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

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1520)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2023 was approximately HK\$66,328,000 (2022: HK\$89,620,000), representing a decrease of approximately 26.0% as compared with the previous year.
- The loss attributable to owners of the Company for the year ended 31 December 2023 was approximately HK\$93,749,000 (2022: HK\$65,895,000), representing an increase of approximately 42.3%.
- Loss per share of the Company for the year ended 31 December 2023 was approximately HK4.78 cents (2022: HK3.57 cents).
- The Directors do not recommend the payment of any final dividend for the year ended 31 December 2023.

RESULTS

The board of Directors (the “Board”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2023 together with the comparative figures for the corresponding period in 2022 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	5	66,328	89,620
Cost of sales		(55,095)	(75,560)
Gross profit		11,233	14,060
Other gains and losses, net	5	(447)	66,221
Impairment of goodwill		(13,000)	(34,632)
Provision for expected credit loss on trade receivables		(1,205)	(550)
Provision for expected credit loss on loans and interest receivables		(14,496)	(21,196)
Selling and distribution expenses		(3,033)	(1,865)
Administrative expenses		(67,263)	(76,290)
Finance costs		(6,318)	(3,991)
Share of results of associates		(110)	(160)
Loss before income tax	6	(94,639)	(58,403)
Income tax credit/(expense)	7	621	(7,472)
Loss for the year		(94,018)	(65,875)
Other comprehensive loss, net of tax, attributable to owners of the Company			
Item that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		(2,043)	(2,358)
Total comprehensive loss for the year		(96,061)	(68,233)

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss)/profit for the year attributable to:			
Owners of the Company		(93,749)	(65,895)
Non-controlling interests		(269)	20
		<u>(94,018)</u>	<u>(65,875)</u>
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		(95,792)	(68,253)
Non-controlling interests		(269)	20
		<u>(96,061)</u>	<u>(68,233)</u>
Loss per share attributable to owners of the Company			
	9		
Basic (in HK cents)		<u>(4.78)</u>	<u>(3.57)</u>
Diluted (in HK cents)		<u>(4.78)</u>	<u>(3.57)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Interests in associates		730	840
Property, plant and equipment		2,640	2,367
Right-of-use assets		3,291	2,818
Prepayment and other receivable		12,832	400
Goodwill	10	28,812	42,543
Intangible asset		800	800
Deferred tax assets		2,157	554
		<u>51,262</u>	<u>50,322</u>
Current assets			
Inventories	11	8,435	6,564
Trade receivables	12	31,662	39,065
Loans and interest receivables	13	44,560	98,163
Deposits, prepayments and other receivables		34,468	29,003
Tax recoverable		–	55
Financial assets at fair value through profit or loss		12,555	13,189
Cash and cash equivalents		31,243	52,012
		<u>162,923</u>	<u>238,051</u>
Current liabilities			
Trade payables	14	7,743	17,586
Accruals and other payables		22,749	22,074
Contract liabilities		998	893
Other borrowings	15	4,400	4,760
Provision for taxation		1,075	7,063
Lease liabilities		2,083	1,481
		<u>39,048</u>	<u>53,857</u>
Net current assets		<u>123,875</u>	<u>184,194</u>
Total assets less current liabilities		<u>175,137</u>	<u>234,516</u>

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		1,175	1,192
Other borrowings	15	<u>25,250</u>	<u>24,024</u>
		<u>26,425</u>	<u>25,216</u>
Net assets		<u>148,712</u>	<u>209,300</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		21,371	19,836
Reserves		<u>126,742</u>	<u>188,596</u>
		148,113	208,432
Non-controlling interests		<u>599</u>	<u>868</u>
Total equity		<u>148,712</u>	<u>209,300</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL

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

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

The consolidated financial statements for the year ended 31 December 2023 were approved for issue by the board of directors on 27 March 2024.

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

2.1 Adoption of new or amended HKFRSs - effective 1 January 2023

The Hong Kong Institute of Certified Public Accountants has issued a number of amended HKFRSs that are first effective for the current accounting period of the Group:

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform - Pillar Two Model Rules

Except for Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies, none of these new or amended HKFRS has a material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”

The Group has adopted Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies” for the first time in the current year. HKAS 1 “Presentation of Financial Statements” is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 “Making Materiality Judgements” (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in the consolidated financial statements. The Group has revisited the accounting policy information. It has been disclosed and removed certain immaterial accounting policies.

New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (“the Amendment Ordinance”) was enacted. The Amendment Ordinance abolishes the use of the accrued benefits derived from employers’ mandatory contributions under the mandatory provident fund (“MPF”) scheme to offset severance payment (“SP”) and long service payments (“LSP”) (“the Abolition”). Subsequently, the Government of HKSAR announced that the Abolition will take effect on 1 May 2025 (“the Transition Date”).

The following key changes will take effect since the Transition Date:

- Accrued benefits derived from employers’ mandatory MPF contributions cannot be used to offset the LSP/SP in respect of the employment period after the Transition Date.
- The pre-transition LSP/SP is calculated using the last month’s salary immediately preceding the Transition Date, instead of using the last month’s salary of employment termination date.

Due to the complexities of the accounting for the offsetting of accrued benefits derived from an employer’s mandatory MPF contributions and its LSP obligation and the accounting for the offsetting mechanism could become material in light of the Abolition, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” (“the Guidance”) in July 2023 to provide guidance to account for the offsetting mechanism and the Abolition. The HKICPA concluded that there are two acceptable accounting approaches for the offsetting mechanism, being:

- Approach 1: Account for the amount expected to be offset as a deemed employee contribution towards that employee’s LSP benefits in terms of HKAS 19.93(a)
- Approach 2: Account for the employer MPF contributions and the offsetting mechanism as a funding mechanism for the LSP obligation

For the years ended 31 December 2022 and 2023, the Group’s LSP liability before the expected offsetting under the MPF-LSP offsetting mechanism is immaterial. Application of the Guidance had no material effect on the consolidated financial statements of the Group.

2.2 New or amended HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, 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.

Amendments to HKAS 1	Classification of liabilities as Current or Non-current ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKFRS 7	Supplier finance arrangements ¹
Amendments to HKFRS 21	Lack of exchangeability ²

¹ Effective for annual periods beginning on or after 1 January 2024.

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective for annual periods beginning on or after a date to be determined.

Up to now, the Group considers that these amendments to standards will not have a significant impact on the Group’s financial performance and financial position.

3. BASIS OF PREPARATION

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

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

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

4. SEGMENT INFORMATION

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

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

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

- all assets are allocated to operating segments other than certain cash and bank balances and other corporate assets not attributable to the reportable segments;
- all liabilities are allocated to operating segments other than certain lease liabilities and other corporate liabilities not attributable to the reportable segments; and
- segment results represent the loss or profit incurred or earned by each segment without allocation of certain other income, certain administrative expenses, such as the Group’s headquarter administrative staff costs and directors’ emoluments.

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

	Design, manufacturing and trading of apparels <i>HK\$'000</i>	Money lending services <i>HK\$'000</i>	Sale of trendy and cultural products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2023				
Revenue from external customers	<u>56,488</u>	<u>8,199</u>	<u>1,641</u>	<u>66,328</u>
Segment loss	(15,897)	(20,045)	(3,702)	(39,644)
<i>Reconciliation</i>				
Bank interest income				41
Unallocated corporate expenses				(48,718)
Finance costs				<u>(6,318)</u>
Loss before tax				<u>(94,639)</u>
At 31 December 2023				
Segment assets	62,759	78,810	47,333	188,902
Other corporate assets				<u>25,283</u>
Total assets				<u>214,185</u>
Segment liabilities	17,777	767	2,123	20,667
Other corporate liabilities				<u>44,806</u>
Total liabilities				<u>65,473</u>
Other segment information				
Year ended 31 December 2023				
Amounts included in the measure of segment profit or loss or segment assets:				
Provision for inventories	(519)	–	–	(519)
Provision for ECL on trade receivables	(1,205)	–	–	(1,205)
Provision for ECL on loans and interest receivables	–	(14,496)	–	(14,496)
Impairment of goodwill	–	–	(13,000)	(13,000)
Fair value change on financial assets at FVTPL	–	(1,895)	–	(1,895)
Depreciation (<i>note</i>)	(855)	(1,130)	(482)	(2,467)
Capital expenditure (<i>note</i>)	<u>270</u>	<u>1,070</u>	<u>441</u>	<u>1,781</u>

	Design, manufacturing and trading of apparels <i>HK\$'000</i>	Money lending services <i>HK\$'000</i>	Sale of trendy cultural products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2022				
Revenue from external customers	<u>74,337</u>	<u>13,631</u>	<u>1,652</u>	<u>89,620</u>
Segment profit/(loss)	44,711	(58,719)	(1,631)	(15,639)
<i>Reconciliation</i>				
Bank interest income				105
Unallocated corporate expenses				(38,878)
Finance costs				<u>(3,991)</u>
Loss before tax				<u>(58,403)</u>
At 31 December 2022				
Segment assets	105,758	116,949	51,123	273,830
Other corporate assets				<u>14,543</u>
Total assets				<u>288,373</u>
Segment liabilities	35,933	6,685	3,043	45,661
Other corporate liabilities				<u>33,412</u>
Total liabilities				<u>79,073</u>
Other segment information				
Year ended 31 December 2022				
Amounts included in the measure of segment profit or loss or segment assets:				
Provision for inventories	(1,297)	–	–	(1,297)
Provision for other receivables	(2,586)	–	–	(2,586)
Provision for ECL on trade receivables	(550)	–	–	(550)
Provision for ECL on loans and interest receivables	–	(21,196)	–	(21,196)
Impairment of goodwill	–	(34,632)	–	(34,632)
Gain on disposal of land and buildings	74,762	–	–	74,762
Fair value change on financial assets at FVTPL	–	(10,111)	–	(10,111)
Depreciation (<i>note</i>)	(2,084)	(1,239)	(466)	(3,789)
Capital expenditure (<i>note</i>)	<u>2,075</u>	<u>16</u>	<u>524</u>	<u>2,615</u>

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

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
The USA	–	2,031
Hong Kong	8,199	27,654
The PRC	58,129	59,935
	66,328	89,620

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

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

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A	17,452	20,536
Customer B	33,068	12,916
Customer C	N/A*	12,319

* The revenue from this customer accounted for less than 10% of the Group's revenue for the year ended 31 December 2023.

As at 31 December 2023, 72% (2022: 59%) of the Group's trade receivables was due from these customers. Revenue earned from these customers were reported in the design, manufacturing and trading of apparels operating segment.

Note:

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

	Design, manufacturing and trading of apparels <i>HK\$'000</i>	Money lending services <i>HK\$'000</i>	Sale of trendy cultural products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
For the year ended 31 December 2023					
Depreciation	(855)	(1,130)	(482)	(1,056)	(3,523)
Capital expenditures	<u>270</u>	<u>1,070</u>	<u>441</u>	<u>2,644</u>	<u>4,425</u>
For the year ended 31 December 2022					
Depreciation	(2,084)	(1,239)	(466)	(1,258)	(5,047)
Capital expenditures	<u>2,075</u>	<u>16</u>	<u>524</u>	<u>1,217</u>	<u>3,832</u>

5. REVENUE, AND OTHER INCOME AND GAINS

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

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from contracts with customers:		
Sales of goods	58,129	75,989
Revenue from other source:		
Interest income from loans receivable	<u>8,199</u>	<u>13,631</u>
Total revenue	<u><u>66,328</u></u>	<u><u>89,620</u></u>
Other gains and losses, net		
Net fair value loss on financial assets at FVTPL	(1,895)	(10,111)
Bank interest income	41	105
Other interest income	967	–
Gain on disposal of land and buildings (<i>note a</i>)	–	74,762
Government subsidies (<i>note b</i>)	–	432
Gain on disposal of property, plant, and equipment	38	–
Sundry income	<u>402</u>	<u>1,033</u>
	<u><u>(447)</u></u>	<u><u>66,221</u></u>

Notes:

- (a) On 24 August 2022, the Group entered into a compensation agreement with Jiaxing Xiubei Development and Construction Co., Ltd, a state-owned enterprise appointed by the local authority to execute a transaction on land, pursuant to which, Jiaxing Xiubei agreed to purchase, and the Group agreed to sell its land together with its buildings attached with aggregate compensation of approximately HK\$81,659,000 payable by Jiaxing Xiubei, according to the relevant policy of the Xiuzhou Government for the purpose of urban area redevelopment. The transaction was completed in December 2022. Net gain from disposal of land and buildings of approximately HK\$74,762,000 was recognised during the year ended 31 December 2022.
- (b) For the year ended 31 December 2022, included in profit or loss is HK\$432,000 of government grants obtained from Employment Support Scheme (“ESS”) under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group's employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group does not have other unfulfilled obligations relating to this program.

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Geographical markets		
The USA	–	2,031
Hong Kong	–	14,023
The PRC	58,129	59,935
	<hr/>	<hr/>
Total revenue from contracts with customers, recognised at a point in time	58,129	75,989
	<hr/> <hr/>	<hr/> <hr/>

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 December		
Trade receivables	31,662	39,065
Contract liabilities	998	893
	<hr/> <hr/>	<hr/> <hr/>

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

6. LOSS BEFORE INCOME TAX

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Auditor's remuneration		
– Audit service	1,050	990
– Non Audit service	–	125
Cost of inventories recognised as expense	55,095	75,560
Depreciation of property, plant and equipment	722	1,384
Depreciation of right-of-use assets	2,801	3,663
Foreign exchange (gain)/loss, net	(129)	207
Provision for inventories	519	1,297
Provision for other receivables	–	2,586
Provision for ECL on trade receivables	1,205	550
Provision for ECL on loans and interest receivables	14,496	21,196
Short-term lease expense	40	667
Employee benefit expense (including directors' emoluments)		
– Wages and salaries	24,132	41,826
– Pension scheme contribution		
– defined contribution plans	867	2,230
– Share-based compensation	17,108	5,566
– Other benefits	709	1,097
	<u>709</u>	<u>1,097</u>

7. INCOME TAX (CREDIT)/EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current income tax charged for the year:		
Hong Kong profits (credit)/tax	(87)	87
PRC EIT	1,090	7,385
	<u>1,090</u>	<u>7,385</u>
Deferred tax	(1,624)	–
	<u>(1,624)</u>	<u>–</u>
	<u>(621)</u>	<u>7,472</u>

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

- (ii) Hong Kong profits tax is calculated at 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong, except for the first HK\$2,000,000 of qualified entity's assessable profit is calculated at 8.25% (2022: 8.25%), which is in accordance with the two-tiered profits tax rates regime.
- (iii) PRC EIT is provided at 25% (2022: 25%) on the estimated assessable profits of the Group's PRC subsidiary for the year.

Under the law of the PRC on EIT, corporate withholding income tax is levied on the foreign investor for the dividends distributed out of the profits generated by the foreign investment enterprises. The Group's applicable withholding income tax rate is 5% (2022: 5%).

8. DIVIDENDS

No interim dividend was declared during the year (2022: Nil) and the board of directors of the Company does not recommend the payment of any final dividend for the year ended 31 December 2023 (2022: Nil).

9. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to owners of the Company of approximately HK\$93,749,000 (2022: HK\$65,895,000) by the weighted average number of 1,961,867,523 (2022: 1,845,278,732) ordinary shares in issue during the year.

As shares options granted by the Company under its share option scheme, and convertible bonds issued by the Company have an anti-dilutive effect to the basic loss per share calculation for the years ended 31 December 2022 and 2023, the diluted loss per share was the same as the basic loss per share for the year ended 31 December 2022 and 2023.

10. GOODWILL

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

	<i>HK\$'000</i>
Cost	
At 1 January 2022	99,109
Acquisition of subsidiaries	41,346
Exchange difference	<u>1,197</u>
At 31 December 2022	141,652
Exchange difference	<u>(731)</u>
At 31 December 2023	<u><u>140,921</u></u>
Accumulated depreciation and impairment	
At 1 January 2022	64,477
Impairment	<u>34,632</u>
At 31 December 2022	99,109
Impairment	<u>13,000</u>
At 31 December 2023	<u><u>112,109</u></u>
Net carrying amount	
At 31 December 2023	<u><u>28,812</u></u>
At 31 December 2022	<u><u>42,543</u></u>

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trendy Cultural Products CGU	<u><u>28,812</u></u>	<u><u>42,543</u></u>

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

11. INVENTORIES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Raw materials and consumables	25	25
Work in progress	125	1,089
Finished goods	8,285	5,450
	<u>8,435</u>	<u>6,564</u>

12. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	33,937	40,135
Less: provision for impairment loss	(2,275)	(1,070)
	<u>31,662</u>	<u>39,065</u>

Trade receivables are recognised at their original invoice amounts which represented their fair values at initial recognition. The Group's trade receivables are attributable to a number of independent customers with credit terms. The Group normally allows a credit period ranging from 10 to 90 days (2022: 10 to 180 days) to its customers. Trade receivables are non-interest bearing.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 30 days	9,424	15,611
31 to 60 days	881	9,218
61 to 90 days	2,784	3,452
91 to 180 days	2,121	4,987
Over 180 days	16,452	5,797
	<u>31,662</u>	<u>39,065</u>

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

	<i>HK\$'000</i>
At 1 January 2022	520
Provision for loss allowance recognised during the year	<u>550</u>
At 31 December 2022 and 1 January 2023	1,070
Provision for loss allowance recognised during the year	<u>1,205</u>
At 31 December 2023	<u><u>2,275</u></u>

13. LOANS AND INTEREST RECEIVABLES

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current		
Loans receivable	90,920	137,108
Interest receivables	14,580	11,782
Less: impairment loss	<u>(60,940)</u>	<u>(50,727)</u>
	<u><u>44,560</u></u>	<u><u>98,163</u></u>

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

As at 31 December 2023, loans and interest receivables of carrying amount of HK\$29,316,000 (2022: HK\$73,769,000) were unsecured while remaining loans and interest receivables of carrying amount of HK\$15,244,000 (2022: HK\$24,394,000) were secured by charges over certain properties in Hong Kong and personal properties such as diamonds and jewellery, and guaranteed by certain independent third parties. The interest rates on all loans receivable are from 8% to 24% (2022: 2.3% to 24%) per annum and loans receivable contain repayment on demand clause. The maximum exposure to credit risk at each of the reporting date is the carrying value of the loans and interest receivables mentioned above.

14. TRADE PAYABLES

Credit periods of trade payables normally granted by its suppliers were ranging from 15 to 120 days (2022: 15 to 120 days).

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 30 days	7,059	8,250
31 to 60 days	–	2,956
61 to 90 days	–	5,328
91 to 180 days	684	888
Over 180 days	–	164
	<u>7,743</u>	<u>17,586</u>

15. OTHER BORROWINGS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current		
Liability component of convertible notes	<u>25,250</u>	<u>24,024</u>
Current		
Promissory note	4,400	4,400
Margin loan payable, repayable within one year or on demand	<u>–</u>	<u>360</u>
	<u>4,400</u>	<u>4,760</u>
	<u>29,650</u>	<u>28,784</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

REVENUE

Economic activities were dampened by the challenging economic environment in Mainland China and Hong Kong. Affected by the weakened economy in 2023, the revenue of the Group decreased by 26.0% to approximately HK\$66,328,000 (2022: HK\$89,620,000).

APPAREL OPERATION

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

Concerns over the economic outlook of Mainland China continued to dampen consumption sentiment. The impact of a challenging macroeconomic environment and a slower than anticipated economic recovery of Mainland China not only weakened overall consumer sentiment but also affected the demand for apparel products. Due to economic downturn, people became conservative in buying new apparel. Mainland China is the principal market for our apparel operation during the year. Revenue from our apparel operation decreased by 24.0% to approximately HK\$56,488,000 for the year ended 31 December 2023 (2022: HK\$74,337,000). Our apparel operation remained the largest contributor to the Group's business, accounting for 85.2% of the Group's total revenue.

MONEY LENDING BUSINESS

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

In 2023, our money lending business mainly focused on providing service to existing customers. Revenue from our money lending operation decreased to approximately HK\$8,199,000 for the year ended 31 December 2023 (2022: HK\$13,631,000), representing a decrease of approximately 39.9% as a result of the decrease in interest income received/receivable from existing customers during the year. Money lending operation accounted for 12.4% of the Group's total revenue.

Provision of expected credit loss allowance on loans and interest receivables of approximately HK\$14,496,000 (2022: HK\$21,196,000) was recorded for the year ended 31 December 2023, decreased by 31.6%.

IP application and products operation

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

Revenue from our IP application and products increased to approximately HK\$1,641,000 for the year ended 31 December 2023 (2022: HK\$1,652,000), decreased slightly by approximately 0.01%. There was full year income for IP operation in 2023, compared with less than 6 months income for IP operation in 2022. IP application and products operation accounted for 2.4% of the Group's total revenue.

COST OF SALES

As there was no direct cost incurred for money lending operation, cost of sales was incurred exclusively for apparel operation and IP application and products operation. The cost of sales was approximately HK\$55,095,000 for the year ended 31 December 2023 (2022: HK\$75,560,000), decreased by 27.1%.

The decrease in cost of sales for 2023 was primarily reflected by less material costs due to decrease in revenue from apparel operation for the period.

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit for the year ended 31 December 2023 was approximately HK\$11,233,000 (2022: HK\$14,060,000), decreased by 20.1%. The gross profit margin increased from approximately 15.7% for the year ended 31 December 2022 to 16.9% for the year ended 31 December 2023. During the year, apparel operation contributed gross profit of approximately HK\$2,729,000 (2022: gross loss HK\$161,000), money lending operation contributed approximately HK\$8,199,000 (2022: HK\$13,631,000) and IP application and products operation contributed approximately HK\$305,000 (2022: HK\$590,000) to the gross profit.

The apparel operation recorded gross profit of approximately HK\$2,729,000 for the year ended 31 December 2023 (2022: gross loss HK\$161,000) due to an increase in the proportion of revenue from customers which had positive gross profit margin. In order to increase the gross profit, we reduced sales to certain customers with low gross profit margin in 2023.

The gross profit from money lending operation decreased by 39.9% to approximately HK\$8,199,000 for the year ended 31 December 2023 (2022: HK\$13,631,000), as there was a decrease in revenue from money lending operation in the year. The gross profit margin was 100% for money lending operation for the year ended 31 December 2023 (2022: 100%), as there was no direct cost incurred in generating revenue in the money lending operation.

The gross profit from IP application and products operation was approximately HK\$305,000 (2022: HK\$590,000), the gross profit margin was 18.6% (2022: 35.7%)

OTHER GAINS AND LOSSES

The Group incurred losses of approximately HK\$447,000 in other gains and losses for the year ended 31 December 2023 (2022: gains HK\$66,221,000).

The change from gains in other gains and losses in 2022 to losses in other gains and losses in 2023 was mainly due to the fact that we recorded one-off net gain from disposal of land and buildings of approximately HK\$74,762,000 in 2022. The Group disposed of its land situated at No. 493, Dade Road, Xincheng Street, Xiuzhou District, Jiaying City, Zhejiang Province, the PRC together with the properties located at the land in consideration for an aggregate compensation of HK\$81,659,000. Net gain from disposal of land and buildings of approximately HK\$74,762,000 was recognised during the year ended 31 December 2022.

During the year, as a result of the volatile conditions of the Hong Kong stock market and the financial performance of the respective investee companies, a net fair value loss on financial assets at fair value through profit or loss of approximately HK\$8,760,000 (2022: HK\$10,111,000) was recognised from the Group's securities investments.

Fair value gain on contingent receivable in connection to acquisition of subsidiaries of approximately HK\$6,865,000 (2022: nil) was recognised during the year.

IMPAIRMENT LOSS ON GOODWILL

The Group incurred impairment loss on goodwill of approximately HK\$13,000,000 for the year ended 31 December 2023 (2022: HK\$34,632,000).

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

Impairment loss on goodwill for our IP application and products operation of approximately HK\$13,000,000 (2022: nil) was incurred for the year ended 31 December 2023. Recent macroeconomic, policy and industry factors resulted in a wider range of reasonably possible value-in-use outcomes for our IP application and products operation valuation. The Group has appointed an independent valuer to assess the carrying value of the IP application and products operation. The impairment test on the carrying value resulted in an impairment of approximately HK\$13,000,000 (2022: nil), as the recoverable amount as determined by a value-in-use calculation was lower than the carrying value. Our value-in-use calculation uses both historical experience and market participant views to estimate future cash flows, relevant discount rates and associated capital assumptions.

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

There was no impairment loss on goodwill (2022: HK\$34,632,000) for the money lending operation.

PROVISION FOR EXPECTED CREDIT LOSS ON TRADE RECEIVABLES

Provision for expected credit loss on trade receivables of approximately HK\$1,205,000 (2022: HK\$550,000) was recorded for the year ended 31 December 2023, representing an increase of approximately 119.1%. In response to the challenges faced by mainland China and Hong Kong customers, we increased the expected credit loss on trade receivables from apparel operation.

We provided impairment loss on trade receivables on individual assessment.

PROVISION FOR EXPECTED CREDIT LOSS ON LOANS AND INTEREST RECEIVABLES

Provision for expected credit loss on loans and interest receivables of approximately HK\$14,496,000 (2022: HK\$21,196,000) was recorded for the year ended 31 December 2023, decreased by 31.6%. In assessing the provision for expected credit loss for loans and interest receivables, the Group considered (i) the loan receivables which have been past due as at 31 December 2023; (ii) the repayment history of loan and interest receivables of each borrower during the year; and (iii) the probability of default rate due to the inability of the borrowers to make repayments to the Group when due.

The provision for expected credit loss reflected deterioration of the credit status of certain borrowers. The loans and interest receivables (net of allowances) decreased by approximately 54.6%, from approximately HK\$98,163,000 at 31 December 2022 to approximately HK\$44,560,000 at 31 December 2023.

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

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

As Dreamtoys Inc did not perform as expected and recorded net profit of approximately RMB3,229,000 for the year ended 31 December 2022 and net losses of approximately RMB2,928,000 for the year ended 31 December 2023 respectively, the Directors have reviewed the actual performance for the years ended 31 December 2022 and 2023 of the Dreamtoys Inc. and expected that the Dreamtoys Inc. will not meet the Guaranteed Profit 2023.

As it was expected that the Guaranteed Profit 2023 cannot be achieved by Dreamtoys Inc, the Company will (i) repurchase and cancel all the 60,000,000 consideration shares currently subject to escrow arrangement; and (ii) require the vendor to return all distribution and dividends declared and paid by the Company, if any, before such repurchase, in which case the Company will carry out the share repurchase after obtaining all regulatory approval(s).

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses mainly consist of (i) staff costs and (ii) transportation costs for delivery of our products. The selling and distribution expenses were mainly incurred for our apparel operation and IP application and products operation. The selling and distribution expenses incurred in the reporting period were approximately HK\$3,033,000 (2022: HK\$1,865,000), increased by 62.6% on a year to year basis. Higher staff cost was incurred for the IP application and products operation in 2023 in order to promote our business in selling our gaming and animated characters products. As a percentage of revenue, selling and distribution expenses increased to 4.6% for the year ended 31 December 2023 from 2.1% for the year ended 31 December 2022.

ADMINISTRATIVE EXPENSES

Administrative expenses primarily consist of (i) staff costs; (ii) share-based compensation; and (iii) professional fees. The administrative expenses for the year ended 31 December 2023 were approximately HK\$67,263,000 (2022: HK\$76,290,000), decreased by 11.8%. The decrease in administrative expenses was mainly attributable to absence of lay-off expenses for the year ended 31 December 2023. In 2022, we incurred lay off expenses, which was included in staff costs, relating to relocation of production facilities from our old factory to a new factory premises in Jiaxing City, China. The decrease in administrative expenses was also attributable to the decrease in professional fees. Nonetheless, the financial impact was offset in certain degree by the increase in share-based compensation arisen from issuance of share options in the reporting period.

FINANCE COSTS

Finance costs were approximately HK\$6,318,000 (2022: HK\$3,991,000), increased by 58.3%. Finance costs were mainly the interest expenses derived from our convertible bonds and imputed interests on lease liabilities.

LOSS FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The loss attributable to owners of the Company for the year ended 31 December 2023 was approximately HK\$93,749,000 (2022: HK\$65,895,000), representing an increase in loss attributable to the owners of the Company of 42.3%. As previously discussed, the increase in the loss attributable to owners of the Company for the year was mainly due to (i) incurrence of losses of approximately HK\$447,000 in other gains and losses for the year ended 31 December 2023 (2022: gains HK\$66,221,000) as there was no more disposal gain for 2023 after the one-off net gain from disposal of land and buildings of approximately HK\$74,762,000 in 2022; and (ii) revenue decreased for the year due to difficult economic environment.

GOODWILL

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

Goodwill is subject to impairment review periodically. Impairment loss on goodwill for our IP application and products operation of approximately HK\$13,000,000 (2022: nil) was incurred for the year ended 31 December 2023. Recent macroeconomic, policy and industry factors resulted in a wider range of reasonably possible value-in-use outcomes for our IP application and products operation valuation. The Group has appointed an independent valuer to assess the carrying value of the IP application and products operation. The impairment test on the carrying value which resulted in an impairment of approximately HK\$13,000,000 (2022: nil), as the recoverable amount as determined by a value-in-use calculation was lower than the carrying value. Our value-in-use calculation uses both historical experience and market participant views to estimate future cash flows, relevant discount rates and associated capital assumptions. Goodwill for our IP application and products operation was valued at approximately HK\$28,812,000 at 31 December 2023 (2022: HK\$42,543,000).

There was no impairment loss on goodwill for our money lending operation (2022: HK\$34,632,000). Goodwill for our money lending operation was impaired to nil at 31 December 2023 (2022: nil).

INVENTORY

The Group's inventories increased by 28.5%, from approximately HK\$6,564,000 as at 31 December 2022 to approximately HK\$8,435,000 as at 31 December 2023. The inventory turnover day increased from 32 days as at 31 December 2022 to 56 days as at 31 December 2023. In 2023, certain obsolete inventories of approximately HK\$519,000 (2022: 1,297,000) were impaired.

TRADE RECEIVABLES

The Group's trade receivables decreased by 18.9%, from approximately HK\$39,065,000 as at 31 December 2022 to approximately HK\$31,662,000 as at 31 December 2023. The trade receivables turnover day increased from 159 days as at 31 December 2022 to 174 days as at 31 December 2023, primarily because there were more purchase orders in 2023 from customers who requested for longer credit period.

LOANS AND INTEREST RECEIVABLES

The Group's loans and interest receivables decreased by 54.6%, from HK\$98,163,000 as at 31 December 2022 to approximately HK\$44,560,000 as at 31 December 2023. The loans receivables as at 31 December 2023 were mainly comprised of mortgage loans receivables, corporate loans receivables and personal loans receivables.

As at 31 December 2023, the Group's loans and interest receivables balance (net of loss allowance) amounted to approximately HK\$44,560,000 (2022: HK\$98,163,000), out of which an aggregate sum of approximately HK\$30,837,000 (2022: HK\$44,586,000), representing 69.2% (2022: 45.4%) of the total loans and interest receivables of the Group, was due from the five largest borrowers of the Group. The interest rates charged on all loans receivables during 2023 ranged from 8% to 24% (2022: 2.3% to 24%) per annum. As at 31 December 2023, the loan receivables had a fixed term ranging from 3 months to 24 months (2022: 3 months to 60 months).

As at 31 December 2023, loans and interest receivables of carrying amount of approximately HK\$29,316,000 (2022: HK\$73,769,000) were unsecured while remaining loans and interest receivables of carrying amount of approximately HK\$15,244,000 (2022: HK\$24,394,000) were secured by charges over certain properties in Hong Kong and personal properties such as diamonds and jewellery, and guaranteed by certain independent third parties.

As at 31 December 2023, there were 13 borrowers comprising 12 individual borrowers and 1 corporate borrower (2022: 24 borrowers comprising 18 individual borrowers and 6 corporate borrowers) for the outstanding loans and interest receivables (net of loss allowance). Loans and interest receivables carrying amount of approximately HK\$38,534,000 (2022: HK\$72,731,000) were due from individual borrowers while remaining loans and interest receivables of carrying amount of approximately HK\$6,026,000 (2022: HK\$25,432,000) were due from corporate borrowers.

As at 31 December 2023, the loan and interest receivables (net of loss allowance) amounted to approximately HK\$44,560,000 (2022: HK\$98,163,000), the ageing analysis of which based on the remaining contractual maturity date and net of loss allowance is set out below:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Overdue	42,692	73,026
Due within 3 months	1,868	13,345
Due after 3 months but within 6 months	–	11,334
Due after 6 months but within 12 months	–	458
	<hr/>	<hr/>
Total	44,560	98,163
	<hr/> <hr/>	<hr/> <hr/>

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The portfolio of the Group's financial assets at fair value through profit or loss consisted of investments in listed securities of approximately HK\$3,135,000 that were held for trading as at 31 December 2023 (2022: HK\$10,634,000) and contingent receivable in connection with acquisition of subsidiaries of HK\$9,420,000 (2022: HK\$2,555,000).

No dividend income was received by the Group from its investments in listed securities (2022: nil). As a result of the volatile conditions of the Hong Kong stock market during the year and the financial performance of the respective investee companies, a net fair value loss on financial assets at fair value through profit or loss of approximately HK\$8,760,000 (2022: HK\$10,111,000) was recognised from the Group's securities investments.

Fair value gain on contingent receivable in connection to acquisition of subsidiaries of approximately HK\$6,865,000 (2022: nil) was recognised during the year.

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

TRADE PAYABLES

The Group's trade payables decreased by 56.0%, from approximately HK\$17,586,000 as at 31 December 2022 to approximately HK\$7,743,000 as at 31 December 2023. The trade payables turnover day increased from 85 days as at 31 December 2022 to 51 days as at 31 December 2023.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, cash and cash equivalents amounted to approximately HK\$31,243,000 (2022: HK\$52,012,000). Total borrowing and lease liabilities of the Group as at 31 December 2023 was approximately HK\$32,908,000 (2022: HK\$31,457,000), of which approximately HK\$6,483,000 (2022: HK\$6,241,000) would be repayable within one year and all the remaining borrowing and lease liabilities of approximately HK\$26,425,000 (2022: HK\$25,216,000) would be repayable after one year.

The current ratio of the Group was approximately 4.17 as at 31 December 2023 (2022: 4.42).

GEARING RATIO

The gearing ratio of the Group, calculated as total borrowing and lease liabilities over total equity was approximately 22.1% as at 31 December 2023 (2022: 15.0%).

CHARGE ON ASSETS

The Group did not have any pledge or charge on asset as at 31 December 2023.

As at 31 December 2022, the Group's financial assets at fair value through profit or loss of approximately HK\$10,634,000 were pledged as securities for the Group's other borrowings.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any material contingent liabilities (2022: nil).

TREASURY POLICY

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

FOREIGN EXCHANGE EXPOSURE

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

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 December 2023.

CAPITAL COMMITMENTS

As at 31 December 2023, the Group did not have any significant capital commitment (2022: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group had a total of 73 employees (2022: 150 employees). Total staff costs (including Directors' emoluments) for the year ended 31 December 2023 were approximately HK\$42,816,000, as compared to approximately HK\$50,719,000 for the year ended 31 December 2022.

Remuneration is determined with reference to market norms as well as individual employees' performance, qualification and experience.

The Company adopted a share option scheme (the “Scheme”) on 22 November 2013 whereby the Board was authorised, at its absolute discretion and subject to terms of the Scheme, to grant options to subscribe for the shares of the Company to any full-time or part-time employee of the Company or any member of the Group (the “Eligible Participant”). On 17 January 2023 the Company granted options under the Scheme to Eligible Participants to enable the Eligible Participants to subscribe for an aggregate of 168,850,000 new shares of the Company. Details of the share options granted and outstanding during the year are set out in the paragraph headed “SHARE OPTION SCHEMES” in the annual report.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 31 December 2023 (31 December 2022: nil).

PLACING OF NEW SHARES UNDER GENERAL MANDATE

In order to raise additional capital for the Group’s operation and business development, on 20 October 2023, the Company entered into a placing agreement, pursuant to which the Company conditionally agreed to place, on a best effort basis, a maximum of 400,000,000 placing shares at the placing price of HK\$0.10 per placing share (the “Placing”). The completion of the Placing took place on 5 December 2023. A total of 110,862,000 placing shares were successfully placed to not less than six placees at the placing price of HK\$0.10 per placing share. The gross proceeds from the Placing were approximately HK\$11,086,000. The net proceeds from the Placing (after deducting the placing commission for the Placing) were approximately HK\$10.9 million. The net price raised per placing share upon the completion of the Placing was approximately HK\$0.098 per placing share.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the placees and their respective ultimate beneficial owners (if any) are individual, institutional or professional investors who were (i) an independent third party, and (ii) independent of and not parties acting in concert with any persons, other placee(s) or shareholders to the effect that any Placing to such investor shall not trigger any mandatory offer under Rule 26.1 of the Takeovers Code.

As the placing shares were not fully placed, the Group has applied the net proceeds of HK\$9.1 million for repayment of outstanding liabilities and the balance of HK\$1.8 million as general working capital as per disclosure in the announcements of the Company dated 5 December 2023.

Details of the Placing were set out in the announcements of the Company dated 20 October 2023, 10 November 2023 and 5 December 2023.

FINAL DIVIDEND

The Board of Directors did not recommend any payment of a final dividend for the year ended 31 December 2023.

FUTURE PROSPECTS

The global economic outlook will remain challenging and uncertain in 2024. With inflation in major economies remaining high, high interest rate environment will continue in a certain period in 2024. Weak external demand for goods may continue, which may affect the economic growth of Mainland China and Hong Kong.

We believe Mainland China and Hong Kong will achieve moderate economic growth in 2024 and the authorities will further implement macro-policy support to bolster the economy and consumers' confidence.

As the principal markets for our Group are Mainland China and Hong Kong, generally, we expect our operation will stage a moderate recovery in 2024 along with the economic growth in the Mainland China and Hong Kong.

For apparel operation, we have transformed from focusing on women apparel to sports and leisure apparel, further exploring the young market. We will continue to expand our apparel portfolio and leveraging trendy IPs to open up sportswear, children's wear and other markets. The Group will also grasp the opportunity to expand its business in the trendy cultural products closely related to apparel to seize the opportunities presented by the economic development of Mainland China.

For money lending operation, we will continue to focus on providing service to existing customers, and we will gradually scale down our business due to difficult business environment.

For IP application and products operation, as the Mainland China's regulator has implemented various supportive measures and policies to promote the sustainable and long term development of the gaming industry, we believe that the gaming industry will continue to maintain innovation and healthy development. This will also create a good business environment for and boost the trendy cultural product industry. We will explore more business opportunities with renowned gaming platforms which we have developed closed business relationship.

OTHER INFORMATION

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

The Company has not redeemed any of the Company’s listed securities during the reporting year. Other than the issue of (i) 15,840,000 ordinary shares by the Company pursuant to the exercise of share options under the then prevailing share option scheme of the Company; and (ii) 110,862,000 placing shares as set out in the paragraph headed “PLACING OF NEW SHARES UNDER GENERAL MANDATE” in this announcement, neither the Company nor any of its subsidiaries purchased or sold any of the Company’s listed securities during the year ended 31 December 2023.

CORPORATE GOVERNANCE CODE

Save as disclosed below, the Company has complied with the principles and applicable code provisions of the Corporate Governance Code in force during 2023 (the “CG Code”) as set out in Appendix C1 (formerly known as Appendix 14) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year. According to Code Provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same person. The Company deviated from such provision during the period after Mr. Cheung Ka Lung’s resignation as the deputy chief executive officer of the Company on 31 August 2023. Under the leadership of Mr. Li Yang, who continued to act as the chairman of the Board and perform the added role of the chief executive officer of the Company, the Board worked effectively and performed its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions were made in consultation with members of the Board and relevant Board committees, and there are three independent non-executive directors on the Board offering advice from independent perspectives, the Board was therefore of the view that there were adequate safeguards in place to ensure sufficient balance of powers within the Board.

The Board will keep reviewing and updating its corporate governance practices from time to time to ensure compliance with legal and commercial standards.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the audited consolidated annual results of the Company for the year ended 31 December 2023 and considered that the Company had complied with all applicable accounting standards and requirements and had made adequate disclosure.

AUDITOR'S PROCEDURES PERFORMED ON THIS RESULTS ANNOUNCEMENT

The figures in respect of the announcement of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

By order of the Board
Virtual Mind Holding Company Limited
Li Yang
Chairman & Executive Director

Hong Kong, 27 March 2024

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