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Semk Holdings International Limited

德盈控股國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2250)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

FINANCIAL HIGHLIGHTS

Key Financial Ratios

	FY2021	FY2020
	HK\$'000	HK\$'000
Revenue	290,022	233,515
Profit for the year	62,943	54,548
Profit attributable to equity owners of the Company	62,943	54,548
Adjusted net profit under non-HKFRS financial measures ⁽¹⁾	77,260	59,836
Adjusted net profit margin under non-HKFRS financial measures (%) ⁽²⁾	26.6	25.6

Notes:

- (1) Adjusted net profit under non-HKFRS financial measures as profit for the year attributable to owners of the Company excluding non-recurring listing expenses.
- (2) Adjusted net profit margin under non-HKFRS financial measures for the year is calculated on adjusted net profit under non-HKFRS financial measures for the year divided by revenue for the respective year.

	As at 31 December/ FY2021	As at 31 December/ FY2020
Segment gross		
profit margin (%) ⁽¹⁾	54.0	59.5
Net profit margin (%) ⁽²⁾	21.7	23.4
Return on equity (%) ⁽³⁾	41.9	61.9
Return on total assets (%) ⁽⁴⁾	23.7	28.9
Current ratio (times) ⁽⁵⁾	2.3	1.7
Quick ratio (times) ⁽⁶⁾	1.8	1.5
Gearing ratio (%) ⁽⁷⁾	25.8	53.1
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 of the year is calculated based on revenue attributable to the Group's e-commerce and other business deducting cost of inventories sold divided by revenue attributable to the Group's e-commerce and other business for the respective year.
- (2) Net profit margin for each of the year is calculated based on net profit divided by revenue for the respective year.
- (3) Return on equity equals to profit for the year divided by total equity of the relevant year.
- (4) Return on total assets equals to profit for the year divided by total assets 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 respective year.
- (8) Net debt to equity ratio is calculated based on net debts 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.
- (9) The Group was at a net cash position as the amount of cash and cash equivalents exceeded the total interest-bearing borrowings of the Group, such that the net debt to equity ratio is not applicable.

ANNUAL RESULTS

The board (“**Board**”) of directors (“**Directors**”) of Semk Holdings International Limited (“**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the consolidated results of the Group for the year ended 31 December 2021 (“**FY2021**”), together with the comparative figures for the year ended 31 December 2020 (“**FY2020**”) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

		For the year ended	
		31 December	
		2021	2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	290,022	233,515
Other income	5	11,869	8,739
Other gains, net	5	1,243	3,145
Cost of inventories sold		(56,798)	(54,910)
Employee benefit expenses		(61,557)	(42,340)
Promotion costs		(19,445)	(15,874)
Listing expenses		(14,317)	(5,288)
Online platform usage fee		(15,649)	(14,356)
Depreciation and amortisation		(10,922)	(10,069)
Net impairment losses on financial assets and contract assets		(4,819)	(3,234)
Other expenses	6	(35,184)	(25,294)
Operating profit		84,443	74,034
Finance income		57	43
Finance costs		(1,793)	(2,149)
Finance costs, net		(1,736)	(2,106)
Profit before income tax		82,707	71,928
Income tax expense	7	(19,764)	(17,380)
Profit for the year attributable to owners of the Company		62,943	54,548

		For the year ended	
		31 December	
		2021	2020
<i>Note</i>		HK\$'000	HK\$'000
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
	– Currency translation differences	<u>2,703</u>	<u>2,050</u>
		<u>2,703</u>	<u>2,050</u>
Total comprehensive income for the year attributable to the owners of the Company		<u>65,646</u>	<u>56,598</u>
Earnings per share for profit attributable to owners of the Company for the year			
	– Basic (expressed in HK cents per share)	<u>7.3</u>	<u>6.4</u>
	– Diluted (expressed in HK cents per share)	<u>7.3</u>	<u>6.4</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		As at 31 December	
		2021	2020
	Note	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		7,082	4,940
Intangible assets		2,224	2,141
Right-of-use assets		20,431	5,401
Deferred income tax assets		4,329	3,717
Deposits, prepayments and other receivables		5,429	2,559
		<u>39,495</u>	<u>18,758</u>
		-----	-----
Current assets			
Inventories		44,398	21,448
Trade receivables	10	51,782	38,275
Contract assets		28,954	21,295
Deposits, prepayments and other receivables		22,395	8,732
Amounts due from related parties		–	15,618
Time deposits with original maturity over three months		2,751	–
Cash and cash equivalents		75,985	64,772
		<u>226,265</u>	<u>170,140</u>
		-----	-----
Total assets		<u>265,760</u>	<u>188,898</u>
		-----	-----
EQUITY			
Equity attributable to owners of the Company			
Share capital		81	–
Share premium		115,738	–
Combined capital		–	484
Capital reserve		(34,386)	30,014
Retained earnings		56,863	48,568
Other reserves		11,980	9,079
		<u>150,276</u>	<u>88,145</u>
		-----	-----
Total equity		<u>150,276</u>	<u>88,145</u>

		As at 31 December	
		2021	2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		15,444	–
Deferred income tax liabilities		433	515
		<u>15,877</u>	<u>515</u>
Current liabilities			
Contract liabilities		13,013	18,177
Trade payables	<i>11</i>	4,250	3,824
Accruals and other payables		25,251	17,034
Current income tax liabilities		12,725	9,828
Borrowings		38,728	46,803
Lease liabilities		5,640	4,572
		<u>99,607</u>	<u>100,238</u>
Total liabilities		115,484	100,753
Total equity and liabilities		265,760	188,898

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Semk Holdings International Limited 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, Uglan House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. Its subsidiaries 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.

The Company has listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited on 17 January 2022 (the “**Listing**”).

2 BASIS OF PREPARATION

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

3 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

(a) Effect of adopting new standards and amendments to standards

All of the new standards and amendments to standards that are effective on 1 January 2020 have been early adopted by the Group prior to the annual periods beginning after 1 January 2020.

(b) New standards and amendments to standards and interpretations not yet adopted by the Group

A number of new standards and amendments to standards and interpretations have been issued but not effective during the year ended 31 December 2021 and have not been early adopted by the Group in preparing the consolidated financial statements:

		Effective for annual periods beginning on or after
Amendments to HKFRS 16	Covid-19 – Related Rent Concession Beyond 30 June 2021	1 April 2021
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations	1 January 2022
Annual Improvements to HKFRSs 2018–2020 cycle	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to assets and liabilities arising from a single transaction	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
HKFRS 10 and HKAS 28 amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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. However, none of the above new standards and amendments to standards is expected to have a significant effect on the consolidated financial statements.

4 REVENUE

	For the year ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
<u>Recognised over time</u>		
Provision of licensing services	146,060	82,545
Provision of design consultation services	20,534	15,494
	<u>166,594</u>	<u>98,039</u>
<u>Recognised at a point in time</u>		
Sales of licensed brand products	123,428	135,476
	<u>123,428</u>	<u>135,476</u>
Total revenue	<u>290,022</u>	<u>233,515</u>

For the year ended 31 December 2021, there was 1 customer (2020: 2) which individually contributed 10% or more of the Group's total revenue. The revenue contributed from the customer is as follow:

	For the year ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	57,520	28,374
Customer B	N/A	24,211
	<u>N/A</u>	<u>24,211</u>

N/A: The revenue of the particular customer for the particular year is less than 10% of the Group's revenue for that year.

5 OTHER INCOME AND OTHER GAINS, NET

	For the year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Other income		
Sample sales	4,143	3,010
Management fee income	2,046	953
Government subsidies (<i>Note a</i>)	2,431	3,276
Compensation received (<i>Note b</i>)	2,626	426
Rental concession	–	1,038
Sundry income	623	36
	<u>11,869</u>	<u>8,739</u>
Other gains, net		
Net foreign exchange gains	1,223	3,407
Changes in surrender value of investment life insurance contract	20	(262)
	<u>1,243</u>	<u>3,145</u>

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.

6 OTHER EXPENSES

	For the year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Travelling and transportation	10,712	9,871
Office expenses	6,186	3,773
Legal and professional fee (<i>Note</i>)	8,932	5,356
Agency fee	1,185	832
Rental expenses – short term leases	1,683	897
Repair and maintenance	114	285
Insurance expense	508	458
Building management fee	412	408
Licensing fee	1,152	1,140
Office co-sharing expense	31	29
Auditor's remuneration – audit service	1,325	240
Others	2,944	2,005
	<u>35,184</u>	<u>25,294</u>

Note: During the year ended 31 December 2021, professional fee for legal action involving OJ VC Limited, former shareholder of the Group, amounted to HK\$1,730,000 (2020: HK\$2,191,000).

7 INCOME TAX EXPENSE

	For the year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Current income tax:		
– Hong Kong profits tax	5,833	1,538
– Mainland China corporate income tax	7,257	12,866
– Withholding tax	7,787	3,306
– Overprovision in prior year	(536)	–
	<u>20,341</u>	<u>17,710</u>
Deferred income tax	<u>(577)</u>	<u>(330)</u>
	<u>19,764</u>	<u>17,380</u>

Hong Kong profits tax has been provided at the rate of 16.5% for the years ended 31 December 2021 and 2020.

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 2021 and 2020.

The statutory income tax rate applicable to entities in the Mainland China is 25% during the year ended 31 December 2021 (2020: same).

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 tax.

8 EARNINGS PER SHARE

a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2021 and 2020.

The weighted average number of shares in issue for the years ended 31 December 2021 and 2020 for the purpose of earnings per share computation has been retrospectively adjusted for the effect of 1 share issued on 10 December 2020 (the date of incorporation of the Company), 9,999 shares issued from 10 March 2021 to 29 March 2021 under the Reorganisation in preparation for the Listing, 990,000 shares issued upon share subdivision on 14 April 2021, and 413,471,730 shares and 465,492,000 shares issued under the share subdivision and capitalisation issue on 17 January 2022. The new shares of the Company issued on 9 July 2021 to City Legend International Limited are accounted at time portion basis.

	For the year ended 31 December	
	2021	2020
Profit attributable to owners of the Company (<i>HK\$'000</i>)	62,943	54,548
Weighted average number of ordinary shares in issue	864,051,265	849,199,533
Basic earnings per share (<i>expressed in HK cents per share</i>)	<u>7.3</u>	<u>6.4</u>

b) Diluted

Dilutive earnings per share during the years ended 31 December 2021 and 2020 equal basic earnings per share as there was no dilutive potential ordinary share during the years ended 31 December 2021 and 2020.

9 DIVIDEND

Dividends during the year ended 31 December 2020 and before 19 March 2021 represented dividends declared by the companies now comprising the Group to the then equity holders of the companies and, after elimination of intra-group dividends. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this announcement.

On 13 September 2021, the Company declared interim dividend of HK\$26.1 per share, totalling HK\$27,000,000. HK\$7,025,000 was paid to the shareholders and the remaining HK\$19,975,000 was offset against amount due from a shareholder of the Company.

On 30 March 2022, the Directors proposed a final dividend of HK4.8 cents per share, totalling HK\$48,000,000. The proposed dividend is subject to approval of the shareholders at the annual general meeting of the Company to be held on 20 May 2022. This proposed dividend was not reflected as a dividend payable and appropriation of retained earnings in the consolidated financial statements for the year ended 31 December 2021.

10 TRADE RECEIVABLES

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000
Trade receivables	62,005	45,765
Less: loss allowance	(10,223)	(7,490)
	<u>51,782</u>	<u>38,275</u>

The Group normally grants credit terms 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	
	2021	2020
	HK\$'000	HK\$'000
Current – 30 days	21,727	35,875
31 – 60 days	4,479	1,943
61 – 90 days	3,537	534
91 – 120 days	22,309	935
121 – 180 days	2,349	1,405
Over 180 days	7,604	5,073
	<u>62,005</u>	<u>45,765</u>

The gross amounts of the Group's trade receivables are denominated in the following currencies:

	As at 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$	2,386	3,255
RMB	59,619	42,510
	<u>62,005</u>	<u>45,765</u>

11 TRADE PAYABLES

	As at 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables		
– Third parties	4,250	1,498
– A related party	–	2,326
	<u>4,250</u>	<u>3,824</u>

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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Up to 30 days	1,858	1,343
31 to 60 days	901	732
61 to 90 days	847	481
Over 90 days	644	1,268
	<u>4,250</u>	<u>3,824</u>

The Group's trade payables are denominated in the following currencies:

	As at 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$	124	170
RMB	4,126	3,654
	4,250	3,824

12 CONTINGENT LIABILITIES

On 9 July 2020, a third party (“**Claimant**”) filed three civil complaints before the Intermediate People’s Court of Jinan City. The complaints were lodged against (i) ENS Retailing (Shenzhen) Limited* (深圳市盈志商貿有限公司) and ENS Internet Technology (Shenzhen) Limited*(盈思網絡科技(深圳)有限公司); (ii) ENS Toys (Huizhou) Limited* (盈森玩具(惠州)有限公司) (“**ENS Toys**”); (iii) a licensee of the Group (the “**Licensee**”); and/ or (iv) a distributor of the Licensee and its executive director (the “**Distributor**”), alleging that the aforesaid parties had infringed the Claimant’s rights as the licensee of certain registered trademarks (the “**Claimant’s Trademarks**”) by engaging in the manufacturing, distribution and sales of toys and shoes and apparel (as the case may be) bearing trademarks of the Group (the “**Alleged Trademarks**”), which were alleged to be similar to the Claimant’s Trademarks.

Pursuant to the judgements, the Group is liable to pay RMB266,000 (equivalent to approximately HK\$325,000) for damages and costs, while ENS Toys, the Licensee and the Distributor (together the “**Other Defendants**”) are liable to pay RMB2,804,000 (equivalent to approximately HK\$3,428,000) for damages and costs in aggregate. As at the date of this announcement, all compensation has been settled.

As advised by the legal advisor of the Group, the granting of the Alleged Trademarks constitutes a breach of the licensing contract between the Group and the Licensee. On such basis, should the Other Defendants raise claim against the Group, the Group might be liable for the losses incurred by the Other Defendants pursuant to the claims.

To the best of knowledge of the directors after enquiring with the Licensee and the Distributor, the Group might be liable for not more than RMB3,777,000 (equivalent to approximately HK\$4,617,000). The directors have evaluated all the circumstances, including legal advice on the probability to overturn the above judgement, and considered that it is more likely that the Other Defendants would not demand compensation from the Group. Up to the date of this announcement, no claim has been made against the Group.

In May 2021, a sub-licensor of the Claimant has lodged a claim to seek compensation of RMB55,000,000, with the allegation of the Group and a retailer of the Group’s licensed products for causing unfair competition and infringement for the Claimant’s Trademarks by sales of kitchen utensils, towels, and shoes and apparels bearing the Alleged Trademarks. Based on the opinion of legal advisor, (1) the likelihood of the Group being found liable in the claim is very unlikely and (2) compensation claimed is unsubstantiated and unjustified. The directors therefore considered that making provision against the claim as at 31 December 2021 to be unnecessary.

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 cases upon Listing.

MANAGEMENT DISCUSSION AND ANALYSIS

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. The Group licenses the B.Duck Family Characters and brands to licensees, provides them with product design application services and allows them to use the same in their products and services offering; and (ii) the e-commerce and other business: the design, development, procurement and retail sales of the B.Duck Family Characters-featured products through multi-channels.

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 on e-commerce platforms of third parties and through 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's launched the first online flagship store on Tmall, a well-known business-to-customer online shopping platform in China. Following the Group's success in the opening of such flagship store, the Group subsequently expanded onto other e-commerce platforms, such as JD.com, VIP.com and HKTVmall, to offer its products and allow customers to pay online with products directly shipped to the customers.

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

	FY2021 HK\$'000	FY2020 HK\$'000
Character licensing business	166,594	98,039
E-commerce and other business	123,428	135,476
Total	290,022	233,515

INDUSTRIAL OVERVIEW

Top 5 Domestic Licensors in Character Licensing Market (by Revenue*), Mainland China and Hong Kong, 2021

Rank	Company Name	Revenue* (HKD million)
1	Semk Holdings International Limited	165.0
2	Company A	126.2
3	Company B	109.8
4	Company C	83.7
5	Company D	46.2 [#]

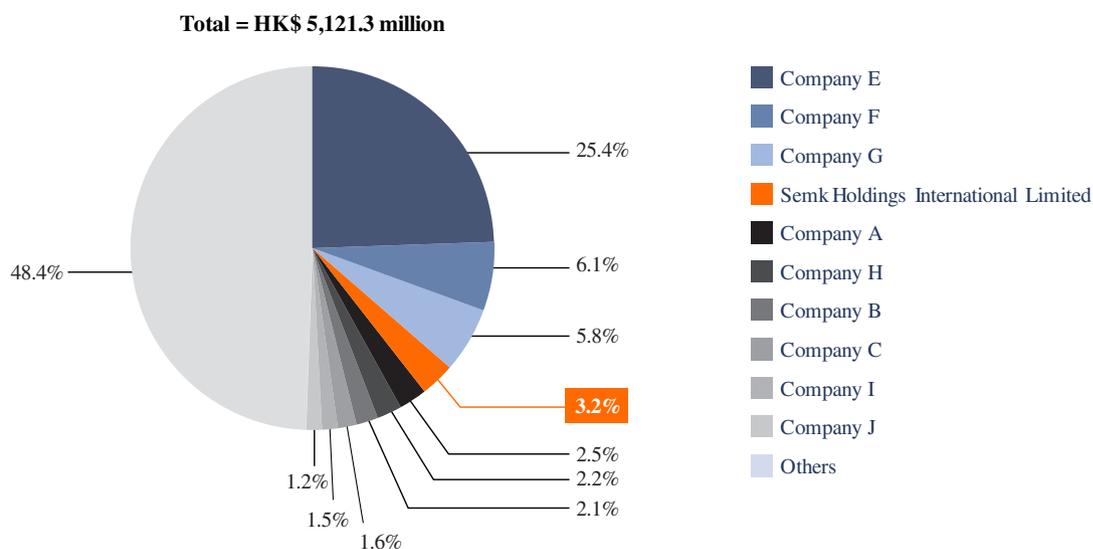
In 2021, among the domestic licensors whose headquarter is registered in mainland China or Hong Kong, The Company, was the largest domestic licensor in the market in terms of revenue in mainland China and Hong Kong character licensing market.

* Revenue includes both royalties and licensing-related consulting fees. Revenues may be subject to change when 2021 annual reports are available to the public.

[#] Company D's figure may be subject to change upon the release of its annual report.

Source: Company Reports, Frost & Sullivan

Ranking and Market Share of Top Licensors in Character Licensing Market (by Revenue*), Mainland China and Hong Kong, 2021



• Revenue refers to royalties from licensed merchandise goods, promotion and events as well as other consulting and design fees charged during licensing activities.

Source: Company Annual Reports, Frost & Sullivan

FINANCIAL REVIEW

Revenue by Business Segment

The Group's revenue from character licensing business increased by approximately HK\$68.6 million or approximately 69.9% from approximately HK\$98.0 million for FY2020 to approximately HK\$166.6 million for FY2021. Such increase was mainly attributable to the increase in excess royalties charged from licencees as a result of their increased sales of goods or services featuring the Group's IP characters.

The following table sets forth the movement of the number of licensees (exclusive of licensing agents) the Group had established business relationship with for FY2020 and FY2021:

As at the end of FY2020	As at the end of FY2021
315	385

The Group's revenue from e-commerce and other business decreased by approximately HK\$12.1 million or approximately 8.9% from approximately HK\$135.5 million for FY2020 to approximately HK\$123.4 million for FY2021. Such decrease was primarily attributable to the decrease in sales through e-commerce platforms, partly as a result of the devotion of more resources into live-streaming platform, Douyin, which the Group only commenced sales during FY2021; and downsizing of the Group's offline sales operations to wholesalers in Hong Kong.

Revenue by IPs

The Group's B.Duck Family Characters are targeted at consumers aged between 15 and 34 years old who are brand conscious and possess qualities such as trendiness, high purchasing power, tech-savviness and affinity with social media primarily located in Asia.

The following table sets forth a breakdown of the Group's revenue by IP character under its character licensing business:

	FY2021		FY2020	
	HK\$'000	%	HK\$'000	%
The Group's self-created				
IP characters				
B.Duck	111,343	66.8	75,035	76.5
Buffy	17,293	10.4	7,831	8.0
B.Duck Baby	35,218	21.1	13,451	13.7
Bath'N Duck	796	0.5	725	0.7
Dong Duck	1,160	0.7	136	0.1
Licensed Characters	784	0.5	861	1.0
Total	166,594	100.0	98,039	100.0

B. Duck products are the Group's major product type. Revenue from B. Duck products, which contributed 66.8% of its licensing revenue in FY2021, increased by approximately 48.4% from approximately HK\$75.0 million for FY2020 to approximately HK\$111.3 million for FY2021.

Revenue by Customers' Geographical Location

The following table sets forth a breakdown of the Group's revenue by customers' geographical location for the years ended 31 December 2020 and 2021:

	FY2021		FY2020	
	HK\$'000	%	HK\$'000	%
The People's Republic of				
China (the "PRC")	280,656	96.8	227,184	97.3
Hong Kong	7,804	2.7	4,273	1.8
Southeast Asia and Taiwan	1,446	0.5	1,741	0.8
South Korea	–	–	65	0
Others ^(Note)	116	0	252	0.1
Total	290,022	100.0	233,515	100.0

Note: Others include revenue generated from Mexico, Peru and other countries.

Revenue generated from Character Licensing Business

The following table sets forth a breakdown of the Group's revenue by service type under its character licensing business for the years ended 31 December 2020 and 2021:

	FY2021		FY2020	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Merchandise licensing				
Minimum guarantee	49,015	29.3	32,340	33.0
Excess royalties	83,721	50.3	31,053	31.7
Total royalty income	132,736	79.6	63,393	64.7
LBE licensing				
Minimum guarantee	6,701	4.0	9,151	9.4
Excess royalties	2,164	1.3	1,202	1.2
Total royalty income	8,865	5.3	10,353	10.6
Content and media licensing				
Minimum guarantee	1,940	1.2	5,588	5.7
Excess royalties	260	0.2	17	0.0
Total royalty income	2,200	1.4	5,605	5.7
Promotion licensing				
Minimum guarantee	1,780	1.1	1,852	1.9
Excess royalties	479	0.3	1,342	1.3
Total royalty income	2,259	1.4	3,194	3.2
Design consultation service fees	20,534	12.3	15,494	15.8
Total	166,594	100.0	98,039	100.0

The following table sets forth the breakdown of the total and outstanding contract sum by business service types for its character licensing business for the period indicated:

	FY2021 <i>HK\$'000</i>	FY2020 <i>HK\$'000</i>
Outstanding aggregate contract sum at the beginning of the year		
Merchandise licensing	60,143	51,631
LBE licensing	13,028	8,795
Content and media licensing	2,639	38
Promotion licensing	420	1,188
Design consultation	1,547	2,624
Add: Net contract sum of contracts awarded/terminated during the year		
Merchandise licensing	50,728	35,524
LBE licensing	8,678	12,470
Content and media licensing	1,077	8,189
Promotion licensing	2,533	978
Design consultation	20,071	14,418
Less: Revenue recognised during the year		
Merchandise licensing	(49,015)	(32,340)
LBE licensing	(6,701)	(9,151)
Content and media licensing	(1,940)	(5,588)
Promotion licensing	(1,780)	(1,852)
Design consultation	(20,534)	(15,494)
Foreign currency translation differences (Note)	(2,742)	6,347
Outstanding aggregate contract sum at the end of the year		
Merchandise licensing	62,946	60,143
LBE licensing	11,060	13,028
Content and media licensing	1,869	2,639
Promotion licensing	1,193	420
Design consultation	1,084	1,547
Total	<u>78,152</u>	<u>77,777</u>

Note: As certain licensing contracts are denominated in Renminbi (“RMB”), it refers to the foreign currency translation difference arise from the exchange rate movement of RMB and HK\$ during the year.

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\$56.8 million and HK\$54.9 million for FY2021 and FY2020, respectively, which accounted for approximately 28.5% and 33.7% of its total operating expenses (comprising employee benefit expenses, depreciation and amortisation, promotion costs, online platform usage fee, 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 pass the increase in procurement costs on to its customers and the results of operation may therefore be adversely affected. In addition, any raise 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 comprised of salaries and allowances) amounted to approximately HK\$61.6 million and HK\$42.3 million for FY2021 and FY2020, respectively, representing approximately 30.8% and 26.0% of the Group's total operating expenses (comprising employee benefit expenses, depreciation and amortisation, promotion costs, online platform usage fee, cost of inventories sold and other expenses) for the respective years. During FY2021, the Group has increased its headcount in particular designers, in line with its direction to rolling out new characters and develop licensed articles to digital assets and LBE projects, in light of this, additional investments in human resources is made in the Group's design capacities, including but not limited to multi-media designers and 3D designers.

Net Impairment Losses on Financial Assets and Contract Assets

The Group's net impairment losses on financial assets and contract assets increased from approximately HK\$3.2 million for FY2020 to approximately HK\$4.8 million for FY2021, primarily due to increase in trade receivables and contract assets.

Other Income

Other income increased by approximately 35.8% from approximately HK\$8.7 million for FY2020 to approximately HK\$11.9 million for FY2021, primarily due to more sales of hologram stickers and compensation received from legal proceedings.

Listing Expenses

The Group's listing expenses primarily include legal and other professional fees and other expenses associated with the preparation for the Listing. The listing expenses amounted to approximately HK\$5.3 million and HK\$14.3 million for FY2020, and FY2021, respectively.

Promotion Costs

The Group's promotion costs primarily comprise costs incurred for promotional campaigns, advertisements, brand management and marketing activities. For FY2020 and FY2021, the Group's promotion costs amounted to approximately HK\$15.9 million and HK\$19.4 million, respectively.

Online Platform Usage Fee

The Group's online platform usage fee primarily represents sales commission and service fees payable to the e-commerce platforms for online sales under the e-commerce and other business. For FY2020 and FY2021, online platform usage fee amounted to approximately HK\$14.4 million and HK\$15.6 million, respectively.

Operating Profit

As a result of the above, the Group's operating profit increased by approximately 14.1% from approximately HK\$74.0 million for FY2020 to approximately HK\$84.4 million for FY2021.

Other Expenses

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

	FY2021		FY2020	
	HK\$'000	%	HK\$'000	%
Travelling and transportation	10,712	30.4	9,871	39.0
Office and office co-sharing expenses	6,217	17.7	3,802	15.0
Legal, audit and professional fee	10,257	29.2	5,596	22.1
Agency fee	1,185	3.4	832	3.3
Building management fee and rental expenses	2,095	6.0	1,305	5.2
Licensing fee	1,152	3.3	1,140	4.5
Others <i>(Note)</i>	3,566	10.0	2,748	10.9
	<u>35,184</u>	<u>100.0</u>	<u>25,294</u>	<u>100.0</u>

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

Legal, audit and professional fees mainly relates to audit fee and legal costs incurred in (i) the protection of trademarks, and (ii) legal proceedings of the Group. Agency fee represents (i) the commission of licensing agents; (ii) licensing fee for the licensed characters obtained from independent licensors; and (iii) expenses incurred for the launching and licensing of Dong Duck.

Finance Costs, Net

Finance costs, net, decreased by approximately 17.6% from approximately HK\$2.1 million for FY2020 to approximately HK\$1.7 million for FY2021 primarily due to continuous settlement of bank borrowings during FY2021.

Income Tax Expense

Income tax expense increased by approximately 13.7% from approximately HK\$17.4 million for FY2020 to approximately HK\$19.8 million for FY2021 primarily due to an increase in profit before income tax.

Non-HKFRS Financial Measures

Adjusted net profit under non-HKFRS financial measures is defined as profit for the year attributable to owners of the Company excluding non-recurring listing expenses. As listing expenses are 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 profit under non-HKFRS financial measures by eliminating the impact of listing 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 profit under non-HKFRS financial measures for the years indicated to that prepared in accordance with HKFRS measures:

	FY2021 <i>HK\$'000</i>	FY2020 <i>HK\$'000</i>
Profit for the year attributable to owners of the Company	62,943	54,548
Add:		
Listing expenses	<u>14,317</u>	<u>5,288</u>
Adjusted net profit under non-HKFRS financial measures	<u>77,260</u>	<u>59,836</u>

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.

Profit for the Year

As a result of the above, the Group's profit for the year increased by approximately 15.4% from approximately HK\$54.5 million for FY2020 to approximately HK\$62.9 million for FY2021.

CAPITAL STRUCTURE

As at 31 December 2021, the issued share capital of the Company was US\$10,362.70 divided into 1,036,270 shares of US\$0.01 each. Immediately after completion of the Share Subdivision, the Capitalisation Issue and the Global Offering and up to the date of this announcement, the issued share capital of the Company increase to US\$25,000.00 divided into 1,000,000,000 shares of US\$0.000025 each. For details of the movement in share capital, please refer to the Company's prospectus dated 30 December 2021 (the "**Prospectus**").

Current assets, Financial Resources and Capital Expenditures

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. A variety of the below resources are maintained to meet its working capital:

– Current assets and current liabilities

The Group's net current assets significantly increased from approximately HK\$69.9 million as of 31 December 2020 to HK\$126.7 million as of 31 December 2021. The increase was primarily due to (1) the increase in cash and cash equivalents of approximately HK\$11.2 million, mainly due to the proceeds raised from the investment from City Legend International Limited and operating cash inflows; (2) the increase in inventories of approximately HK\$23.0 million, mainly due to the increase in product inventories to meet with the increasing product demands as a result of business expansion; and (3) the increase in trade receivables and contract assets of approximately HK\$21.2 million, mainly due to the increase in excess royalties near year end; (4) the increase in current deposit, prepayments and other receivables of approximately HK\$13.7 million, mainly due to the increase of prepayment for inventories and listing expenses; and (5) was partially offset by the settlement of amounts due from related parties.

– Trade receivables and contract assets

As at 31 December 2021, the Group had gross trade receivables and contract assets amounting to approximately HK\$62.0 million (2020: HK\$45.8 million) and approximately HK\$31.2 million (2020: HK\$22.4 million) respectively, and loss allowance amounting to approximately HK\$12.5 million (2020: HK\$8.6 million). The total amount of net trade receivables and contract assets represented approximately 30.4% (2020: 31.5%) of the total assets.

As at 31 December 2021, trade receivables and contract assets increased to approximately HK\$80.7 million, primarily attributable to (i) the increase in excess royalties generated from the character licensing business for FY2021 which mainly arose in the second half of the year and remained unsettled as at 31 December 2021; and (ii) increase in the proportion of the Group's revenue attributable to character licensing business.

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, the Group's management considers available reasonable and supportive forwarding-looking information 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.

– Inventories

The Group's inventories comprise finished goods. The Group's inventories increased from approximately HK\$21.4 million as of 31 December 2020 to approximately HK\$44.4 million as of 31 December 2021. Inventory turnover days increased from 147 days in 2020 to 212 days in 2021, primarily due to (i) increase in demand for the Group's products as a result of the business expansion and the increase in IPs and new products, thus resulting in corresponding increase in product inventories; (ii) longer inventory production lead time from the suppliers in light of increasing unit costs.

– Cash and cash equivalents

The Group's cash and cash equivalents primarily comprise cash at bank and were mainly denominated in HK\$ and RMB. Cash and cash equivalents increased from approximately HK\$64.8 million as of 31 December 2020 to approximately HK\$76.0 million as of 31 December 2021, primarily due to operating cash inflow and proceeds raised from the investment from City Legend International Limited partially offset by the payment of dividends, and repayments of borrowings.

– Right-of-use assets

The Group's right-of-use assets comprise the initial measurement of the corresponding lease liability in relation to its office, lease payments made at or before the commencement date and any initial direct costs. The Group's right-of-use assets are depreciated starting at the commencement date over the shorter period of useful life of the underlying asset and lease term. The Group's right-of-use assets increased from approximately HK\$5.4 million as of 31 December 2020 to approximately HK\$20.4 million as of 31 December 2021, due to the expansion in Shanghai and Hangzhou offices, and the renewal of lease agreements of Shenzhen offices.

– Intangible assets

The Group's intangible assets consist mainly of trademark. The Group's intangible assets increased from approximately HK\$2.1 million as of 31 December 2020 to approximately HK\$2.2 million as of 31 December 2021, primarily due to the new IPs registered by the Group in FY2021.

– Bank borrowings

The following table sets forth a breakdown of the Group's borrowings as at the dates indicated:

	FY2021	FY2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current portion		
Bank borrowings	35,948	42,867
Bank overdrafts	2,780	3,936
Total	<u>38,728</u>	<u>46,803</u>

The Group's bank borrowings and bank overdrafts during FY2020 and FY2021 were denominated in HK\$ and USD. The balances decreased from approximately HK\$46.8 million as at 31 December 2020 to approximately HK\$38.7 million as at 31 December 2021 as a result of repayment of borrowings in FY2021. Among the borrowing balance, approximately HK\$18.9 million, representing 48.7% of borrowing balance, were at fixed interest rates.

PLEDGE OF ASSETS

The Group did not have any pledged assets as of 31 December 2021.

GEARING RATIO

As at 31 December 2021, the Group's gearing ratio was 25.8% as compared with the gearing ratio of 53.1% as at 31 December 2020. The gearing ratio is calculated based on the total interest-bearing borrowings divided by total equity.

CONTINGENT LIABILITIES

One of the IP character licensed by the Group was alleged to have infringed certain trademarks and IP characters of a third party character IP brand in the PRC, and as a result certain legal proceedings involving the Group and/or its licensees ensued (the “**Adverse Proceedings**”). As at 31 December 2021, the Group and its licensee have settled RMB3.1 million pursuant to the appeal judgement for certain concluded proceedings and the remaining outstanding proceedings against the Group with claims amounted to RMB55 million. Please refer to “Business — Legal Proceedings and Compliance — Disputes and legal proceedings relating to a third party character IP brand” in the Prospectus for further details. The controlling shareholders of the Company have agreed to indemnify any loss resulted from these Adverse Proceedings. For details, please refer to note 12 to the consolidated financial information.

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 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.

CAPITAL EXPENDITURES

The Group’s capital expenditures consist of (1) purchases of property, plant and equipment and (2) purchases of intangible assets.

HUMAN RESOURCES

As of 31 December 2021, the Group had a total of 235 employees, including 75 licensing and sales personnel, 86 designers and 74 administrative and others personnel. For the year ended 31 December 2021, the Group incurred staff costs (including remuneration, payrolls, allowances and benefits) of approximately HK\$61.6 million.

Human resource is the key to maintain the design capabilities of a character licensing company. A team with strong design and operation talent and rich experience in licensing market is vital for continuous development of a character and enhancing its commercial value. As the character licensing industry is relatively new in mainland China, special talents for character licensing business are in shortage. The Group takes high input of capital and time for new entrants to build a qualified team for character licensing business.

The Group recruit employees based on a number of factors such as their relevant work experience, educational background, language ability and vacancies. The Group does not use employment agents in recruiting employees. 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.

As at 31 December 2021, the Group had 235 full-time employees. The following table sets forth a breakdown of its employees by function and by geographical location as at 31 December 2021:

No. of employees by function	Hong Kong	PRC	Total
Management	2	1	3
Design	35	51	86
Licensing	4	23	27
Sales	2	46	48
Branding	1	21	22
Human resources and administration	4	21	25
Finance	7	9	16
Merchandise management	1	7	8
	<hr/>	<hr/>	<hr/>
Total	<u>56</u>	<u>179</u>	<u>235</u>

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group did not have other plans for material investments or capital assets as of 31 December 2021.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as the reorganisation as disclosed in the Prospectus, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2021.

EVENT AFTER REPORTING PERIOD

On 17 January 2022 (the “**Listing Date**”), the shares of the Company (the “**Shares**”) were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

OUTLOOK

The Group will continue to accelerate the development on the character licensing business and e-commerce and other businesses with following growth aspects:

- (i) Organic growth of licensing market in China. The licensing market in China is at a preliminary growth stage, and is yet to reach its maturity. The growth % is boosted at an increasing rate. In light of the Group’s market position which performed ahead of licensing market in China in average and the increasing number of licensees and excess royalties, it believes both its character licensing business and the licensing market in China as a whole will be experiencing a huge growth potential;
- (ii) Acquisition of new titles/rights with solid design and branding foundation, and the Group can replicate with each other for its licensee network and fans ecosystem;
- (iii) Expand the development of licensing to LBE projects and digital assets (e.g. NFTs); and
- (iv) Replicate the Group’s successful experience in China to overseas market.

USE OF PROCEEDS FROM GLOBAL OFFERING

The Shares were 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 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 below table sets out the planned application of the net proceeds:

Intended application of the net proceeds	Percentage of total net proceeds	Planned allocation	Expected time for utilising the planned allocation
		<i>HK\$ in million</i>	
For enhancing the Company’s brand image and awareness of its IP characters	25.8%	53.4	June 2023
For establishing the Company’s “Fans Platform”	25.7%	53.2	December 2023
For strengthening the Company’s new economy online sales channel	17.5%	36.2	December 2022
For further enhancing the Company’s in-house design capabilities to offer creative and innovative solutions	11.8%	24.4	December 2024
For repaying existing indebtedness to improve the Group’s gearing ratio	9.2%	19.0	March 2022
For general working capital	10.0%	20.6	December 2023
Total	100.0%	206.8	

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 Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiary purchased, redeemed or sold any of the Company's listed securities since the Listing Date up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

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.

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 Appendix 14 to the Listing Rules (the "**CG Code**"). Since the Shares were listed on the Main Board of the Stock Exchange on 17 January 2022, the CG Code were not applicable to the Company during the year ended 31 December 2021. Throughout the period from the Listing Date to the date of this announcement, save for the deviation from code provision C.2.1 of the CG Code as disclosed in the paragraph headed "Chairman and Chief Executive Officer" 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.

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 ("**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.

FINAL DIVIDEND

The Board has resolved to declare a final dividend of HK4.8 cents per Share for the year ended 31 December 2021, amounting to a total of HK\$48 million. The proposed final dividend is subject to the approval of the shareholders at the annual general meeting of the Company to be held on Friday, 20 May 2022 (“AGM”) and is expected to be payable on or about Wednesday, 15 June 2022.

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 Tuesday, 17 May 2022 to Friday, 20 May 2022, 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 Monday, 16 May 2022.

For determining the entitlement of the shareholders to the aforesaid proposed final dividend, the register of members of the Company will be closed from Friday, 27 May 2022 to Tuesday, 31 May 2022, both days inclusive, during which period no transfers of Shares will be registered. In order to qualify for the proposed final dividend, which is subject to approval of the shareholders 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 Thursday, 26 May 2022.

AUDIT COMMITTEE

The Company established the audit committee of the Company (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 Dr. Chan Kai Yue Jason, *MH, JP* with Mr. Sung Chi Keung being the chairman of the Audit Committee.

The principal duties of the Audit Committee include the review and supervision of the Group’s financial reporting process, risk management and internal control systems, review of the Group’s financial information and perform the Company’s corporate governance functions.

The Audit Committee has reviewed the consolidated results of the Group for the year ended 31 December 2021 and is of the opinion that such consolidated results complied with the applicable accounting standards, the Listing Rules, other applicable legal requirements and that adequate disclosures have been made.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

APPRECIATION

The Company would like to express its sincere thanks to the valuable contribution from the management team of the Group. The Company would also like to express its gratitude to employees for their hard work in the execution of the Group's strategies and operations during the past years. The Company wish to thank all shareholders, fans, suppliers, licensees and bankers for their continuous support and confidence.

On behalf of the Board
Semk Holdings International Limited
Hui Ha Lam

Chairman of the Board and Executive Director

Hong Kong, 30 March 2022

As at the date of this announcement, the Board comprises Mr. Hui Ha Lam as chairman of the Board and executive Director, Mr. Kwok Chun Kit, Mr. Cheung Chin Yiu, and Mr. Tse Tsz Leong as executive Directors, Mr. Wong Yin Shun Vincent, MH and Mr. Chen Hongjiang as non-executive Directors and Ms. Leung Ping Fun Anita, Mr. Sung Chi Keung and Dr. Chan Kai Yue Jason, MH, JP as independent non-executive Directors.

* *The English translation of company names in Chinese which are marked with "*" is for identification purposes only*