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B.Duck Semk Holdings International Limited

小黃鴨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 2022**

FINANCIAL HIGHLIGHTS

	FY2022	FY2021
	HK\$'000	HK\$'000
Revenue	192,608	290,022
Profit for the year	75,555	62,943
Profit attributable to equity owners of the Company	75,555	62,943
Adjusted net profit under non-HKFRS financial measures ⁽¹⁾	87,369	77,260
Adjusted net profit margin under non-HKFRS financial measures (%) ⁽²⁾	45.4	26.6

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.

KEY FINANCIAL RATIOS

	As at 31 December 2022	As at 31 December 2021
Segment gross profit margin (%) ⁽¹⁾	36.1	54.0
Net profit margin (%) ⁽²⁾	39.2	21.7
Return on equity (%) ⁽³⁾	21.5	41.9
Return on total assets (%) ⁽⁴⁾	18.3	23.7
Current ratio (times) ⁽⁵⁾	6.1	2.3
Quick ratio (times) ⁽⁶⁾	5.4	1.8
Gearing ratio (%) ⁽⁷⁾	N/A ⁽⁹⁾	25.8
Net debt to equity ratio (%) ⁽⁸⁾	N/A ⁽¹⁰⁾	N/A ⁽¹⁰⁾

Notes:

- (1) No gross profit margin can be determined for character licensing business segment. Segment gross profit margin for each year is calculated based on 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 as at the end of the relevant year.
- (4) Return on total assets equals to profit for the year divided by total assets as at the end of the relevant year.
- (5) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the respective year.
- (6) Quick ratio is calculated based on total current assets less inventories divided by the total current liabilities as at the end of the respective year.
- (7) Gearing ratio is calculated based on the total interest-bearing borrowings divided by total equity as at the end of the respective year.
- (8) Net debt to equity ratio is calculated based on net 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 had no interest-bearing borrowings, such that the gearing ratio is not applicable.
- (10) 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 B.Duck 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 2022 (“**FY2022**”), together with the comparative figures for the year ended 31 December 2021 (“**FY2021**”) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

		For the year ended	
		31 December	
		2022	2021
	Note	HK\$'000	HK\$'000
Revenue	3	192,608	290,022
Other income	4	96,099	11,869
Other (loss)/gains, net	4	(1,279)	1,243
Cost of inventories sold		(44,004)	(56,798)
Employee benefit expenses		(65,943)	(61,557)
Promotion costs		(15,752)	(19,445)
Listing expenses		(11,814)	(14,317)
Online platform usage fee		(10,705)	(15,649)
Depreciation and amortisation		(11,316)	(10,922)
Net impairment losses on financial assets and contract assets		(15,095)	(4,819)
Other expenses	5	(32,937)	(35,184)
Operating profit		79,862	84,443
Finance income		389	57
Finance costs		(1,182)	(1,793)
Finance costs, net		(793)	(1,736)
Profit before income tax		79,069	82,707
Income tax expense	6	(3,514)	(19,764)
Profit for the year attributable to owners of the Company		75,555	62,943

		For the year ended	
		31 December	
		2022	2021
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
	– Currency translation differences	<u>(10,649)</u>	<u>2,703</u>
		<u>(10,649)</u>	<u>2,703</u>
Total comprehensive income for the year attributable to the owners of the Company		<u>64,906</u>	<u>65,646</u>
Earnings per share for profit attributable to owners of the Company for the year			
	– Basic and diluted (expressed in HK cents per share)	<u>7.7</u>	<u>7.3</u>
	7		

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		As at 31 December	
		2022	2021
	Note	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		6,238	7,082
Intangible assets		2,505	2,224
Right-of-use assets		15,210	20,431
Deferred income tax assets		6,482	4,329
Deposits, prepayments and other receivables		64,599	5,429
		<u>95,034</u>	<u>39,495</u>
		-----	-----
Current assets			
Inventories		35,133	44,398
Trade receivables	9	53,162	51,782
Contract assets		34,615	28,954
Deposits, prepayments and other receivables		50,803	22,395
Time deposits with original maturity over three months		2,524	2,751
Cash and cash equivalents		141,677	75,985
		<u>317,914</u>	<u>226,265</u>
		-----	-----
Total assets		<u>412,948</u>	<u>265,760</u>
		-----	-----
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		195	81
Share premium		294,437	115,738
Capital reserve		(34,386)	(34,386)
Retained earnings		132,418	56,863
Other reserves		(41,357)	11,980
		<u>351,307</u>	<u>150,276</u>
		-----	-----
Total equity		<u>351,307</u>	<u>150,276</u>

		As at 31 December	
		2022	2021
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		9,117	15,444
Deferred income tax liabilities		251	433
		<u>9,368</u>	<u>15,877</u>
Current liabilities			
Contract liabilities		13,322	13,013
Trade payables	<i>10</i>	6,474	4,250
Accruals and other payables		18,812	25,251
Current income tax liabilities		6,392	12,725
Borrowings		–	38,728
Lease liabilities		7,273	5,640
		<u>52,273</u>	<u>99,607</u>
Total liabilities		61,641	115,484
Total equity and liabilities		412,948	265,760

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

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

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

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 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

(a) Adoption of new or amended standards and interpretations that are effective on 1 January 2022

The following new and amended standards and interpretations apply for the first time to the Group’s financial reporting period commencing on 1 January 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations
Annual improvements to HKFRSs 2018–2020 cycle	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41
HKFRS 16	Covid-19 – Related Rent Concessions beyond 30 June 2021 Amendments to HKFRS 16 (March 2021)

The impact of the adoption of the amended HKFRSs is discussed below:

Amendment to HKFRS 16, Covid-19-related rent concessions beyond 30 June 2021 (2021 amendment)

The Group previously applied the practical expedient in HKFRS 16 such that, as lessee, it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions were met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has adopted the 2021 amendment and recognised HK\$1,725,000 rent concession in the consolidated statement of comprehensive income for the year ended 31 December 2022.

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

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

		Effective for accounting periods beginning on or after
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from Single Transaction	1 January 2023
HKFRS 17 and Amendments	Insurance Contracts	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
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 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28	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. The Group is not yet in a position to state whether these new standards, amendments to standards and interpretations would have any significant impact on its results of operations and financial positions. Amendments to standards is expected to have a significant effect on the consolidated financial statements.

3 REVENUE

	For the year ended 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
<u>Recognised over time</u>		
Provision of licensing services	87,130	146,060
Provision of design consultation services	36,615	20,534
	123,745	166,594
<u>Recognised at a point in time</u>		
Sales of licensed brand products	68,863	123,428
Total revenue	192,608	290,022

For the year ended 31 December 2022, there was 1 customer (2021: 1) 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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	37,329	57,520

4 OTHER INCOME AND OTHER (LOSS)/GAINS, NET

	For the year ended 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other income		
Sample sales	4,464	4,143
Gain on sale of trademarks (<i>Note c</i>)	83,194	–
Management fee income	2,649	2,046
Government subsidies (<i>Note a</i>)	1,326	2,431
Compensation received (<i>Note b</i>)	1,668	2,626
Rental concession	1,725	–
Sundry income	1,073	623
	<u>96,099</u>	<u>11,869</u>
Other (loss)/gains, net		
Net foreign exchange (losses)/gains	(1,325)	1,223
Changes in surrender value of investment life insurance contract	46	20
	<u>(1,279)</u>	<u>1,243</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.

Note c: Pursuant to the sales and purchase agreement entered between the Group and an independent third party on 23 December 2022. The Group agreed to sell a series of trademarks at the consideration of HK\$88,000,000 to be paid over 4 years. The gain on disposal was calculated as follow:

	For the year ended 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Present value of consideration	83,467	–
Transaction costs	(260)	–
Net book value of registered trademarks in the PRC	(13)	–
	<u>83,194</u>	<u>–</u>
Gain on sale of trademarks	<u>83,194</u>	<u>–</u>

5 OTHER EXPENSES

	For the year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Travelling and transportation	7,668	10,712
Office expenses	5,588	6,186
Legal and professional fees	10,387	8,932
Agency fee	488	1,185
Rental expenses – short term leases	1,294	1,683
Repair and maintenance	245	114
Insurance expense	743	508
Building management fee	483	412
Licensing fee	494	1,152
Office co-sharing expense	30	31
Auditor's remuneration		
– Audit service	1,600	1,325
– Non-audit service	240	–
Others	3,677	2,944
	<u>32,937</u>	<u>35,184</u>

6 INCOME TAX EXPENSE

	For the year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Current income tax:		
– Hong Kong profits tax	1,123	5,833
– Mainland China corporate income tax	2,083	7,257
– Withholding tax	3,959	7,787
– Overprovision in prior year	–	(536)
	<u>7,165</u>	<u>20,341</u>
Deferred income tax	<u>(3,651)</u>	<u>(577)</u>
	<u>3,514</u>	<u>19,764</u>

Hong Kong profits tax has been provided at the rate of 16.5% for the years ended 31 December 2022 and 2021.

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 2022 and 2021.

The Group is also subject to withholding tax at the rate of 7% and 10%, respectively, on management fee and design fee charged from the Group's Hong Kong subsidiaries to the Group's Mainland China subsidiaries.

No overseas profits tax has been calculated as the Company incorporated in the Cayman Islands is exempted from local income tax.

As at 31 December 2022 and 2021, there were no deferred income tax provided in relation to the unremitted earnings as the Group's management has approved that the Mainland China subsidiaries have no intention and are not probable to declare dividend in the foreseeable future and the Group is able to control the timing of the reversal of the temporary differences and it is decided that the unremitted earnings will not be remitted in the foreseeable future.

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate applicable to the respective jurisdiction as follows:

	For the year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Profit before income tax	79,069	82,707
Tax charge at 16.5%	13,046	13,647
Effect of different taxation rates in other countries	(1,031)	1,907
Tax effect under two tier profits tax rates regime	(165)	(165)
Income not subjected to tax	(13,793)	(148)
Non-deductible expenses for tax purposes	3,553	3,971
Utilisation of previously unrecognised tax losses	–	(1,416)
Effect of changes in tax rate (<i>Note i</i>)	889	–
Tax losses not recognised	1,015	1,846
Withholding tax	3,959	7,787
Tax effect of withholding tax	(3,959)	(7,109)
Tax concession	–	(20)
Overprovision in prior year	–	(536)
	3,514	19,764

Note i: The statutory income tax rate applicable to entities in the Mainland China is 25% during the year ended 31 December 2022 (2021: 25%), other than a qualified subsidiary registered in Qianhai Shenzhen – Hong Kong Modern Service Industry Cooperation Zone, which is entitled to a concessionary tax rate of 15% from 2022.

7 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is as follows:

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 2022 and 2021.

The weighted average number of shares in issue for the years ended 31 December 2022 and 2021 for the purpose of earnings per share computation has been retrospectively adjusted for the effect of 413,471,730 shares and 465,492,000 shares issued under the share subdivision and capitalisation issue on 17 January 2022. The 36,270 new shares of the Company issued on 9 July 2021 to City Legend International Limited, 120,000,000 new shares issued on 17 January 2022 upon the Listing and 25,000,000 shares purchased for the purpose of the Share Award Scheme of the Company during the year are accounted at time portion basis.

	For the year ended 31 December	
	2022	2021
Profit attributable to owners of the Company (<i>HK\$'000</i>)	75,555	62,943
Weighted average number of ordinary shares in issue	987,540,203	864,051,265
Basic earnings per share (expressed in HK cents per share)	<u>7.7</u>	<u>7.3</u>

b) Diluted

Dilutive earnings per share during the years ended 31 December 2022 and 2021 equal basic earnings per share as there was no dilutive potential ordinary share during the years ended 31 December 2022 and 2021.

8 DIVIDEND

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 for the year ended 31 December 2021 of HK4.8 cents per share, totalling HK\$48,000,000, which was approved and paid out of share premium account during the year ended 31 December 2022, and has been reflected as an appropriation of retained earnings for the year ended 31 December 2022.

On 30 March 2023, the Directors proposed a final dividend for the year ended 31 December 2022 of HK2.01 cents per share, totalling HK\$19,974,576, which is subject to the approval by the shareholders of the Company at the annual general meeting of the Company to be held on Monday, 22 May 2023 (the “AGM”).

9 TRADE RECEIVABLES

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Trade receivables	72,287	62,005
Less: loss allowance	(19,125)	(10,223)
	<u>53,162</u>	<u>51,782</u>

The Group normally grants credit term to its customers ranging from 0 to 30 days. The ageing analysis of the trade receivables based on invoice date is as follows:

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Current – 30 days	14,021	21,727
31 – 60 days	4,694	4,479
61 – 90 days	2,308	3,537
91 – 120 days	2,469	22,309
121 – 180 days	7,363	2,349
Over 180 days	41,432	7,604
	<u>72,287</u>	<u>62,005</u>

Movement on the credit loss allowance of trade receivables is as follows:

	For the year ended 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Beginning of the year	(10,223)	(7,490)
Impairment loss on trade receivables	(14,432)	(3,746)
Written off	4,373	1,225
Currency translation differences	1,157	(212)
	<hr/>	<hr/>
End of the year	<u>(19,125)</u>	<u>(10,223)</u>

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

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

	As at 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$	1,529	2,386
RMB	70,758	59,619
	<hr/>	<hr/>
	<u>72,287</u>	<u>62,005</u>

The maximum exposure to credit risk at the reporting date is the carrying value of the trade receivables mentioned above. The Group does not hold any collateral as security.

10 TRADE PAYABLES

	As at 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables		
– Third parties	<u>6,474</u>	<u>4,250</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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Up to 30 days	5,676	1,858
31 to 60 days	377	901
61 to 90 days	46	847
Over 90 days	<u>375</u>	<u>644</u>
	<u>6,474</u>	<u>4,250</u>

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

	As at 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$	114	124
RMB	<u>6,360</u>	<u>4,126</u>
	<u>6,474</u>	<u>4,250</u>

11 LITIGATION

In May 2021, a third party (the “**Claimant**”) has lodged a claim to seek compensation of RMB55,000,000 (equivalent to approximately HK\$64,347,000), with the allegation of the Group and a retailer of the Group’s licensed products (the “**Licensee**”) for causing unfair competition and infringement of certain registered trademarks (the “**Claimant’s Trademarks**”) by sales of kitchen utensils, towels, and shoes and apparels bearing the trademarks of the Group (the “**Alleged Trademarks**”), which were alleged to be similar to the Claimant’s Trademarks.

Judgement of the first hearing from the Jiangsu Suzhou Intermediate People’s Court (the “**Judgement**”) on 30 December 2022 held that the Group and the Licensee were liable to pay sums of RMB6,000,000 and RMB1,000,000 respectively (equivalent to approximately HK\$6,731,060 and HK\$1,122,000 respectively) for damages to the Claimant.

On 19 January 2023, the Group has lodged an appeal against the Judgment. Based on the opinions from the legal advisors of the Group, there is a high probability that the Judgment can be overturned. Furthermore, should the Group fail to overturn the Judgment in the appeal, potential exposure shall be limited to the gains of the Group resulted from the sales of goods of certain class bearing the Alleged Trademarks. Taking into consideration the judgement issued against the Group, the advice from the legal advisors, the uncertainty as to the outcome of the appeal and the status of other legal actions taken by the Group in relation to this case, the Directors of the Company have made a provision of RMB1,000,000 (equivalent to approximately HK\$1,122,000) in respect of the damages and costs for this case during FY2022.

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

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 its 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 Group's 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 being directly shipped to the customers.

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

	FY2022 <i>HK\$'000</i>	FY2021 <i>HK\$'000</i>
Character licensing business	123,745	166,594
E-commerce and other business	68,863	123,428
Total	192,608	290,022

INDUSTRY OVERVIEW

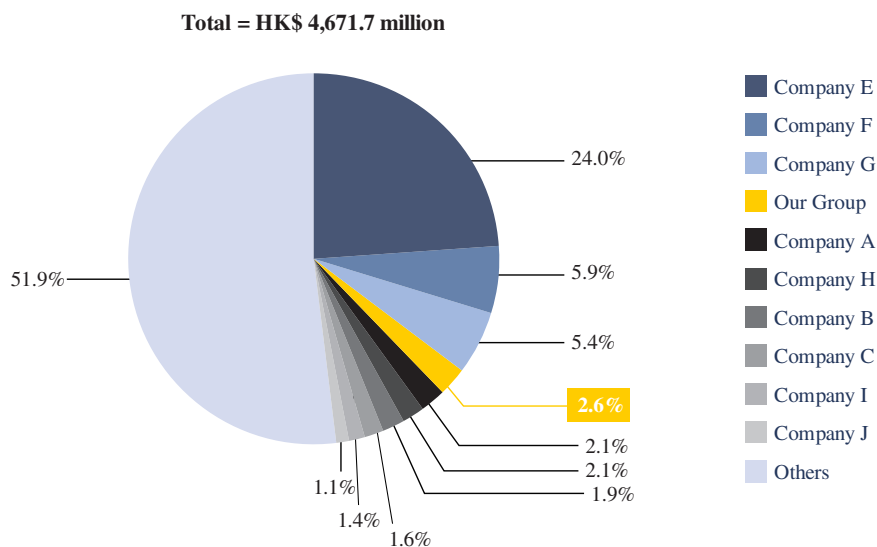
Top 5 Domestic Licensors in Character Licensing Market (by IP licensing revenue), Mainland China and Hong Kong, 2022

Rank	Company Name	Revenue (HKD million)
<u>1</u>	Our Group	122.4
2	Company A	96.1
3	Company B	88.0
4	Company C	74.8
5	Company D	43.7

In 2022, among the domestic licensors whose headquarter is registered in mainland China or Hong Kong, B.Duck Semk Holdings International Limited, who is famous for B.Duck, was the largest domestic licensor in the market in terms of revenue in mainland China and Hong Kong character licensing market.

Source: Company Reports, Frost & Sullivan

Ranking and Market Share of Top Licensors in Character Licensing Market (by IP licensing revenue), Mainland China and Hong Kong, 2022



Source: Company Annual Reports, Frost & Sullivan

FINANCIAL REVIEW

Revenue by Business Segment

The Group's revenue from character licensing business decreased by approximately HK\$42.9 million or approximately 25.8% from approximately HK\$166.6 million for FY2021 to approximately HK\$123.7 million for FY2022. Such decrease was mainly attributable to the decrease in excess royalties charged from licencees as our licensees temporarily closed certain physical stores in compliance with the guidelines and requirements of local government due to the COVID-19 pandemic in Mainland China.

The following table sets forth the movement of the number of licensees (exclusive of licensing agents) with which the Group had established business relationship during FY2022:

As at the end of FY2021

385

As at the end of FY2022

406

The Group's revenue from e-commerce and other business decreased by approximately HK\$54.5 million or approximately 44.2% from approximately HK\$123.4 million for FY2021 to approximately HK\$68.9 million for FY2022. Such decrease was primarily attributable to the decrease in sales through e-commerce platforms due to the COVID-19 pandemic which affected the timeliness of logistics in some areas and significant drop in foot traffic and weakened consumer sentiment.

Revenue by IPs

The Group's B.Duck Family Characters are targeted at consumers aged between 15 and 34 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 characters under its character licensing business:

	FY2022		FY2021	
	HK\$'000	%	HK\$'000	%
The Group's self-created IP characters				
B.Duck	85,867	69.4	111,343	66.8
Buffy	12,325	10.0	17,293	10.4
B.Duck Baby	22,604	18.3	35,218	21.1
Bath'N Duck	756	0.6	796	0.5
Dong Duck	0.0	0.0	1,160	0.7
Licensed Characters	2,193	1.7	784	0.5
Total	123,745	100.0	166,594	100.0

B.Duck products are the Group's major product type. Revenue from B.Duck products, which contributed 69.4% of the Group's licensing revenue in FY2022, decreased by approximately 22.8% from approximately HK\$111.3 million for FY2021 to approximately HK\$85.9 million for FY2022.

Revenue by Customers' Geographical Location

The following table sets forth a breakdown of the Group's revenue by customers' geographical location for FY2022 and FY2021:

	FY2022		FY2021	
	HK\$'000	%	HK\$'000	%
The People's Republic of China (the "PRC")	183,144	95.1	280,656	96.8
Hong Kong	8,119	4.2	7,804	2.7
Southeast Asia and Taiwan	1,248	0.6	1,446	0.5
Others ^(Note)	97	0.1	116	0.0
Total	192,608	100.0	290,022	100.0

Note: Others include revenue generated from Mexico 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 FY2022 and FY2021:

	FY2022		FY2021	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Merchandise licensing				
Minimum guarantee	49,728	40.2	49,015	29.3
Excess royalties	25,086	20.3	83,721	50.3
Total royalty income	74,814	60.5	132,736	79.6
LBE licensing				
Minimum guarantee	5,315	4.3	6,701	4.0
Excess royalties	1,446	1.2	2,164	1.3
Total royalty income	6,761	5.5	8,865	5.3
Content and media licensing				
Minimum guarantee	2,310	1.9	1,940	1.2
Excess royalties	606	0.5	260	0.2
Total royalty income	2,916	2.4	2,200	1.4
Promotion licensing				
Minimum guarantee	2,675	2.1	1,780	1.1
Excess royalties	–	–	479	0.3
Total royalty income	2,675	2.1	2,259	1.4
Design consultation service fees	36,579	29.5	20,534	12.3
Total	123,745	100.0	166,594	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 FY2022 and FY2021:

	FY2022	FY2021
	HK\$'000	HK\$'000
Outstanding aggregate contract sum at the beginning 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
Add: Net contract sum of contracts awarded/terminated during the year		
Merchandise licensing	72,174	50,728
LBE licensing	3,035	8,678
Content and media licensing	606	1,077
Promotion licensing	3,760	2,533
Design consultation	35,975	20,071
Less: Revenue recognised during the year		
Merchandise licensing	(49,728)	(49,015)
LBE licensing	(5,315)	(6,701)
Content and media licensing	(2,310)	(1,940)
Promotion licensing	(2,675)	(1,780)
Design consultation	(36,579)	(20,534)
Foreign currency translation differences (Note)	(8,291)	(2,742)
Outstanding aggregate contract sum at the end of the year		
Merchandise licensing	80,349	62,946
LBE licensing	5,554	11,060
Content and media licensing	167	1,869
Promotion licensing	2,299	1,193
Design consultation	435	1,084
Total	88,804	78,152

Note: As certain licensing contracts are denominated in Renminbi (“RMB”), it refers to the foreign currency translation difference arisen 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\$44.0 million and HK\$56.8 million for FY2022 and FY2021, respectively, which accounted for approximately 24.3% and 28.5% of its total operating expenses (comprising employee benefit expenses, depreciation and amortisation, promotions 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 onto 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 comprising salaries and allowances) amounted to approximately HK\$65.9 million and HK\$61.6 million for FY2022 and FY2021, respectively, representing approximately 36.5% and 30.8% 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. As at 31 December 2022, compared with 31 December 2021, the Group has reduced its headcounts in particular sales executives and designers attributable to the e-Commerce and other business as the revenue from this business sector declined in light of macroeconomics downturn, less new SKUs was developed to minimize the risks of accumulating inventory balance. However, due to such decrease in headcounts occurred in last quarter of FY2022, and normal increment in remuneration package to attract talented designers in light of rolling new characters, total employee benefit expenses increase slightly in FY2022.

Net Impairment Losses on Financial Assets and Contract Assets

The Group's net impairment losses on financial assets and contract assets increased by approximately HK\$10.3 million from approximately HK\$4.8 million for FY2021 to approximately HK\$15.1 million for FY2022, primarily due to increase in trade receivables and contract assets.

Other Income

Other income increased by approximately 707.6% from approximately HK\$11.9 million for FY2021 to approximately HK\$96.1 million for FY2022, primarily due to the disposal of Bath’N Duck 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 of the Company’s shares on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The listing expenses amounted to approximately HK\$14.3 million and HK\$11.8 million for FY2021 and FY2022, respectively.

Promotion Costs

The Group’s promotion costs primarily comprise costs incurred for promotional campaigns, advertisements, brand management and marketing activities. For FY2021 and FY2022, the Group’s promotion costs amounted to approximately HK\$19.4 million and HK\$15.8 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 the Group’s online sales under the e-commerce and other business. For FY2021 and FY2022, online platform usage fee amounted to approximately HK\$15.6 million and HK\$10.7 million, respectively.

Operating Profit

As a result of the above, the Group’s operating profit decreased by approximately 5.3% from approximately HK\$84.4 million for FY2021 to approximately HK\$79.9 million for FY2022.

Other Expenses

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

	FY2022		FY2021	
	HK\$'000	%	HK\$'000	%
Travelling and transportation	7,668	23.3	10,712	30.4
Office and office co-sharing expenses	5,618	17.1	6,217	17.7
Legal, audit and professional fee	12,227	37.1	10,257	29.2
Agency fee	488	1.5	1,185	3.4
Building management fee and rental expenses	1,777	5.4	2,095	6.0
Licensing fee	494	1.5	1,152	3.3
Others ^(Note)	4,665	14.1	3,566	10.0
	<u>32,937</u>	<u>100.0</u>	<u>35,184</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 relate 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 52.9% from approximately HK\$1.7 million for FY2021 to approximately HK\$0.8million for FY2022 primarily due to settlement of bank borrowings during FY2022.

Income Tax Expense

Income tax expense decreased by approximately 82.3% from approximately HK\$19.8 million for FY2021 to approximately HK\$3.5 million for FY2022 primarily due to an decrease 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:

	FY2022 <i>HK\$'000</i>	FY2021 <i>HK\$'000</i>
Profit for the year attributable to owners of the Company	75,555	62,943
Add:		
Listing expenses	<u>11,814</u>	<u>14,317</u>
Adjusted net profit under non-HKFRS financial measures	<u>87,369</u>	<u>77,260</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 20.2% from approximately HK\$62.9 million for FY2021 to approximately HK\$75.6 million for FY2022.

CAPITAL STRUCTURE

As at 31 December 2022, the issued share capital of the Company was US\$25,000.00 divided into 1,000,000,000 shares of US\$0.000025 each.

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, the issued share capital of the Company increased 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\$126.7 million as of 31 December 2021 to approximately HK\$265.6 million as of 31 December 2022. The increase was primarily due to (i) the increase in cash and cash equivalents of approximately HK\$65.7 million, mainly due to the proceeds raised from the Listing and operating cash inflows; (ii) the increase in deposits, prepayments and other receivables of approximately HK\$28.4 million, mainly due to the receivable from disposal of Bath'N Duck; and (iii) the decrease in bank borrowing of approximately HK\$38.7 million, due to repayment of such borrowing.

– Trade receivables and contract assets

As at 31 December 2022, the Group had gross trade receivables and contract assets amounting to approximately HK\$72.3 million (2021: HK\$62.0 million) and approximately HK\$36.0 million (2021: HK\$31.2 million) respectively, and loss allowance amounting to approximately HK\$20.6 million (2021: HK\$12.5 million). The total amount of net trade receivables and contract assets represented approximately 21.2% (2021: 30.4%) of the total assets.

As at 31 December 2022, trade receivables and contract assets increased to approximately HK\$87.7 million, primarily attributable to (i) the increase of new contracts signed from the character licensing business during second half of FY2022 which remained unsettled as at 31 December 2022; 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 decreased from approximately HK\$44.4 million as of 31 December 2021 to approximately HK\$35.1 million as of 31 December 2022. Inventory turnover days increased from 212 days in 2021 to 330 days in 2022, primarily due to (i) the outbreak of COVID-19 which adverse the operation of business and demand from our customers; and (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 denominated in HK\$ and RMB. Cash and cash equivalents increased from approximately HK\$76.0 million as of 31 December 2021 to approximately HK\$141.7 million as of 31 December 2022, primarily due to operating cash inflow and proceeds raised from the Listing.

– *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 decreased from approximately HK\$20.4 million as of 31 December 2021 to approximately HK\$15.2 million as of 31 December 2022, due to the amortization of existing lease agreements.

– *Intangible assets*

The Group's intangible assets consist mainly of trademark. The Group's intangible assets increased from approximately HK\$2.2 million as of 31 December 2021 to approximately HK\$2.5 million as of 31 December 2022, primarily due to the new IPs registered by the Group in 2022.

– *Bank borrowings*

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

	FY2022 <i>HK\$'000</i>	FY2021 <i>HK\$'000</i>
Current portion		
Bank borrowings	–	35,948
Bank overdrafts	–	2,780
	<hr/>	<hr/>
Total	–	38,728

The Group's bank borrowings and bank overdrafts during FY2021 and FY2022 were denominated in HK\$ and USD. The balances decreased from approximately HK\$38.7 million as at 31 December 2021 to nil balance as at 31 December 2022 as a result of repayment of borrowings in FY2022.

PLEDGE OF ASSETS

The Group did not have any pledged assets as of 31 December 2022.

GEARING RATIO

As at 31 December 2022, the Group's gearing ratio was not applicable as a result of settlement of borrowings during FY2022. The gearing ratio was 25.8% as at 31 December 2021. The gearing ratio is calculated based on the total interest-bearing borrowings divided by total equity.

CONTINGENT LIABILITIES

In May 2021, a third party (the “**Claimant**”) has lodged a claim to seek compensation of RMB55,000,000 (equivalent to approximately HK\$64,347,000), with the allegation of the Group and a retailer of the Group’s licensed products (the “**Licensee**”) for causing unfair competition and infringement for certain registered trademarks (the “**Claimant’s Trademarks**”) by sales of kitchen utensils, towels, and shoes and apparels bearing the trademarks of the Group (the “**Alleged Trademarks**”), which were alleged to be similar to the Claimant’s Trademarks.

Judgement of the first hearing from the Jiangsu Suzhou Intermediate People’s Court (the “**Judgement**”) on 30 December 2022 held that the Group and the Licensee were liable to pay sums of RMB6,000,000 and RMB1,000,000 respectively (equivalent to approximately HK\$6,731,060 and HK\$1,122,000 respectively) for damages to the Claimant.

On 19 January 2023, the Group lodged an appeal (the “**Appeal**”) against the Judgment. Based on the opinions from the legal advisors of the Group, there is a high probability that the Judgement can be overturned. Furthermore, should the Group fail to overturn the Judgement in the Appeal, potential exposure shall be limited to the gains of the Group resulted from the sales of goods of certain class bearing the Alleged Trademarks. Taking into consideration the judgement issued against the Group, the advice from the legal advisors, the uncertainty as to the outcome of the appeal and the status of other legal actions taken by the Group in relation to this case, the Directors have made a provision of RMB1,000,000 (equivalent to approximately HK\$1,122,000) in respect of the damages and costs for this case during FY2022.

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

Save as disclosed above, the Group did not have other contingent liabilities as at 31 December 2022.

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 (i) purchases of property, plant and equipment; and (ii) purchases of intangible assets.

HUMAN RESOURCES

As of 31 December 2022, the Group had a total of 181 employees, including 56 licensing and sales personnel, 65 designers and 60 administrative and others personnel. For FY2022, the Group incurred staff costs (including remuneration, payrolls, allowances and benefits) of approximately HK\$65.9 million (FY2021: 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 recruits the 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. The Company has also adopted a share option scheme and a share award scheme (the "**Share Award Scheme**"), details of which are set forth under the section headed "Appendix IV – D. Other Information – 15. Share Option Scheme" of the Prospectus and the announcements of the Company dated 5 September 2022 and 8 September 2022, respectively.

As at 31 December 2022, the Group had 181 full-time employees. The following table sets forth a breakdown of its employees by function and by geographical location as at 31 December 2022:

No. of employees by function	Hong Kong	PRC	Total
Management	2	–	2
Design	25	40	65
Licensing	4	21	25
Sales	2	29	31
Branding	1	14	15
Human resources and administration	3	21	24
Finance	6	9	15
Merchandise management	1	3	4
	44	137	181
Total	44	137	181

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 2022.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during FY2022.

EVENT AFTER REPORTING PERIOD

Establishment of Joint Ventures

On 13 January 2023, (i) Semk Global Marketing Limited (“**Semk Global**”), an indirect wholly-owned subsidiary of the Company; (ii) Hayden Logistics Limited (“**Hayden**”); (iii) Mr. Wong Kin Chi Otto; and (iv) B.Duck Thailand Company Limited (the “**Hong Kong Company**”), an indirect non-wholly owned subsidiary of the Company and the joint venture vehicle incorporated and registered in Hong Kong with limited liability by Semk Global and Hayden, entered into the Shareholders’ Agreement, pursuant to which the parties agreed to establish a PRC subsidiary and a company to be incorporated in Thailand through the Hong Kong Company for the purpose of promoting the sale of products of the Group or its licensees in Thailand or other locations. For details, please refer to the Company’s announcement dated 13 January 2023.

Change of Company Name

The name of the Company has been changed from “Semk Holdings International Limited” to “B.Duck Semk Holdings International Limited” and the dual foreign name in Chinese of the Company has been changed from “德盈控股國際有限公司” to “小黃鴨德盈控股國際有限公司”. Further details relating to the change of the name of the Company are set out in the announcements of the Company dated 15 December 2022, 7 February 2023 and 9 March 2023, and the circular of the Company dated 16 January 2023.

OUTLOOK

In the past decade of the Group’s business journey, through our innovative products, delicate design and quality services, we aim to offer our target young consumers with B.Duck culture and unexpected experience. At the same time, by increasing our brand awareness in general public, we will enhance the brand loyalty of consumers on B.Duck products, thereby maintaining our strong market position and competitiveness. The licensing market in China is at a preliminary growth stage, and is yet to reach its maturity. The growth rate 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, it is believed that both the Group’s character licensing business and the licensing market in China as a whole will be experiencing a huge growth potential. Meanwhile, we will strive to enrich our B.Duck IPs development, through expand our IPs base, by recruiting more new generation designers, by maintaining quality design, and introducing different product lines such as fashion brands and designer toys under the main B.Duck series, strengthen our B.Duck IPs mentality, and deepen the emotional connection between our end users and B.Duck. In addition, we will acquire of new titles/rights with solid design and branding foundation, mainly focus on Chinese traditional cultural IPs and designer toys as well as high potential players in design and licensing value chain, so that the Group can replicate with each other for its licensee network and fans ecosystem. Moreover, based on web 3.0, we will explore the metaverse community and build an on-offline private traffic pools for our brands, which deepen brand positioning by carrying out metaverse related projects and enhance the loyalty and favorability of fans towards our brands. Ultimately, when purchasing B.Duck licensed products offline, fans are offered the chance to obtain the privileges of online virtual community, an ecosystem is thus formed to bridge virtual and physical items. It is our mission to be the first pioneer Chinese character IP to expand in overseas, and replicate the Group’s successful experience in China to overseas market. To achieve this, it will be our strategy to develop cross-border e-commerce in Southeast Asian markets, fully integrating online-offline businesses and diversifying market channels, and in return broaden our publicity in overseas in terms of number of fans and types of licensees.

USE OF PROCEEDS FROM GLOBAL OFFERING

The shares of the Company (the “**Share(s)**”) 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 HK\$ in million	Amount	Amount	Expected timeline for utilization of the remaining proceeds
			utilized up to 31 December 2022 HK\$ in million	unutilized as at 31 December 2022 HK\$ in million	
Enhancing the Company’s brand image and awareness of its IP characters	25.8%	53.4	1.4	52.0	June 2024
Establishing the Company’s “Fans Platform”	25.7%	53.2	12.6	40.6	December 2023
Strengthening the Company’s new economy online sales channel	17.5%	36.2	4.1	32.1	December 2023
Further enhancing the Company’s in-house design capabilities to offer creative and innovative solutions	11.8%	24.4	15.1	9.3	December 2024
Repaying existing indebtedness to improve the Group’s gearing ratio	9.2%	19.0	19.0	–	N/A
General working capital	10.0%	20.6	20.6	–	N/A
Total	100.0%	206.8	72.8	134	

The travel and quarantine restrictions imposed by the reason of the COVID-19 pandemic during 2022, which were only gradually lifted near the end of 2022, had hindered the progress of the site visit for potential lease properties for the establishment of the flagship store in Shanghai and the overseas representative offices. Taking into account the time required to identify suitable premises, it is expected that the remaining amount of the unutilised net proceeds allocated for enhancing the Company's brand image and awareness of its IP characters will be fully utilised by June 2024.

Similarly following the gradual recovery from the COVID-19 pandemic, the Group expects to conduct site visit for suitable lease properties for the establishment of a training centre for key opinion leaders in China and face-to-face interviews to recruit key opinion leaders. Considering the time required to set up the training centre and the recruitment process, it is expected that the remaining amount of the unutilised net proceeds allocated for strengthening the Company's new economy online sales channel will be fully utilised by December 2023.

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 of Hong Kong Limited (the "**Listing Rules**").

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Except that the trustee who was appointed by the Company to assist with the administration of the Share Award Scheme had purchased a total of 25,000,000 Shares on the market for a consideration of approximately HK\$42,642,000 to hold on trust for the purpose of the Share Award Scheme, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during FY2022.

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 part 2 of Appendix 14 to the Listing Rules (the "**CG Code**"). Since 17 January 2022 (being the date of the listing of the Company's Shares on the Stock Exchange) and up to 31 December 2022, save for the deviation from code provisions C.2.1 and D.1.2 of the CG Code as disclosed below, the Board considers that, the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the CG Code and the Directors will use their best endeavours to procure the Company to comply with the CG Code and make disclosure of deviation from the CG Code in accordance with the Listing Rules.

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

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

FINAL DIVIDEND

The Board has resolved to propose a final dividend of HK2.01 cents per share for FY2022 (FY2021: HK4.8 cents per share), amounting to a total of HK\$19,974,576 (FY2021: HK\$48,000,000). The proposed final dividend is subject to the approval of the shareholders at the AGM.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 17 May 2023 to Monday, 22 May 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 16 May 2023.

For determining the entitlement of the shareholders to the aforesaid proposed final dividend, the register of members of the Company will be closed from Monday, 29 May 2023 to Wednesday, 31 May 2023, 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, 25 May 2023.

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 2022 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 2022 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
B.Duck Semk Holdings International Limited
Hui Ha Lam
Chairman of the Board and Executive Director

Hong Kong, 30 March 2023

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. Chen Hongjiang as non-executive Director and Ms. Leung Ping Fun Anita, Mr. Sung Chi Keung and Dr. Chan Kai Yue Jason, MH, JP as independent non-executive Directors.