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 2023

FINANCIAL HIGHLIGHTS

	FY2023	FY2022
	HK$'000	*HK$'000*
Revenue	**129,542**	192,608
(Loss)/profit for the year	**(46,691)**	75,555
(Loss)/profit attributable to equity holders of the Company	**(46,206)**	75,555
Adjusted net (loss)/profit under non-HKFRS financial measures(1)	**(40,588)**	87,369
Adjusted net profit margin under non-HKFRS financial measures (%)(2)	**(31.3)**	45.4

Notes:

(1) Adjusted net (loss)/profit under non-HKFRS financial measures as profit for the year attributable to equity holder of the Company excluding non-recurring listing expenses in FY2022 and share-based payment in FY2023.

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

KEY FINANCIAL RATIOS

	As at 31 December 2023	As at 31 December 2022
Segment gross profit margin (%)(1)	**34.8**	36.1
Net profit margin (%)(2)	**(36.0)**	39.2
Return on equity (%)(3)	**(18.8)**	21.5
Return on total assets (%)(4)	**(13.4)**	18.3
Current ratio (times)(5)	**2.8**	6.1
Quick ratio (times)(6)	**2.6**	5.4
Gearing ratio (%)(7)	**17.5**	N/A(9)
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**") announces the consolidated results of the Group for the year ended 31 December 2023 ("**FY2023**"), together with the comparative figures for the year ended 31 December 2022 ("**FY2022**") as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

		For the year ended 31 December	
		2023	2022
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**129,542**	192,608
Other income	*4*	**15,558**	96,099
Other gains/(loss), net	*4*	**70**	(1,279)
Cost of inventories sold		**(39,518)**	(44,004)
Employee benefit expenses		**(64,547)**	(65,943)
Promotion costs		**(16,193)**	(15,752)
Listing expenses		**–**	(11,814)
Online platform usage fee		**(5,410)**	(10,705)
Depreciation and amortisation		**(14,058)**	(11,316)
Net impairment losses on financial assets and contract assets		**(8,315)**	(15,095)
Other expenses	*5*	**(40,793)**	(32,937)
Operating (loss)/profit		**(43,664)**	79,862
Finance income		**1,940**	389
Finance costs		**(4,438)**	(1,182)
Finance costs, net		**(2,498)**	(793)
(Loss)/profit before income tax		**(46,162)**	79,069
Income tax expense	*6*	**(529)**	(3,514)
(Loss)/profit for the year		**(46,691)**	75,555

	Note	For the year ended 31 December **2023** *HK$'000*	2022 *HK$'000*
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
– Currency translation differences		**(2,280)**	(10,649)
Item that will not be subsequently reclassified to profit or loss:			
– Currency translation differences		**(17)**	–
		(2,297)	(10,649)
Total comprehensive (loss)/income for the year		**(48,988)**	64,906
(Loss)/profit for the year attributable to			
Equity holders of the Company		**(46,206)**	75,555
Non-controlling interests		**(485)**	–
		(46,691)	75,555
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(48,486)**	64,906
Non-controlling interests		**(502)**	–
		(48,988)	64,906
(Loss)/earnings per share for profit attributable to the equity holders of the Company for the year:			
– Basic and diluted (expressed in HK cents per share)	*7*	**(4.8)**	7.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

		As at 31 December	
		2023	2022
	Note	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**13,292**	6,238
Intangible assets		**2,877**	2,505
Right-of-use assets		**23,591**	15,210
Deferred income tax assets		**8,042**	6,482
Deposits, prepayments and other receivables		**64,234**	64,599
Financial assets at fair value through profit or loss		**9,735**	–
		121,771	95,034
Current assets			
Inventories		**18,535**	35,133
Trade receivables	*9*	**51,028**	53,162
Contract assets		**19,216**	34,615
Deposits, prepayments and other receivables		**45,125**	50,803
Tax recoverable		**873**	–
Time deposits with original maturity over three months		**40,000**	2,524
Cash and cash equivalents		**51,723**	141,677
		226,500	317,914
Total assets		**348,271**	412,948
Equity and liabilities			
Equity attributable to holders of the Company			
Share capital		**191**	195
Share premium		**245,253**	294,437
Capital reserve		**(34,386)**	(34,386)
Retained earnings		**86,212**	132,418
Other reserves		**(49,864)**	(41,357)
		247,406	351,307
Non-controlling interests		**1,573**	–
Total equity		**248,979**	351,307

		As at 31 December	
		2023	2022
	Note	***HK$'000***	*HK$'000*
LIABILITIES			
Non-current liabilities			
Lease liabilities		**18,319**	9,117
Deferred income tax liabilities		**164**	251
		18,483	9,368
Current liabilities			
Contract liabilities		**9,592**	13,322
Trade payables	*10*	**5,646**	6,474
Accruals and other payables		**14,222**	18,812
Current income tax liabilities		**–**	6,392
Borrowings		**43,572**	–
Lease liabilities		**7,777**	7,273
		80,809	52,273
Total liabilities		**99,292**	61,641
Total equity and liabilities		**348,271**	412,948

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, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

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

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

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

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

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 2023

The following new and amended standards and interpretations apply for the first time to the Group's financial reporting period commencing on 1 January 2023:

Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from Single Transaction
HKFRS 17 and Amendments	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information

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

(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 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 HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
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.

3 REVENUE

(a) Revenue

	For the year ended 31 December	
	2023	2022
	HK$'000	*HK$'000*
Revenue		
Recognised over time		
Provision of licensing services	**56,622**	87,130
Provision of design consultation services	**12,344**	36,615
	68,966	123,745
Recognised at a point in time		
Sales of licensed brand products	**60,576**	68,863
Total revenue	**129,542**	192,608

For the year ended 31 December 2023, there was 1 customer (2022: 1) which individually contributed 10% or more of the Group's total revenue. Customer A also contributes to 63% (2022: 64%) of trade receivable and 9% (2022: 43%) of contracted asset. The revenue contributed from the customer is as follow:

	For the year ended 31 December	
	2023	2022
	HK$'000	*HK$'000*
Customer A	**18,158**	37,329

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

	For the year ended 31 December	
	2023	2022
	HK$'000	*HK$'000*
Other income		
Sample sales	**2,435**	4,464
Gain on sale of trademarks *(Note c)*	**–**	83,194
Management fee income	**2,419**	2,649
Government subsidies *(Note a)*	**1,935**	1,326
Compensation received *(Note b)*	**7,748**	1,668
Rental concession	**–**	1,725
Early termination of leases	**101**	–
Sundry income	**920**	1,073
	15,558	96,099
Other gains/(loss), net		
Fair value gain from financial assets at fair value through profit or loss	**914**	–
Net foreign exchange losses	**(886)**	(1,325)
Changes in surrender value of investment life insurance contract	**42**	46
	70	(1,279)

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 based on original contract dated 23 December 2022. The gain on disposal was calculated as follow:

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

5 OTHER EXPENSES

	For the year ended 31 December	
	2023	2022
	HK$'000	*HK$'000*
Travelling and transportation	**5,763**	7,668
Office expenses	**4,284**	5,588
Legal and professional fees	**21,455**	10,387
Agency fee	**635**	488
Rental expenses – short term leases	**2,342**	1,294
Repair and maintenance	**195**	245
Insurance expense	**619**	743
Building management fee	**905**	483
Licensing fee	**109**	494
Office co-sharing expense	**20**	30
Auditor's remuneration		
– Audit service	**1,600**	1,600
– Non-audit service	**380**	240
Others	**2,486**	3,677
	40,793	32,937

6 INCOME TAX EXPENSE

	For the year ended 31 December	
	2023	2022
	HK$'000	*HK$'000*
Current income tax:		
– Hong Kong profits tax	**43**	1,123
– Mainland China corporate income tax	**–**	2,083
– Withholding tax	**2,214**	3,959
	2,257	7,165
Deferred income tax	**(1,728)**	(3,651)
	529	3,514

Hong Kong profits tax has been provided at the rate of 16.5% for the years ended 31 December 2023 and 2022.

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 2023 and 2022.

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 2023 and 2022, 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	
	2023	2022
	HK$'000	*HK$'000*
(Loss)/profit before income tax	**(46,162)**	79,069
Tax charge at 16.5%	**(7,617)**	13,046
Effect of different taxation rates in other countries	**1,882**	(1,031)
Tax effect under two tier profits tax rates regime	**–**	(165)
Income not subjected to tax	**(313)**	(13,793)
Non-deductible expenses for tax purposes	**3,377**	3,553
Effect of changes in tax rate *(Note i)*	**–**	889
Tax losses not recognised	**986**	1,015
Withholding tax	**2,214**	3,959
Tax effect of withholding tax	**–**	(3,959)
	529	3,514

Note i

The statutory income tax rate applicable to entities in the Mainland China is 25% during the year ended 31 December 2023 (2022: same), other than a qualified subsidiary registered in Qianhai Shenzhen – Hong Kong Modern Service Industry Cooperation Zone, which is entitled to a concessionary tax rate of 15% from 2022.

7 (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share is as follows:

a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2023 and 2022.

The weighted average number of shares in issue for the years ended 31 December 2023 and 2022 for the purpose of (loss)/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 120,000,000 new shares issued on 17 January 2022 upon the Listing and 32,700,000 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	
	2023	2022
(Loss)/profit attributable to holders of the Company *(HK$'000)*	**(46,206)**	75,555
Weighted average number of ordinary shares in issue	**971,235,342**	987,540,203
Basic (loss)/earnings per share (expressed in HK cents per share)	**(4.8)**	7.7

b) Diluted

For the year ended 31 December 2023, the Company had potential ordinary shares being share awards (2022: no potential ordinary shares).

Diluted loss per share presented for the year ended 31 December 2023 is the basic loss per share as the inclusion of the potential ordinary shares in the calculation of dilutive loss per share would be anti-dilutive.

8 DIVIDEND

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.

On 30 March 2023, the Directors proposed a final dividend for the year ended 31 December 2022 of HK2.01 cents per share, totalling HK$19,718,000, which was approved and paid out of share premium account during the year ended 31 December 2023.

On 27 March 2024, the Directors proposed a final dividend for the year ended 31 December 2023 of HK0.5 cents per share, totalling HK$4,904,965, which is subject to the approval by the shareholders of the Company.

9 TRADE RECEIVABLES

	As at 31 December	
	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**70,831**	72,287
Less: loss allowance	**(19,803)**	(19,125)
	51,028	53,162

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	
	2023	2022
	HK$'000	*HK$'000*
Current – 30 days	**49,939**	14,021
31 – 60 days	**2,185**	4,694
61 – 90 days	**253**	2,308
91 – 120 days	**2,203**	2,469
121 – 180 days	**1,537**	7,363
Over 180 days	**14,714**	41,432
	70,831	72,287

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

	For the year ended 31 December	
	2023	2022
	HK$'000	*HK$'000*
Beginning of the year	**(19,125)**	(10,223)
Impairment loss on trade receivables	**(6,631)**	(14,432)
Written off	**5,651**	4,373
Currency translation differences	**302**	1,157
End of the year	**(19,803)**	(19,125)

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	
	2023	2022
	HK$'000	*HK$'000*
HK$	**1,418**	1,529
RMB	**69,413**	70,758
	70,831	72,287

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	
	2023	2022
	HK$'000	*HK$'000*
Trade payables		
– Third parties	**5,646**	6,474

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	
	2023	2022
	HK$'000	*HK$'000*
Up to 30 days	**1,149**	5,676
31 to 60 days	**67**	377
61 to 90 days	**131**	46
Over 90 days	**4,299**	375
	5,646	6,474

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

	As at 31 December	
	2023	2022
	HK$'000	*HK$'000*
HK$	**16**	114
RMB	**5,630**	6,360
	5,646	6,474

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$60,692,000), 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$6,621,000 and HK$1,103,000 respectively) for damages to the Claimant.

On 19 January 2023, the Group has 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 HK$1,103,000) in respect of the damages and costs for this case as at 31 December 2023 and 2022.

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.

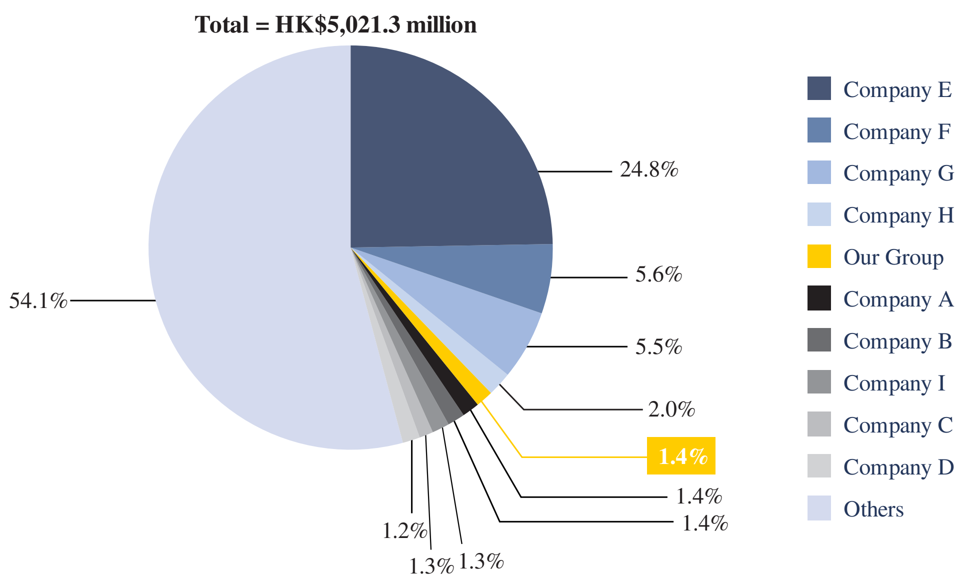
The following table sets forth a breakdown of revenue by business segments:

	FY2023	FY2022
	HK$'000	*HK$'000*
Character licensing business	**68,966**	123,745
E-commerce and other business	**60,576**	68,863
Total	**129,542**	192,608

In 2023, 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, 2023



Source: Company Annual Reports, Frost & Sullivan

FINANCIAL REVIEW

Revenue by Business Segment

The Group's revenue from character licensing business decreased by approximately HK$54.7 million or approximately 44.2% from approximately HK$123.7 million for the year ended 31 December 2022 ("**FY2022**") to approximately HK$69.0 million for the year ended 31 December 2023 ("**FY2023**"). Such decrease was mainly attributable to temporarily decreased in additional royalty charged to licensees. We charged royalty primarily based on production quantity produced by our licensees. During FY2023, our licensees' utilizes its accumulated inventory from last year which was suffered from weakened consumer sentiment due to the pandemic in last year.

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 FY2023:

As at the end of FY2022	**As at the end of FY2023**
406	**455**

The Group's revenue from e-commerce and other business decreased by approximately HK$8.3 million or approximately 12.0% from approximately HK$68.9 million for FY2022 to approximately HK$60.6 million for FY2023. Such decrease was primarily attributable to the decrease in sales through e-commerce platforms, partly as a result of utilization of accumulated inventory balance from last year, and led to the drop in mark-up rate from cost of inventory. In addition, it is our focus this year to develop e-Commerce sales platform overseas, including Thailand, Indonesia, Vietnam, Philippines, Malaysia and Singapore etc. The e-Commerce business overseas is still in growth stage and yet to reach maturity.

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:

	FY2023		FY2022	
	HK$'000	***%***	*HK$'000*	*%*
The Group's self-created IP characters				
B.Duck	**54,476**	**79.0**	85,867	69.4
Buffy	**6,686**	**9.7**	12,325	10.0
B.Duck Baby	**7,036**	**10.2**	22,604	18.3
Bath'N Duck	**–**	**–**	756	0.6
Licensed Characters	**768**	**1.1**	2,193	1.7
Total	**68,966**	**100.0**	123,745	100.0

B.Duck products are the Group's major product type. Revenue from B.Duck products, which contributed 79.0% of the Group's licensing revenue in FY2023, decreased by approximately 36.6% from approximately HK$85.9 million for FY2022 to approximately HK$54.5 million for FY2023.

Revenue by Customers' Geographical Location

The following table sets forth a breakdown of the Group's revenue by customers' geographical location for FY2022 and FY2023:

	FY2023		FY2022	
	HK$'000	***%***	*HK$'000*	*%*
Mainland China	**123,021**	**95.0**	183,144	95.1
Hong Kong	**2,420**	**1.8**	8,119	4.2
Southeast Asia and Taiwan	**4,030**	**3.1**	1,248	0.6
Others *(Note)*	**71**	**0.1**	97	0.1
Total	**129,542**	**100.0**	192,608	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 FY2023:

	FY2023		FY2022	
	HK$'000	*%*	*HK$'000*	*%*
Merchandise licensing				
Minimum guarantee	**39,175**	**56.8**	49,728	40.2
Excess royalties	**8,209**	**11.9**	25,086	20.3
Total royalty income	**47,384**	**68.7**	74,814	60.5
LBE licensing				
Minimum guarantee	**4,668**	**6.8**	5,315	4.3
Excess royalties	**2,064**	**3.0**	1,446	1.2
Total royalty income	**6,732**	**9.8**	6,761	5.5
Content and media licensing				
Minimum guarantee	**791**	**1.1**	2,310	1.9
Excess royalties	**83**	**0.1**	606	0.5
Total royalty income	**874**	**1.2**	2,916	2.4
Promotion licensing				
Minimum guarantee	**1,632**	**2.4**	2,675	2.1
Excess royalties	**–**	**–**	–	–
Total royalty income	**1,632**	**2.4**	2,675	2.1
Design consultation service fees	**12,344**	**17.9**	36,579	29.5
Total	**68,966**	**100.0**	123,745	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 FY2023:

	FY2023	FY2022
	HK$'000	*HK$'000*
Outstanding aggregate contract sum at the beginning 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
Add: Net contract sum of contracts awarded/terminated during the year		
Merchandise licensing	**23,152**	72,174
LBE licensing	**4,386**	3,035
Content and media licensing	**629**	606
Promotion licensing	**527**	3,760
Design consultation	**11,930**	35,975
Less: Revenue recognised during the year		
Merchandise licensing	**(39,175)**	(49,728)
LBE licensing	**(4,668)**	(5,315)
Content and media licensing	**(790)**	(2,310)
Promotion licensing	**(1,632)**	(2,675)
Design consultation	**(12,449)**	(36,579)
Foreign currency translation differences *(Note)*	**(8,417)**	(8,291)
Outstanding aggregate contract sum at the end of the year		
Merchandise licensing	**59,134**	80,349
LBE licensing	**2,046**	5,554
Content and media licensing	**–**	167
Promotion licensing	**1,117**	2,299
Design consultation	**–**	435
Total	**62,297**	88,804

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$39.5 million and HK$44.0 million for FY2023 and FY2022, respectively, which accounted for approximately 21.9% and 24.3% 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 translate the additional procurement costs into higher prices for customers and the results of operation may therefore be adversely affected. In addition, any rise in the merchandise selling price due to increase in procurement costs may render the merchandise less competitive in the market and lead to a possible decrease in the Group's profit margin.

The employee benefit expenses (primarily comprising salaries and allowances) amounted to approximately HK$64.5 million and HK$65.9 million for FY2023 and FY2022, respectively, representing approximately 35.8% and 36.5% 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. Although there was a decrease in employee benefit expenses, the Group never stops to invest in human resources in order to expand overseas market. In addition, we are dedicated to the research and development and production of games and sales of derivative merchandizes, and establish design team which applies AI techniques, so as to strengthen our creativity. Moreover, the Group provides key employees with awarded shares (the "**Awarded Shares**") with incentives for continued operation and development of the Group.

Net Impairment Losses on Financial Assets and Contract Assets

The Group's net impairment losses on financial assets and contract assets decreased by approximately HK$6.8 million from approximately HK$15.1 million for FY2022 to approximately HK$8.3 million for FY2023, primarily due to decrease in trade receivables and contract assets.

Other Income

Other income decreased by approximately 83.8% from approximately HK$96.1 million for FY2022 to approximately HK$15.6 million for FY2023, primarily due to the absence of gain on sale of trademarks of Bath'N Duck in FY2022.

Listing Expenses

The Group's listing expenses primarily include legal and other professional fees and other expenses associated with the preparation for the listing on The Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 17 January 2022. The listing expenses amounted to approximately HK$11.8 million for FY2022. No such expenses were incurred for FY2023.

Promotion Costs

The Group's promotion costs primarily comprise costs incurred for promotional campaigns, advertisements, brand management and marketing activities. For FY2022 and FY2023, the Group's promotion costs amounted to approximately HK$15.8 million and HK$16.2 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 FY2022 and FY2023, online platform usage fee amounted to approximately HK$10.7 million and HK$5.4 million, respectively.

Operating (Loss)/Profit

As a result of the above, the Group's operating (loss)/profit decreased by approximately 155% from operating profit of approximately HK$79.9 million for FY2022 to operating loss of approximately HK$43.7 million for FY2023.

Other Expenses

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

	FY2023		FY2022	
	HK$'000	*%*	*HK$'000*	*%*
Travelling and transportation	**5,763**	**14.1**	7,668	23.3
Office and office co-sharing expenses	**4,304**	**10.5**	5,618	17.1
Legal, audit and professional fee	**23,435**	**57.4**	12,227	37.1
Agency fee	**635**	**1.6**	488	1.5
Building management fee and rental expenses	**3,247**	**8.0**	1,777	5.4
Licensing fee	**109**	**0.3**	494	1.5
Others (Note)	**3,300**	**8.1**	4,665	14.1
	40,793	**100.0**	32,937	100.0

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; and (ii) licensing fee for the licensed characters obtained from independent licensors. Such expenses increase for FY2023 primarily resulting from trademark registration in overseas countries in light of expected expansion in these countries in the near future.

Finance Costs, Net

Finance costs, net increased by approximately 212.5% from approximately HK$0.8 million for FY2022 to approximately HK$2.5 million for FY2023 primarily due to interest expense derived from discounting impact related to disposal of series of trademark last year.

Income Tax Expense

Income tax expense decreased by approximately 85.7% from approximately HK$3.5 million for FY2022 to approximately HK$0.5 million for FY2023 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 holders the Company excluding non-recurring listing expenses and Share Award Scheme expenses. As listing expenses and Share Award Scheme 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 and Share Award Scheme expenses can better reflect the operational performance during the respective years. Furthermore, the Group's management also uses the non-HKFRS financial measures to assess the Group's operating performance and formulate business plans. The Group believes that the non-HKFRS financial measures provide useful information to the investors about its core business operations, which they can use to evaluate the Group's operating results and understand its consolidated results of operations in the same manner as the management. The following table sets forth a reconciliation of the Group's adjusted net profit under non-HKFRS financial measures for the years indicated to that prepared in accordance with HKFRS measures:

	FY2023	FY2022
	HK$'000	*HK$'000*
(Loss)/profit for the year attributable to holders of the Company	**(46,206)**	75,555
Add:		
Listing expenses	**–**	11,814
Share Award Scheme expenses	**5,618**	–
Adjusted net (loss)/profit under non-HKFRS financial measures	**(40,588)**	87,369

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

(Loss)/profit for the Year

As a result of the above, the Group's profit for the year decreased by approximately 161.8% from profit of approximately HK$75.6 million for FY2022 to loss of approximately HK$46.7 million for FY2023.

CAPITAL STRUCTURE

The shares of the Company (the "**Shares**") were successfully listed on the Stock Exchange on 17 January 2022. Since then and up to 31 December 2023, the Company's capital structure has not changed. The Company's equity only consists of ordinary Shares.

As at 31 December 2023, the issued share capital of the Company amounted to US$24,524.825 divided into 980,993,000 Shares of US$0.000025 each.

Shares bought back on 18 January 2023, 19 January 2023, 20 January 2023, 26 January 2023, 27 January 2023, 6 April 2023, 14 April 2023, 24 April 2023, 28 April 2023, 4 May 2023, 8 May 2023 and 9 May 2023 were cancelled on 23 February 2023 and 15 May 2023 respectively.

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 decreased from approximately HK$265.6 million as of 31 December 2022 to approximately HK$145.7 million as of 31 December 2023. The decrease was primarily due to (i) the decrease in cash and cash equivalents and time deposits at bank of approximately HK$52.5 million, mainly due to the operating and investing cash outflows during FY2023; and (ii) the Group's payment of dividend and repurchase of shares.

– *Trade receivables and contract assets*

As at 31 December 2023, the Group had gross trade receivables and contract assets amounting to approximately HK$70.8 million (2022: HK$72.3 million) and approximately HK$19.8 million (2022: HK$36.0 million) respectively, and loss allowance amounting to approximately HK$20.3 million (2022: HK$20.6 million). The total amount of net trade receivables and contract assets represented approximately 20.2% (2022: 21.2%) of the total assets.

As at 31 December 2023, trade receivables and contract assets decreased to approximately HK$70.2 million, primarily attributable to (i) the settlement of royalties payment; and (ii) decrease 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$35.1 million as of 31 December 2022 to approximately HK$18.5 million as of 31 December 2023, primarily due to (i) continuous utilization of inventory balance; and (ii) conservative procurement policy in response to volatile consumer goods market.

– *Cash and cash equivalents and time deposits at bank*

The Group's cash and cash equivalents and time deposits at bank primarily comprise cash at bank and were denominated in HK$ and RMB. Cash and cash equivalents and time deposits at bank decreased from approximately HK$144.2 million as of 31 December 2022 to approximately HK$91.7 million as of 31 December 2023, primarily due to (i) operating and investing cash outflows during FY2023, (ii) the Group's payment of dividends and (iii) repurchase of shares.

– 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$15.2 million as of 31 December 2022 to approximately HK$23.6 million as of 31 December 2023, due to office lease agreement newly signed in FY2023.

– Intangible assets

The Group's intangible assets consist mainly of trademark. The Group's intangible assets increased from approximately HK$2.5 million as of 31 December 2022 to approximately HK$2.9 million as of 31 December 2023, primarily due to additional trademark recognised during FY2023.

– Bank borrowings

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

	FY2023	FY2022
	HK$'000	*HK$'000*
Current portion		
Bank borrowings	**43,572**	–

The Group's bank borrowings as at FY2023 were denominated in HK$.

PLEDGE OF ASSETS

The Group did not have any pledged assets as of 31 December 2023.

GEARING RATIO

As at 31 December 2023, the Group's gearing ratio was 17.5 as a result of new borrowing in FY2023. The Group had no interest-bearing borrowings as at 31 December 2022, such that the gearing ratio was not applicable. 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$60,692,000), 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$6,621,000 and HK$1,103,000 respectively) for damages to the Claimant.

On 19 January 2023, the Group has 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 HK$1,103,000) in respect of the damages and costs for this case as at 31 December 2023 and 2022.

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

FOREIGN EXCHANGE RISK MANAGEMENT

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

CAPITAL EXPENDITURES

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 2023, the Group had a total of 186 employees, including 60 licensing and sales personnel, 66 designers and 60 administrative and others personnel. For FY2023, the Group incurred staff costs (including remuneration, payrolls, allowances and benefits) of approximately HK$64.5 million (FY2022: HK$65.9 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. 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**") to recognise and acknowledge the contributions made by the Group's employees, to attract skilled and experienced personnel, to incentivise them to stay with the Company and to motivate them to strive for the future development and expansion of the Company and its subsidiaries, by providing them with the opportunity to acquire equity interests in the Company.

As at 31 December 2023, the Group had 186 full-time employees. The following table sets forth a breakdown of its employees by function and by geographical location as at 31 December 2023:

No. of employees by function	Hong Kong and overseas	Mainland China	Total
Management	2	–	2
Design	23	43	66
Licensing	4	19	23
Sales	1	36	37
Branding	3	17	20
Human resources and administration	4	20	24
Finance	5	7	12
Merchandise management	–	2	2
Total	42	144	186

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 30 December 2021 (the "**Prospectus**"), the Group did not have other plans for material investments or capital assets as of 31 December 2023.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during FY2023.

In April 2023, SEMK Licensing Shenzhen Ltd.* (德盈商貿(深圳)有限公司) ("**SEMK Licensing**"), an indirect wholly-owned subsidiary of the Company, Mr. Huang Jiale, Shenzhen Hai Deng Wu Cultural Corporation (Limited Partnership)* (深圳嗨燈屋文化合夥企業(有限合夥)) ("**Hidden Wooo**") and Shenzhen Yin Cang Wa Ou Culture Technology Co., Ltd.* (深圳隱藏哇偶文化科技有限公司) (the "**Target Company**") entered into an investment agreement, pursuant to which SEMK Licensing agrees to subscribe for 20% of the enlarged equity interest in the Target Company at a consideration of RMB7,000,000, part of which will be used for the research and development, sales costs and expenses of mystery boxes and pop toys to be developed under the Group's IP series. For details, please referred to the announcement of the Company dated 6 April 2023.

EVENT AFTER REPORTING PERIOD

Grant of Awarded Shares Pursuant to Share Award Scheme

On 31 January 2024, the Company granted a total of 14,714,000 Awarded Shares (the "**Grant**") to 2 selected participants (the "**Grantee(s)**"), who are the employees of the Group, in accordance with the terms of the Share Award scheme and subject to the acceptance of the Grantees. For details of the Grant, please refer to the announcement of the Company dated 31 January 2024.

Continuing Connected Transactions – Entering into of Merchandise Supply Framework Agreements

Merchandise Supply Framework Agreement II

The Company entered into the Merchandise Supply Framework Agreement II with ENS Toys (Huizhou) Limited ("**ENS Toys**") on 31 January 2024 for a term commencing from 1 February 2024 and ending on 31 May 2024. Pursuant to the Merchandise Supply Framework Agreement II, the Company has agreed to, and will procure other members of the Group to, purchase merchandise (including but not limited to apparel and toys) from ENS Toys, subject to the cap of HK$8,000,000.

Merchandise Supply Framework Agreement I

The Company entered into the Merchandise Supply Framework Agreement I with ENS Toys on 1 January 2024 for a term commencing from 1 January 2024 and ending on 31 January 2024. Pursuant to the Merchandise Supply Framework Agreement I, the Company has agreed to, and will procure other members of the Group to, purchase merchandise (including but not limited to apparel and toys) from ENS Toys at a total consideration of no more than HK$1,500,000.

For details of the Merchandise Supply Framework Agreement II and Merchandise Supply Framework Agreement I, please refer to the announcement of the Company dated 31 January 2024.

FUTURE OUTLOOK

LICENSE GLOBAL, a licensing trade magazine of the Licensing Expo published the Top Global Licensors Report 2023, showing colossal growth of the scale of the global licensing industry in the past year. In 2022, the total retail sales value of the TOP 84 global licensors increased to US$278.0 billion. Amidst the glamour of these world-renowned companies, "B.Duck" of B.Duck Semk, being one of the only two Chinese original IPs that were selected into the list, became the focus of attentions in domestic licensing industry.

According to the Frost & Sullivan Report, the market size of global licensed derivative products amounted to HK$2.6 trillion in 2022, and 61.8% of retail sales value was derived from the North American market, compared with only 3.1% of that derived from China (including Hong Kong). This was not in line with the total GDP of both sides. Amidst the background of exploring the overseas sales and consumption upgrading, B.Duck has developed its own operating logics on how to increase market shares amid market globalization and in the intensively-competitive domestic market. At the beginning of this year, chairman of the Board officially proposed the development strategy of "operating with diligent and meticulous efforts and make the Company prosper (精耕細作、做大做強)". In the next three years, B.Duck Semk will take "B.Duck IP" as its pivot, leverage on its brand advantage, to set up design and merchandising team, develop proprietary products, reach out to downstream retail and proactively develop new consumption operations covering games, designer toys, metaverse and offline eco-cultural tourism, so as to enhance the competitiveness of B.Duck Semk in the industry. In particular, the Group will focus on developing the following aspects in the next three years:

1. *Expanding the Internet grand entertainment segment and building a diversified growth model*

   The Group believes that, in terms of IP operation, in addition to focusing on the commercial value, it is also necessary to prospectively plan for penetrating into future markets, improve the artistic quality of the brand and concentrate on businesses targeting young people. Based on the horizontal extension dimension in the "Three-Year Development Plan" formulated by the Group, mobile games and e-sports, IP derivatives and ecological cultural tourism are the core directions of the Group to focus on product development in the Z era.

During the reporting period, the Group established the Grand Entertainment Innovative Business Development Center and will establish 深圳德趣科技有限公司 (Shenzhen Dequ Technology Co. Ltd.*) with leading research and development operator in WeChat mini program namely Shenzhen Dream Studio Technology Co Ltd (深圳市夢作坊科技有限公司), which carries out the core businesses of research and development and production of games and sales of derivative merchandises so as to explore the game e-sports market. The Group regards DeQu Technology, which engages in businesses including: 1. proprietary research and customization of thematic IP games; 2. game licensing; 3. private domain camps; 4. online and offline retail of designer toys, as an important carrier in the layout of the Internet grand entertainment industry, with an aim to maximize the development of the commercial value of its IPs. In order to further deepen the game and related business, the Group continued to increase its investment in the internet sector in the second half of the year, enriched the IP content of the game sector, formulated sales strategies based on the WeChat ecosystem to absorb private domain traffic, and established sales links between various platforms, so as to rapidly enhanced the effective traffic conversion. In the next two years, the Group will build a commercial realization ecosystem covering segments such as "B.Duck" games, "B.Duck" online community and IP e-commerce, in an effort to realize the closed loop of fan economy, broaden the Group's second growth curve, and promote the implementation of the Group's strategies driven by "growth engines".

The Group has established a professional product line team and adopted an integrated operation model of self-research, self-production and self-sales to introduce self-developed IP derivatives at diversified consumption scenarios through online + offline channels, with an aim to improve brand exposure and profitability and lay the foundation for the sustainable development and expansion of the brand. Apart from self-developed products, B.Duck Semk has also jointly created "B.Duck 小黃鴨 X HIDDEN WOOO", a new B.Duck (S) series, by investing in "Hidden Wooo", a brand of Shenzhen Yin Cang Wa Ou Culture Technology Co., Ltd.* (深圳隱藏哇偶文化科技有限公司). In the future, the Group will create diversified IP images and derivatives with Hidden Wooo to deepen the youthful and trendy features of the brand and further enrich the product ecosystem. At the same time, the Group will broaden the IP derivatives market through coordination and mystery boxes sales to expand the room for growth in consumption.

Amidst the phenomenon of overcapacity and weak consumption in the domestic economy, the Chinese government has published policies to stimulate tourism consumption and vigorously promote the development of the tourism industry. Domestic theme parks and carnival projects are becoming increasingly popular, bringing growth opportunities to IP licensing and retail sector in various aspects, including theme parks, IP product retail, LBE projects, virtual reality and other XR cultural industry projects. In order to further amplify the commercial value of IP, the Group actively promotes the "Amusement + IP" urban terminal cultural tourism project, and moves in a number of large outdoor parks under the Happy Valley Group (歡樂谷集團) to jointly create amusement stall projects with the theme of B.Duck, opening up a new To C-end business cooperation model; at the same time, the Group has also reached a strategic cooperation with "Dream House (原舍)" under the Xband Group (鄉伴集團), and is expected to build the first B.Duck resort in 2024, promoting the in-depth integration of B.Duck and Chinese rural areas, and achieving leapfrog development of mutual empowerment. Looking forward, B.Duck Semk will continue to work hard in ecological and cultural tourism sector, and will cooperate with many domestic leading enterprises such as OCT Group (華僑城集團), Jinma Entertainment (金馬遊樂), Ctrip, Meituan, Xband Group (鄉伴集團), Jegoplay (季高集團) and Greatcoco (大未可可) to actively explore the innovative cooperation model and jointly create new stereoscopic offline consumption experience, with an aim to help promote the innovative development of the cultural tourism industry.

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

As the domestic economy has entered a feverish stage, overseas markets, as the blue ocean markets, have brought huge development space and opportunities to Chinese enterprises. Currently, the Group's revenues are mainly generated from the Mainland China and Hong Kong markets. As a company listed on the Stock Exchange, internationalization has always been the Group's pursuit.

In recent years, with the transformation and upgrading of China's economy and the promotion of globalization, the Chinese government has made multi-faceted initiatives to promote high-quality development of the "One Belt, One Road". In order to actively comply with the "One Belt, One Road" policy, the Group has actively deployed in Southeast Asia and other markets. Currently, it has achieved initial results in the Thailand market, laying the foundation for achieving the strategic goal of embarking overseas. In the future, leveraging on the channel resources of large enterprise groups in Thailand and regarding "B.Duck IP" as an important link, the Group will deeply coordinate with OTA platforms such as Ctrip and Meituan and introduce products and corporate services from associated brand licensors to increase brand exposure and enhance popularity, and to further penetrate into the Southeast Asian market. In addition, the Group will rely on its accumulated fan base and brand influence to promote the localization of product services and LBE activities, so as to ensure the fulfillment of specific needs of customers and continue to deeply explore the Southeast Asian market. In order to accelerate the realization of all-round layout in the international market, the Group will take the Asia-Pacific Economic Area as the first position to expand the number and depth of cooperation with overseas licensing agents by launching "B.Duck IP" licensing and trading business. Furthermore, the Group will also export self-developed products and domestic products developed by licensing customers to Southeast Asia and global markets through high-quality electronic commercial business, and strive to replicate the successful business model in Mainland China to overseas markets. As the release of consumption potential in overseas emerging markets, the Group's overall revenue scale, international influence and competitiveness will be further enhanced.

3. *Building AIGC application scenarios to fuel the parallel development of multi-line businesses*

The application of AI technology will continue to boost the parallel development of the Group's IP mobile games, e-sports, IP derivatives and eco-cultural tourism. In the field of product development, the AIGC team will continue to deploy models with large amounts of data in order to improve production efficiency and quality, and drive product design and innovation. In the field of video generation, the AIGC team will use AI tools to produce videos, IP proprietary voice and theme songs and other materials and explore the application of these materials in the fields of creativity, marketing, film and television animation, so as to provide an impetus to the innovation and diversified development of the Group in the content end. In addition, AI technology will be further applied in the management fields of the Group to enhance management effectiveness of the Company from various aspects such as optimizing the data management mechanism and talent echelon construction.

4. *IP incubation and artists nurturing program (the "**Intensive Development Program**")*

Based on mature IP commercial operation capabilities, the Group has launched the in-house IP incubation and artists nurturing program to replicate its successful operation approaches and experience of the "B.Duck IP" for more than a decade to the research and development of new IPs, striving to shorten the period of time from IP incubation to commercial realization. Meanwhile, by vigorously expanding new IP agency business and acquiring external IP, the Group will further develop its new IP matrix, expand the Group's IP influence, gradually form an IP platform effect, and assist the development of China's original IP. In addition, the Group will establish cooperative relationships with art design, media marketing and other related departments of many well-known domestic universities to jointly cultivate talents in high-end design, cultural brand marketing and other fields through giving full play to the advantages of both parties, conducting various forms of communication and establishing a normalized communication mechanism, with an aim to lay the foundation for innovative development of B.Duck Semk in the IP field.

5. *Industrial investment, mergers and acquisitions*

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

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

3) The Group will proactively explore the possibility of cooperating with the local governments in China, so as to cooperate with state-owned capital and work with well-known large-scale fund management institutions to jointly set up industrial investment funds. In addition to expanding government channels, the Group will focus on investment in the fields of digital cultural IPs, new consumption, new media, ACGC and games, pay attention to "high-quality content", "technological empowerment" and "channel restructuring", and broaden the opportunity of creating synergy with potential licensing businesses in the future.

6. *Empowering "entities" through technology and building an inclusive and innovative community*

Leveraging on the profound understanding of the IP industry and the acumen of Web 3.0, the Group believes that the decentralization, blockchain and smart contract features of Web 3.0 will bring numerous opportunities and innovations to the IP industry. The Group actively explores the application of this field in the overseas markets and will cooperate with technology enterprises to build virtual scenes in Gigaspace and Sandbox, so as to prepare for the development of Payto-Earn Games in the future, in anticipation of creating "B.Duck" hot topics in overseas markets by offline and online coordination. The group hopes to attract a more diverse customer base through NFT and creates a private closed-loop community. At the same time, we look forward to more business terminals being able to access the Web 3.0 ecosystem in the future to jointly promote the innovation and development of the IP industry.

In the next three years, the Company is committed to establishing a system with a revenue scale of more than RMB1 billion for the Group, and it is expected that the progress will be accelerated with the help of potential investors' capital and resources. The Group will continue to innovate and expand from original innovative IPs to investment, mergers and acquisitions, from channel integration to embarking overseas, and to Web 3.0 and the exploration of the Generation Z, in order to promote the innovation and development of the IP industry. By continuously expanding the business reach, "striving for internal and external improvement" (內外兼修) and extending its channels of upstream and downstream industry chains, the Group will build an IP ecological commercial complex with a scale exceeding RMB10 billion, thereby continuously creating value and boosting gains for shareholders.

USE OF PROCEEDS FROM GLOBAL OFFERING

The Shares have been listed on the Stock Exchange since 17 January 2022. Based on the offer price of HK$2.05 per Share, the net proceeds from the global offering, after deducting listing related expenses, amounted to approximately HK$206.8 million. The Group will utilise such net proceeds for the purposes set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. Nevertheless, the Directors will constantly evaluate the Group business objectives and may change or modify the plan against changing market conditions to ascertain the business growth of the Group.

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

Intended application of the net proceeds	Percentage of total net proceeds	Planned allocation	Amount unutilized as at 1 January 2023	Amount utilized during the year ended 31 December 2023	Amount unutilized as at 31 December 2023	Expected timeline for utilization of the remaining proceeds
		HK$ in million	*HK$ in million*	*HK$ in million*	*HK$ in million*	
Enhancing the Company's brand image and awareness of its IP characters	25.8%	53.4	52.0	14.7	37.3	June 2025
Establishing the Company's "Fans Platform"	25.7%	53.2	40.6	16.4	24.2	December 2024
Strengthening the Company's new economy online sales channel	17.5%	36.2	32.1	6.3	25.8	December 2024
Further enhancing the Company's in-house design capabilities to offer creative and innovative solutions	11.8%	24.4	9.3	9.3	–	N/A
Repaying existing indebtedness to improve the Group's gearing ratio	9.2%	19.0	–	–	–	N/A
General working capital	10%	20.6	–	–	–	N/A
Total	100.0%	206.8	134.0	46.7	87.3	

Following the recovery of the COVID-19 pandemic, the Company has resumed 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 and the fluctuation of the property market of the PRC, 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 2025.

Similarly, the Company has continued to conduct site visit for suitable lease properties for the establishment of a training centre for key opinion leaders in China and have conducted 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 2024.

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

During the year ended 31 December 2023, the Company repurchased a total of 19,007,000 Shares on the market. All the Shares repurchased by the Company were subsequently cancelled. As at 31 December 2023, the total number of Shares in issue was 980,993,000. Details of the Shares repurchased are as follows:

Date of repurchase	Number of Shares repurchased	Price paid per Share		Aggregate consideration (excluding all related expenses) (HK$)
		Highest price paid (HK$)	Lowest price paid (HK$)	
18 January 2023	500,000	1.74	1.74	870,000
19 January 2023	2,120,000	1.75	1.75	3,710,000
20 January 2023	925,000	1.74	1.74	1,609,500
26 January 2023	1,695,000	1.76	1.75	2,971,250
27 January 2023	1,000,000	1.76	1.76	1,760,000
6 April 2023	3,000,000	1.57	1.57	4,710,000
14 April 2023	3,000,000	1.51	1.51	4,530,000
24 April 2023	2,560,000	1.45	1.45	3,712,000
28 April 2023	720,000	1.45	1.45	1,044,000
4 May 2023	1,412,000	1.43	1.42	2,008,560
8 May 2023	1,000,000	1.41	1.41	1,410,000
9 May 2023	1,075,000	1.41	1.41	1,515,750
Total	19,007,000			29,851,060

In addition, the Trustee who was appointed by the Company to assist with the administration of the Share Award Scheme also purchased 32,700,000 Shares on the market for a total consideration of HK$54,441,400 (excluding all related expenses, transaction levy, brokerage, tax, duties and levies) as of 31 December 2023 to hold on trust for the purpose of the Share Award Scheme.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2023.

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 C1 to the Listing Rules (the "**CG Code**"). During the year ended 31 December 2023, 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 Appendix C1 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 HK0.5 cents per share for FY2023 (FY2022: HK2.01 cents per share), amounting to a total of HK$4,904,965 (FY2022: HK$19,974,576). The proposed final dividend is subject to the approval of the shareholders at the annual general meeting of the Company to be held on 27 May 2024 (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, 22 May 2024 to Monday, 27 May 2024, 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, 21 May 2024.

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, 3 June 2024 to Wednesday, 5 June 2024, 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 Friday, 31 May 2024.

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 2023 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 FY2023 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 FY2023. 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, 27 March 2024

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. Li Xiang 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.

* *For identification purpose only*