–	–	180
Mr. Sung Chi Keung	180	–	–	–	180
Dr. Chan Kai Yue Jason, *MH, JP*	180	–	–	–	180
	540	5,051	72	–	5,663

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as management to the Group during the years ended 31 December 2024 and 2023.

There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 December 2024 and 2023.

7 Employee Benefit Expenses *(continued)*

(b) Benefits and interests of directors *(continued)*

(i) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking during the years ended 31 December 2024 and 2023.

(ii) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment during the years ended 31 December 2024 and 2023.

(iii) Consideration provided to third parties for making available directors' services

During the years ended 31 December 2024 and 2023, the Group did not pay consideration to any third parties for making available directors' services.

(iv) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

As at 31 December 2024 and 2023 there are no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors.

(v) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 32 to the consolidated financial statements, there were no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of each of the years ended 31 December 2024 and 2023 or at any time during the years ended 31 December 2024 and 2023.

7 Employee Benefit Expenses *(continued)*

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 3 directors for the year ended 31 December 2024 (2023: 4), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2 individuals (2023: 1) during the year ended 31 December 2024 are as follows:

	For the year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	1,694	957
Social security costs	112	–
Pension costs – defined contribution plan	18	18
	1,824	975

The emoluments of above individual are within the following bands:

	For the year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Emoluments band		
HK$500,000 – HK$999,999	2	1

8 Other Expenses

	For the year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Travelling and transportation	7,995	5,763
Office expenses	4,977	4,284
Legal and professional fees	16,397	21,455
Agency fee	162	635
Rental expenses – short term leases *(Note 15(a))*	856	2,342
Repair and maintenance	38	195
Insurance expense	562	619
Building management fee	1,662	905
Licensing fee	47	109
Office co-sharing expense *(Note 32(a))*	–	20
Auditor's remuneration		
– Audit service	1,360	1,600
– Non-audit service	290	380
Others	3,538	2,486
	37,884	40,793

9 Finance Income/(Costs), Net

	For the year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Finance income		
Interest income from bank deposits	2,662	181
Imputed interest from other receivables	1,694	1,759
Finance costs		
Finance charges on lease liabilities *(Note 15(a))*	(904)	(869)
Bank charges	(116)	(74)
Bank loan interest	(1,841)	(1,366)
Imputed interest from other receivables	–	(2,129)
	(2,861)	(4,438)
Finance income/(cost), net	1,495	(2,498)

10 Income Tax Expense

	For the year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Current income tax:		
– Hong Kong profits tax	2	43
– Mainland China corporate income tax	237	–
– Withholding tax	2,024	2,214
– Over provision in prior year	(6)	–
	2,257	2,257
Deferred income tax *(Note 19)*	(3,659)	(1,728)
	(1,402)	529

10 Income Tax Expense *(continued)*

Hong Kong profits tax has been provided at the rate of 16.5% for the years ended 31 December 2024 and 2023.

In accordance with the two-tiered profits tax regime effective from 1 January 2018, Hong Kong profits tax has calculated at 8.25% on the first HK$2,000,000 for one of the subsidiaries in Hong Kong, and 16.5% on the remaining balance of the estimated assessable profits for the years ended 31 December 2024 and 2023.

The Group is also subject to withholding tax at the rate of 7% and 10%, respectively, on management fee and design fee charged from the Group's Hong Kong subsidiaries to the Group's Mainland China subsidiaries.

No overseas profits tax has been calculated as the Company incorporated in the Cayman Islands is exempted from local income tax.

As at 31 December 2024 and 2023, there were no deferred income tax provided in relation to the unremitted earnings as the Group's management has approved that the Mainland China subsidiaries have no intention and are not probable to declare dividend in the foreseeable future and the Group is able to control the timing of the reversal of the temporary differences and it is decided that the unremitted earnings will not be remitted in the foreseeable future.

10 Income Tax Expense *(continued)*

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate applicable to the respective jurisdiction as follows:

	For the year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Loss before income tax	(50,742)	(46,162)
Tax charge at 16.5%	(8,372)	(7,617)
Effect of different taxation rates in other countries	(530)	1,882
Income not subjected to tax	(454)	(313)
Over provision in prior year	(6)	–
Non-deductible expenses for tax purposes	3,407	3,377
Tax losses not recognised	3,541	986
Withholding tax	2,024	2,214
Tax effect of withholding tax	(1,012)	–
	(1,402)	529

Note i:

The statutory income tax rate applicable to entities in the Mainland China is 25% during the year ended 31 December 2024 (2023: same), other than a qualified subsidiary registered in Qianhai Shenzhen – Hong Kong Modern Service Industry Cooperation Zone, which is entitled to a concessionary tax rate of 15% from 2022.

11 Loss Per Share

The calculation of the basic and diluted loss per share is as follows:

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2024 and 2023.

The 8,244,000 shares purchased for the purpose of the Share Award Scheme of the Company during the year ended 31 December 2024, 7,700,000 shares purchase for the purpose of the Share Award Scheme of the Company during the year ended 31 December 2023 and 19,007,000 shares repurchased and cancelled during the year ended 31 December 2023 are accounted at time portion basis.

	For the year ended 31 December	
	2024	2023
Losses attributable to holders of the Company *(HK$'000)*	(46,404)	(46,206)
Weighted average number of ordinary shares in issue	944,139,227	971,235,342
Basic loss per share (expressed in HK cents per share)	(4.9)	(4.8)

(b) Diluted

For the year ended 31 December 2024, the Company had potential ordinary shares being share awards (2023: same).

Diluted loss per share presented for the year ended 31 December 2024 is the basic loss per share as the inclusion of the potential ordinary shares in the calculation of dilutive loss per share would be anti-dilutive.

12 Dividend

On 30 March 2023, the Directors proposed a final dividend for the year ended 31 December 2022 of HK2.01 cents per share, totalling HK$19,718,000, which was approved and paid out of share premium account during the year ended 31 December 2023 of which HK$577,000 were paid to the the Trust under the Share Award Scheme.

On 27 March 2024, the Directors proposed a final dividend for the year ended 31 December 2023 of HK0.5 cents per shares, totalling HK$4,905,000, which was approved and paid out of share premium account during the year ended 31 December 2024, of which HK$163,000 were paid to the Trust under the Share Award Scheme.

The Board has resolved not to propose any final dividend in respect of the year ended 31 December 2024.

13 Subsidiaries

The is a list of principal subsidiaries as at 31 December 2024.

Name of subsidiary	Place of incorporation/ establishment and kind of legal entities	Principal activities and place of operations	Particulars of issued share/ registered capital	Equity interest held as at 31 December 2024	Equity interest held as at 31 December 2023
Directly held					
Semk International Enterprises Limited (“**Semk International**”)	BVI	Investment holding in Hong Kong	65,000 Ordinary Shares of USD1 each	100%	100%
Indirectly held					
Semk Holdings Investment Limited (“**Semk Investment**”)	Hong Kong	Investment holding in Hong Kong	2 Ordinary Shares HK$1 each	100%	100%
Semk (BVI) Limited (“**Semk BVI**”)	BVI	Investment holding in Hong Kong	100 Ordinary Shares of USD1 each	100%	100%
SEMK PRODUCTS LIMITED (“**Semk Products**”)	Hong Kong	Provision of licensing services in Hong Kong	11,000 Ordinary Shares of HK$1 each	100%	100%
Semk Global Marketing Limited (“**Semk Hong Kong**”)	Hong Kong	Provision of licensing services in Hong Kong	100 Ordinary Shares of HK$1 each	100%	100%
Semk Licensing (Shenzhen) Limited 德盈商貿(深圳)有限公司* (“**Semk Licensing**”)	Shenzhen, the Mainland China#	Provision of licensing services in the Mainland China	RMB8,000,000	100%	100%
ENS Holdings Investment Limited (“**ENS Holdings**”)	Hong Kong	Trading of toys and accessories in Hong Kong	1 ordinary shares of HK$1 each	100%	100%
ENS Internet Technology (Shenzhen) Limited 盈思網絡科技(深圳)有限公司* (“**ENS IT**”)	Shenzhen, the Mainland China^	Trading of apparels, toys and accessories on e-commerce platform in the Mainland China	HK$1,500,000	100%	100%
ENS Huizhou Yingmao Trading Company Limited 惠州市盈茂商貿有限公司* (“**Yingmao Trading**”)	Huizhou, the Mainland China@	Storage service in the Mainland China	RMB1,000,000	100%	100%
ENS Business Development Limited (“**ENS Business**”)	Hong Kong	Trading of toys and accessories in Hong Kong	1 ordinary share of HK$1 each	100%	100%
ENS Retailing (Shenzhen) Limited 深圳市盈志商貿有限公司* (“**ENS Retailing**”)	Shenzhen, the Mainland China@	Trading of toys and accessories on e-commerce platform in the Mainland China	RMB100,000	100%	100%

13 Subsidiaries (continued)

The is a list of principal subsidiaries as at 31 December 2024. (continued)

Name of subsidiary	Place of incorporation/ establishment and kind of legal entities	Principal activities and place of operations	Particulars of issued share/ registered capital	Equity interest held as at	
				31 December 2024	31 December 2023
ENS Promotion (Shenzhen) Limited 深圳市盈際商貿有限公司* ("**ENS Promotion**")	Shenzhen, the Mainland China@	Trading of apparels, toys and accessories on e-commerce platform in the Mainland China	RMB1,000,000	100%	100%
Shenzhen ENS Trend Network Technology Limited 深圳市盈思潮流網絡科技有限公司* ("**ENS Trend**")	Shenzhen, the Mainland China@	Investment holding in the Mainland China	RMB 1,000,000	100%	100%
Shenzhen ENS Fashion Network Technology Limited 深圳市盈思風尚網絡科技有限公司* ("**ENS Fashion**")	Shenzhen, the Mainland China@	Investment holding in the Mainland China	RMB 1,000,000	100%	100%
ENS Lishui Network Limited 麗水盈思網絡有限公司* ("**ENS Lishui**")	Lishui, the Mainland China@	Trading of apparels, toys and accessories on e-commerce platform in the Mainland China	RMB 500,000	100%	100%
ENS Hangzhou Network Limited 杭州盈意網絡有限公司* ("**ENS Hangzhou**")	Hangzhou, the Mainland China@	Information Technology Consulting Service in the Mainland China	RMB 500,000	100%	100%
B Duck Playful store 德記士多有限公司 ("**Playful store**")	Hong Kong	Trading of toys and accessories on e-commerce platform in the Hong Kong	1 ordinary share of HK$1 each	60%	–

Notes:

* English translation is for identification purpose

\# Registered as wholly foreign-owned enterprises under Mainland China Law

@ Registered as wholly-owned enterprise under Mainland China Law

^ Registered as wholly-owned enterprises of Taiwan, Hong Kong or Macau corporate body under Mainland China Law

14 Property, Plant and Equipment

	Leasehold improvements HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Computer equipment HK$'000	Mold HK$'000	Total HK$'000
As at 1 January 2023						
Cost	4,478	4,269	6,649	8,885	926	25,207
Accumulated depreciation	(3,192)	(4,181)	(4,755)	(6,121)	(720)	(18,969)
Net book amount	1,286	88	1,894	2,764	206	6,238
Year ended 31 December 2023						
Opening net book amount	1,286	88	1,894	2,764	206	6,238
Addition	5,164	2,696	2,688	282	332	11,162
Depreciation	(942)	(394)	(1,355)	(1,116)	(181)	(3,988)
Currency translation differences	(49)	–	(39)	(30)	(2)	(120)
Closing net book amount	5,459	2,390	3,188	1,900	355	13,292
As at 31 December 2023 and 1 January 2024						
Cost	9,642	6,965	9,337	9,167	1,258	36,369
Accumulated depreciation	(4,183)	(4,575)	(6,149)	(7,267)	(903)	(23,077)
Net book amount	5,459	2,390	3,188	1,900	355	13,292
Year ended 31 December 2024						
Opening net book amount	5,459	2,390	3,188	1,900	355	13,292
Addition	3,847	–	610	1,256	518	6,231
Disposal	–	(4)	–	–	–	(4)
Depreciation	(2,780)	(566)	(720)	(1,696)	(146)	(5,908)
Currency translation differences	(133)	–	(21)	(70)	(13)	(237)
Closing net book amount	6,393	1,820	3,057	1,390	714	13,374
As at 31 December 2024						
Cost	13,489	6,961	9,947	10,423	1,776	42,596
Accumulated depreciation	(7,096)	(5,141)	(6,890)	(9,033)	(1,062)	(29,222)
Net book amount	6,393	1,820	3,057	1,390	714	13,374

15 Right-of-Use Assets

	Building HK$'000
Year ended 31 December 2023	
Opening net book amount	15,210
Addition	20,182
Depreciation	(8,394)
Currency translation differences	(302)
Early termination	(3,105)
Closing net book amount	23,591
Year ended 31 December 2024	
Opening net book amount	23,591
Addition	21,265
Depreciation	(7,838)
Currency translation differences	(365)
Early termination	(20,377)
Closing net book amount	16,276

(a) Amounts recognised in the consolidated profit or loss

	For the year ended 31 December	
	2024 HK$'000	2023 HK$'000
Interest expense *(Note 9)*	904	869
Expense relating short – term leases (included in "rental expenses – short term leases") *(Note 8)*	856	2,322

The total cash outflow for leases during year ended 31 December 2024 was HK$10,027,000 (2023: HK$10,154,000).

(b) The Group's leasing activities and how these are accounted for

The Group leases various offices. Rental contracts are typically made for fixed periods of 2 years to 5 years. Lease terms are negotiated on individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets are not be used as security for borrowing purposes.

16 Intangible Assets

	Trademark and computer software HK$'000
At 1 January 2023	
Cost	4,116
Accumulated amortisation	(1,611)
Net book amount	2,505
Year ended 31 December 2023	
Opening net book amount	2,505
Additions	2,054
Amortisation	(1,676)
Currency translation differences	(6)
Closing net book amount	2,877
At 31 December 2023 and 1 January 2024	
Cost	6,170
Accumulated amortisation	(3,293)
Net book amount	2,877
Year ended 31 December 2024	
Opening net book amount	2,877
Additions	2,264
Amortisation	(1,798)
Currency translation differences	(30)
Closing net book amount	3,313
At 31 December 2024	
Cost	8,348
Accumulated amortisation	(5,035)
Net book amount	3,313

17 Financial Assets at Fair Value Through Profit 人or Loss

Financial assets at fair value through profit or loss include the following:

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Unlisted equity investments	9,000	9,735

Movement of financial assets through profit or loss is analysed as follows:

	For the year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Beginning of the year	9,735	–
Addition	–	8,886
Fair value change	(535)	914
Currency translation differences	(200)	(65)
End of the year	9,000	9,735

On 19 April 2023, the Group has subscribed 20% equity interest in an unlisted entity incorporated in the PRC at consideration of RMB7,000,000 (appropriately HK$7,592,000). Due to the existence of certain preferential right granted by the investee, the investment is classified as financial assets at fair value through profit or loss as at 31 December 2024 (2023: same).

On 9 November 2023, the Group has subscribed 10% equity interest in another unlisted entity incorporated in the PRC at consideration of RMB1,000,000 (appropriately HK$1,294,000). Due to the lack of control or significant influence over the investee, the investment is classified as financial assets at fair value through profit or loss as at 31 December 2024 (2023: same).

18 Inventories

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Finished goods – Gross	20,189	26,487
Less: Provision of inventories	(6,310)	(7,952)
Finished goods – Net	13,879	18,535

	For the year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Beginning of the year	7,952	15,301
Reversal of provision for the year	(1,503)	(7,157)
Currency translation differences	(139)	(192)
End of the year	6,310	7,952

During the year ended 31 December 2024, cost of inventories amounted to HK$36,453,000 (2023: HK$39,518,000) was recognised as expense and included in "cost of inventories sold" within the consolidated statement of comprehensive income.

During the years ended 31 December 2024, reversal of provision for impairment amounted to HK$1,503,000 (2023: HK$7,157,000) was included in "cost of inventories sold" within the consolidated statement of comprehensive income.

19 Deferred Income Tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same taxation authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Deferred income tax assets	11,323	8,042
Deferred income tax liabilities	(13)	(164)
	11,310	7,878

Movement of the deferred income tax account is as follows:

	For the year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Beginning of the year	7,878	6,231
Credited to the consolidated statement of comprehensive income *(Note 10)*	3,659	1,728
Currency translation differences	(227)	(81)
End of the year	11,310	7,878

19 Deferred Income Tax *(continued)*

The movement in deferred income tax assets/(liabilities) during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Tax losses HK$'000	Accelerated depreciation HK$'000	Provision HK$'000	Others HK$'000	Total HK$'000
As at 1 January 2023	1,223	(430)	6,229	(791)	6,231
Credited/(charged) to the consolidated statement of comprehensive income	2,768	48	(1,874)	786	1,728
Currency translation differences	(31)	–	(55)	5	(81)
As at 31 December 2023	3,960	(382)	4,300	–	7,878
As at 1 January 2024	3,960	(382)	4,300	–	7,878
Credited/(charged) to the consolidated statement of comprehensive income	3,981	5	(166)	(161)	3,659
Currency translation differences	(205)	–	(25)	3	(227)
As at 31 December 2024	7,736	(377)	4,109	(158)	11,310

As at 31 December 2024 and 2023, there were no material unprovided deferred income tax in relation to the unremitted earnings as the Group's management has approved that the unremitted earnings will be not be distributed in the foreseeable future.

Deferred income tax assets are recognised for tax loss carry-forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2024 and 2023, the Group has unrecognised tax losses of HK$71,425,000 and HK$28,234,000, respectively, that can be carried forward against future taxable income. These tax losses have not been recognised due to uncertainty of future realisation. Such tax losses have no expiry date, except for the tax losses amounting to HK$3,413,000 and HK$3,028,000, respectively, which will be expired within 5 years.

20 Trade Receivables

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Trade receivables	57,561	70,831
Less: loss allowance	(18,493)	(19,803)
	39,068	51,028

The Group normally grants credit term to its customers ranging from 0 to 30 days. The ageing analysis of the trade receivables based on invoice date is as follows:

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Current – 30 days	38,840	49,939
31 – 60 days	512	2,185
61 – 90 days	201	253
91 – 120 days	96	2,203
121 – 180 days	764	1,537
Over 180 days	17,148	14,714
	57,561	70,831

Movement on the credit loss allowance of trade receivables is as follows:

	For the year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Beginning of the year	(19,803)	(19,125)
Impairment loss on trade receivables	(4,024)	(6,631)
Written off	4,932	5,651
Currency translation differences	402	302
End of the year	(18,493)	(19,803)

20 Trade Receivables *(Continued)*

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Note 3.1(b) provides for details about the calculation of the loss allowance.

The gross amounts of the Group's trade receivables are denominated in the following currencies:

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
HK$	1,020	1,418
RMB	56,405	69,413
Thailand Baht ("**THB**")	136	–
	57,561	70,831

The maximum exposure to credit risk at the reporting date is the carrying value of the trade receivables mentioned above. The Group does not hold any collateral as security.

21 Deposits, Prepayments and Other Receivables

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Current portion:		
Consideration receivable from transfer of trademarks	13,833	16,776
VAT recoverable	6,662	8,636
Deposits	4,327	5,869
Contract costs	219	421
Other receivables	3,528	2,491
Prepayment for inventories	1,433	3,899
Other prepayments	10,315	7,905
	40,317	45,997
Less: provision for impairment *(Note 3.1(b))*	(430)	(872)
	39,887	45,125
Non-current portion:		
Prepayment for trademarks	8,439	8,422
Other asset – investment in life insurance contract *(Note (i))*	1,382	1,283
Consideration receivable from transfer of trademark	56,157	57,520
	65,978	67,225
Less: provision for impairment *(Note 3.1(b))*	(1,746)	(2,991)
	64,232	64,234

21 Deposits, Prepayments and Other Receivables *(continued)*

Note (i):

As at 31 December 2024 and 2023, the Group held a life insurance policy for a director of the Group. The investment in life insurance contract is denominated in USD. The Group has the right to surrender the insurance partially or in full at any time after the first policy anniversary for cash value. Cash value represents the account value net of surrender charges.

The gross amounts of the Group's deposits and other receivables are denominated in the following currencies:

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
HK$	68,521	74,335
RMB	7,070	6,155
Others	78	7
	75,669	80,497

22 Cash and Cash Equivalents and Time Deposits at Banks

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Cash at bank	57,829	89,096
Cash at licensed payment platforms *(Note a)*	5,070	2,574
Cash on hand	86	53
	62,985	91,723
Less: Time deposits with original maturity over three months	(40,000)	(40,000)
	22,985	51,723

22 Cash and Cash Equivalents and Time Deposits at Banks *(continued)*

The cash and cash equivalents and time deposits at banks are denominated in the following currencies:

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
HK$	41,524	52,498
RMB	21,227	38,992
US$	8	124
Others	226	109
	62,985	91,723

Notes:

(a) Cash at licensed payment platforms are denominated in RMB, represent cash that were deposited with licensed payment platforms in the Mainland China. The balances are unsecured and non-interest bearing.

(b) As at 31 December 2024 and 2023, cash and cash equivalents of approximately RMB19,564,000 and RMB35,215,000, respectively (equivalent to HK$21,126,000 and HK$38,859,000, respectively), were deposited with banks and licensed payment platforms in the Mainland China. The conversion of theses RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the Mainland China government.

23 Share Capital

	Number of ordinary shares	Share capital nominal value HK$'000	Share premium HK$'000
Authorised:			
At 31 December 2023 and 2024	2,000,000,000	388	–
Issued and fully paid:			
A t 31 December 2022	1,000,000,000	195	294,437
Repurchase and cancellation of shares *(Note i)*	(19,007,000)	(4)	(30,043)
Dividend declared out of share premium account *(Note ii)*	–	–	(19,141)
At 31 December 2023	980,993,000	191	245,253
Dividend declared out of share premium account *(Note 12)*	–	–	(4,742)
At 31 December 2024	980,993,000	191	240,511

Note i: The Company acquired a total of 19,007,000 of its own ordinary shares through purchases on the Stock Exchange. The purchased shares were cancelled during 2023. The total amount paid to acquire these shares was approximately HK$30,047,000, of which approximately HK$4,000 and HK$30,043,000 have been deducted from share capital and share premium respectively.

Note ii: Pursuant to the resolution passed at the Company's annual general meeting held on 22 May 2023, the Company has declared 2022 final dividend of the HK2.01 cents per ordinary shares totaling HK$19,718,000 out of the share premium account of the Shareholders. This dividend has been fully settled on 14 June 2023.

24 Capital Reserve and Other Reserves

	Capital reserve (Note a) HK$'000	Statutory reserve (Note b) HK$'000	Share-based payment reserve (Note 25) HK$'000	Shares held for Share Award Scheme (Note c) HK$'000	Exchange reserve HK$'000	Total HK$'000
Balance at 1 January 2023	(34,386)	7,859	–	(42,809)	(6,407)	(75,743)
Other comprehensive income						
Currency translation differences	–	–	–	–	(2,280)	(2,280)
Transactions with holders						
Share purchase under Share Award Scheme	–	–	–	(11,845)	–	(11,845)
Equity-settled share-based payments under Share-based payment reserve	–	–	5,618	–	–	5,618
	–	–	5,618	(11,845)	(2,280)	(8,507)
Balance at 31 December 2023	(34,386)	7,859	5,618	(54,654)	(8,687)	(84,250)
Balance at 1 January 2024	(34,386)	7,859	5,618	(54,654)	(8,687)	(84,250)
Other comprehensive income						
Currency translation differences	–	–	–	–	(1,426)	(1,426)
Transactions with holders						
Share purchase under Share Award Scheme	–	–	–	(9,666)	–	(9,666)
Repurchase of shares from non-controlling interest	503	–	–	–	–	503
Equity-settled share-based payments under Share-based payment reserve	–	–	5,899	–	–	5,899
	503	–	5,899	(9,666)	(1,426)	(4,690)
Balance at 31 December 2024	(33,883)	7,859	11,517	(64,320)	(10,113)	(88,940)

24 Capital Reserve and Other Reserves *(continued)*

Note a – Capital reserve

Capital reserve as at 1 January 2021 and 31 December 2021 arose from the issuance of shares to the then shareholders of a subsidiary now comprising the Group during the year ended 31 December 2016. During the year ended 31 December 2021, capital reserve and combined capital amounted the net asset value of the subsidiaries acquired by the Company pursuant to the Reorganisation were reclassified to share capital and share premium of the Company.

Note b – Statutory reserve

Pursuant to the Mainland China regulations and respective Articles of Association, subsidiaries incorporated in the Mainland China incorporated company are required to transfer 10% of its profit for the year, as determined under the Mainland China Accounting Regulations, to a statutory common reserve fund until the fund balance exceeds 50% of their registered capital. The statutory common reserve fund can be used to offset previous years' losses, if any, and to increase capital.

Note c – Shares held for Share Award Scheme

The Board has appointed a Trustee to implement a Shares repurchase program to purchase a total of 32,700,000 shares on the market during the period from 13 September 2022 to 2 November 2023, for the purpose of the Share Award Scheme.

During the year ended 31 December 2024, the Trustee has purchased a total of 8,244,000 (2023: 7,700,000) shares for a consideration of HK$9,666,000 (2023: HK$11,077,000), including all related expenses. As at 31 December 2024, there are in total 40,944,000 (2023: 33,244,000) shares held under the Trust.

25 Share Award Scheme

Futu Trustee Limited, a company incorporated in Hong Kong and authorised to undertake trust business in accordance with the laws of Hong Kong, was appointed as the trustee (the "**Trustee**") for the administration of the share award scheme ("**Share Award Scheme**").

The aggregate number of shares granted by the Group ("**Awarded shares**") currently permitted to be awarded under the Share Award Scheme is limited to 10% of the issued share capital of the Company to be refreshed automatically from time to time.

Under the Share Award Scheme, the (i) employees of the Group; (ii) employees of holding companies, fellow subsidiaries or associated companies of the Company; and (iii) any persons who provide services to any members of the Group on a continuing or recurring basis in its ordinary and usual course of business ("**Eligible Participant**") may be selected by the Board to participate in the share award scheme.

25 Share Award Scheme *(continued)*

The Board may, from time to time, select any Eligible Participant for participation in the Share Award Scheme as a Selected Participant, and grant such number of Awarded Shares to any Selected Participant at no consideration and in such number and on and subject to such terms and conditions as it may in its absolute discretion determine.

The Trustee holds the shares for the benefits of the Selected Participants before the share awards are vested.

When a Selected Participant has satisfied all vesting conditions, which might include service and/or performance conditions, specified by the Board at the time of making the award and become entitled to the shares of the Company forming the subject of the award, the Trustee shall transfer the relevant vested Awarded shares to that Selected Participant employee at no cost.

The Trustee shall not exercise the voting rights in respect of any shares of the Company held under the Trust, including, inter alia, the Awarded shares and further shares of the Company acquired out of the income derived therefrom.

During the year ended 31 December 2024, 14,714,000 Awarded shares (2023: 14,608,000) were granted to the Selected Participants ("**Granted Shares**"). No Granted Shares were vested as at 31 December 2024 (2023: Same).

The fair value of the share awards was calculated based on market price of the Group's shares at the respective grant date. The Group recognised an expense of approximately HK$5,899,000 (2023: HK$5,618,000) for the year ended 31 December 2024 in relation to share awards granted by the Company.

26 Lease Liabilities

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Current	6,951	7,777
Non – current	10,357	18,319
	17,308	26,096

The Group leases various properties for warehouses, office premises and motor vehicles. These lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid at the end of each reporting period.

27 Trade Payables

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Trade payables		
– Third parties	2,307	5,646

The credit period granted by suppliers for trade payables generally range around 60 days. The ageing analysis of the trade payables by invoice date is as follows:

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Up to 30 days	1,545	1,149
31 to 60 days	172	67
61 to 90 days	222	131
Over 90 days	368	4,299
	2,307	5,646

27 Trade Payables *(continued)*

The Group's trade payables are denominated in the following currencies:

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
HK$	286	16
RMB	2,021	5,630
	2,307	5,646

28 Accruals and Other Payables

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Accrued expenses	4,974	4,517
Accrued salary and other benefits	4,365	4,693
Other payables	8,949	2,460
Value added tax and other tax payable	4,056	2,518
Provision of sales return	–	34
	22,344	14,222

As at 31 December 2024 and 2023, accruals and other payables approximate their fair values and are denominated in the following currencies:

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
HK$	17,670	3,305
RMB	4,612	10,862
Others	62	55
	22,344	14,222

29 Borrowings

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Current		
Bank borrowings – secured	45,923	43,572

As at 31 December 2024, the carrying amounts of the borrowings approximate their fair values and are denominated in the HK$(2023: Same).

The amounts repayable based on the scheduled repayment date set out in the loan agreements ignoring the effect of any repayment on demand clause are as follows:

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Within 1 year	12,119	3,048
Between 1 to 2 years	7,671	6,720
Between 2 to 5 years	24,689	23,841
Over 5 years	1,444	9,963
	45,923	43,572

As at 31 December 2024, the weighted average effective interest rate of bank borrowing was 4.42% (2023: 3.42%) per annum.

As at 31 December 2024, there were no unutilised banking facilities (2023: Same). The bank borrowings are secured by corporate guarantee provided by the Company.

30 Financial Instruments by Category

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Financial assets		
Financial assets at fair value through profit and loss	9,000	9,735
Financial assets at amortised cost		
– Trade receivables and contract assets *(Note 20, 5(c))*	58,781	70,795
– Deposits and other receivables (excluding non – financial assets)	75,669	78,714
– Time deposits with original maturity over three months *(Note 22)*	40,000	40,000
– Cash and cash equivalents *(Note 22)*	22,985	51,723
	206,435	250,967

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Financial liabilities		
Financial liabilities at amortised cost		
– Trade payables *(Note 27)*	2,307	5,646
– Other payables (excluding non – financial liabilities)	13,923	6,979
– Borrowings *(Note 29)*	45,923	43,572
– Lease liabilities *(Note 26)*	17,308	26,096
	79,461	82,293

31 Notes to the Consolidated Statement of Cash Flows

(a) Reconciliation of profit before income tax to cash generated from operations:

	For the year ended 31 December 2024 HK$'000	2023 HK$'000
Cash flows from operating activities		
Loss before income tax	(50,742)	(46,162)
Adjustment for:		
– Depreciation and amortisation	15,544	14,058
– Reversal of provision for impairment of inventories	(1,503)	(7,157)
– Changes in surrender value of investment in life insurance contract	(99)	(42)
– Net impairment loss on financial assets and contract assets	4,736	1,849
– Net impairment loss on other receivables	(1,687)	2,553
– Equity-settled share-based payments under share award scheme	5,899	5,618
– Gain on early termination of leases	(224)	(101)
– Gain on disposal of property, plant and equipment	(86)	(13)
– Net (loss)/gain on finance asset at fair value through profit and loss	535	(914)
– Finance income	(4,356)	(1,940)
– Finance costs	2,861	4,437
Operating profit before working capital changes	(29,122)	(27,814)
Changes in working capital:		
– Trade receivables	8,835	812
– Contract assets	(783)	14,171
– Inventories	6,020	23,335
– Deposits, prepayments and other receivables	5,263	3,343
– Trade payables	(3,404)	(828)
– Accruals, provision and other payables	7,734	(5,046)
– Contract liabilities	352	(3,730)
Net cash (used in)/generated from operations	(5,105)	4,243

31 Notes to the Consolidated Statement of Cash Flows (continued)

(b) Reconciliation of liabilities arising from financial activities:

	Liabilities from financing activities		
	Lease liabilities	Bank borrowings	Total
	HK$'000	HK$'000	HK$'000
As at 1 January 2023	16,390	–	16,390
Cash flows	(7,832)	42,206	34,374
Non – cash transactions:			
– Increase in lease liabilities from entering into new leases	20,182	–	20,182
– Early termination of lease	(3,206)	–	(3,206)
– Interest incurred	869	1,366	2,235
– Currency translation differences	(307)	–	(307)
As at 31 December 2023	26,096	43,572	69,668
As at 1 January 2024	26,096	43,572	69,668
Cash flows	(9,171)	596	(8,575)
Non – cash transactions:			
– Increase in lease liabilities from entering into new leases	23,380	–	23,380
– Early termination of lease	(23,505)	–	(23,505)
– Interest incurred	904	1,841	2,745
– Currency translation differences	(396)	(86)	(482)
As at 31 December 2024	17,308	45,923	63,231

32 Related Parties Transactions

The directors of the Company are of the view that the following companies or individuals were related parties that had transactions or balances with the Group as at and during the years ended 31 December 2024 and 2023:

Related parties	Relationship with the Group
Semk Products (Holdings) Limited	Ultimate holding company
Semk Global	Intermediate holding company
Semk Cayman	Intermediate holding company
ISA Global Licensing Limited	A company controlled by Mr. Hui Ha Lam
Kafutoy Industrial Co Limited	A company controlled by Mr. Hui Pak Shun and Ms. Ng Pui Ching, parents of Mr. Hui Ha Lam
ENS Toys (Huizhou) Limited (“**ENS Toys**”)	A company controlled by Mr. Hui Ha Lam
Shenzhen Dream Studio Technology Co Ltd (“**Dream Studio**”)	A shareholder of the Company’s non-wholly-owned subsidiary
SEMK Enterprises Co Ltd.	A company controlled by Mr. Hui Ha Lam

32 Related Parties Transactions *(continued)*

(a) Transactions with related parties

The following transactions were carried out with related parties:

	For the year ended 31 December 2024 HK$'000	2023 HK$'000
Purchase of goods *(Note i)*:		
– ENS Toys	(26,000)	(20,306)
Management fee income *(Note 6, ii)*:		
– ENS Toys	2,726	2,419
E-commerce solutions service *(Note 6, ii)*:		
– ENS Toys	2,197	–
Office co – sharing expense *(Note 8, ii)*:		
– ENS Toys	–	(20)
Rental expense – short term *(Note ii)*:		
– Kafutoy Industrial Co Limited	–	(120)
– ISA Global Licensing Limited	(240)	(217)
	(240)	(337)
Advertising expenses *(Note ii)*:		
– Dream Studio	(272)	–
Disposal of property, plant and equipment *(Note ii)*:		
– SEMK Enterprises Co Ltd.	90	–
Revenue *(Note ii)*:		
– Dream Studio	96	305

Note i: The transactions constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Note ii: The transactions were continuing connected transactions/connected transactions but were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

Note iii: All the transactions were negotiated with related parties on normal commercial terms or in accordance with the agreements governing those transactions.

32 Related Parties Transactions *(continued)*

(b) Balances with related parties

	For the year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Trade:		
Prepayment and other receivable from a related party:		
– ENS Toys	3,742	6,445
Trade receivables		
– Dream Studio	156	311
Other payable		
– ENS Toys	(4,592)	–

The above balances were unsecured, interest – free and repayable on demand.

The carrying amounts of the balances approximate their fair value.

(c) Key management compensation

Key management includes directors (executive and non-executive) and certain senior management. The compensation paid or payable to key management for employee services is shown below:

	For the year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	6,901	7,169
Pension costs – defined contribution plan	223	193
	7,124	7,362

33 Litigation

In May 2021, a third party (the "**Claimant**") has lodged a claim to seek compensation of RMB55,000,000 (equivalent to approximately HK$59,393,000), with the allegation of the Group and a retailer of the Group's licensed products (the "**Licensee**") for causing unfair competition and infringement of certain registered trademarks (the "**Claimant's Trademarks**") by sales of kitchen utensils, towels, and shoes and apparels bearing the trademarks of the Group (the "**Alleged Trademarks**"), which were alleged to be similar to the Claimant's Trademarks.

Judgement of the first hearing from the Jiangsu Suzhou Intermediate People's Court (the "**Judgement**") on 30 December 2022 held that the Group and the Licensee were liable to pay sums of RMB6,000,000 and RMB1,000,000 respectively (equivalent to approximately HK$6,479,000 and HK$1,080,000 respectively) for damages to the Claimant.

On 19 January 2023, the Group has lodged an appeal (the "**Appeal**") against the Judgement. During 2023, the Claimant's Trademarks were invalidated by the China National Intellectual Property Administration and the Claimant's appeal against the invalidation claim has been rejected in June 2024. Based on the opinion from the legal advisors of the Group, there is a high probability that the Judgement can be overturned.

Taking into consideration the judgement issued against the Group, the advice from the legal advisors, the uncertainty as to the outcome of the Appeal and the status of other legal actions taken by the Group in relation to this case, the Directors had made an accumulated provision of HK$1,080,000 in respective of the damages and costs for this case as at 31 December 2024 (2023: HK$1,103,000).

Furthermore, on 20 December 2021, the controlling shareholders of the Company entered into a deed of indemnity with the Group to indemnify any losses, costs, expenses, damages and other liabilities suffered by the Group, directly or indirectly, in connection with the above case.

34 Statement of Financial Position and Reserves Movement of the Company

	Note	For the year ended 31 December 2024 HK$'000	2023 HK$'000
Assets			
Non-current asset			
Investment in a subsidiary		64,884	64,884
Current assets			
Prepayments		12	1,141
Amount due from a subsidiary		51,661	64,114
Cash and cash equivalents		9	1,100
		51,682	66,355
Total assets		116,566	131,239
Equity			
Share capital		191	191
Share premium		240,511	245,253
Reserves	(a)	(124,457)	(114,205)
Total equity		116,245	131,239
Liabilities			
Current liabilities			
Accruals		321	–
Total liabilities		321	–
Total equity and liabilities		116,566	131,239

34 Statement of Financial Position and Reserves Movement of the Company *(continued)*

Notes:

(a) Reserve Movement of the Company

	Accumulated deficit HK$'000	Other reserves HK$'000
At 1 January 2023	(32,001)	(69,810)
Loss for the year	(6,167)	–
Share purchase under Share Award Scheme	–	(11,845)
Equity-settled share-based payments under Share-based payment reserve	–	5,618
At 31 December 2023	(38,168)	(76,037)
At 1 January 2024	(38,168)	(76,037)
Loss for the year	(6,485)	
Share purchase under Share Award Scheme	–	(9,666)
Equity-settled share-based payments under Share-based payment reserve	–	5,899
At 31 December 2024	(44,653)	(79,804)

FINANCIAL SUMMARY

The following is a summary of the published results and assets and liabilities of the Group for the last five financial years. The financial information for the year ended/as at 31 December 2021, 2022, 2023 and 2024 is extracted from the consolidated financial statements in annual report while the relevant information for the years ended/as at 31 December 2020 is extracted from the Prospectus.

CONSOLIDATED RESULTS

	Year ended 31 December				
	2020	2021	2022	2023	2024
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	233,515	290,022	192,608	129,542	128,526
Profit/(loss) for the year	54,548	62,943	75,555	(46,691)	(49,340)
Profit/(loss) attributable to equity holders of the Company	54,548	62,943	75,555	(46,206)	(46,404)
Adjusted net profit/(loss) under non-HKFRS financial measures*	59,836	77,260	87,369	(40,588)	(40,505)

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2020	2021	2022	2023	2024
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	18,758	39,495	95,034	121,771	117,518
Current assets	170,140	226,265	317,914	226,500	175,532
Total assets	188,898	265,760	412,948	348,271	293,050
Non-current liabilities	515	15,877	9,368	18,483	10,370
Current liabilities	100,238	99,607	52,273	80,809	89,765
Total liabilities	100,753	115,484	61,641	99,292	100,135
Equity attributable to holders of the Company	88,145	150,276	351,307	247,406	191,570

Note:

* Adjusted net profit/(loss) under non-HKFRS financial measures as profit/(loss) for the year attributable to equity holders of the Company excluding share-based payment.