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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 2024**

FINANCIAL HIGHLIGHTS

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

Notes:

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

KEY FINANCIAL RATIOS

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

Notes:

- (1) No gross profit margin can be determined for character licensing business segment. Segment gross profit margin for each year is calculated based on the revenue attributable to the Group's e-commerce and other business deducting cost of inventories sold divided by the revenue attributable to the Group's e-commerce and other business for the respective year.
- (2) Net loss margin for each year is calculated based on net loss divided by revenue for the respective year.
- (3) Return on equity equals to loss for the year divided by total equity as at the end of the relevant year.
- (4) Return on total assets equals to loss for the year divided by total assets as at the end of the relevant year.
- (5) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the respective year.
- (6) Quick ratio is calculated based on total current assets less inventories, divided by the total current liabilities as at the end of the respective year.
- (7) Gearing ratio is calculated based on the total interest-bearing borrowings divided by total equity as at the end of the respective year.
- (8) Net debt to equity ratio is calculated based on net debt as at the end of the respective year divided by total equity as at the end of the respective year. Net debt includes all interest-bearing borrowings (if any), net of cash and cash equivalents (including the time deposits with original maturity over three months).
- (9) The Group was in a net cash position, as the amount of cash and cash equivalents (including the time deposits with original maturity over three months) exceeded the total interest-bearing borrowings of the Group, such that the net debt to equity ratio is not applicable.

ANNUAL RESULTS

The board (“**Board**”) of directors (“**Director(s)**”) of B.Duck Semk Holdings International Limited (“**Company**”, together with its subsidiaries and consolidated structured entities, the “**Group**”) announces the consolidated results of the Group for the year ended 31 December 2024 (“**FY2024**”), together with the comparative figures for the year ended 31 December 2023 (“**FY2023**”) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

		For the year ended 31 December	
	Note	2024 HK\$'000	2023 HK\$'000
Revenue	3	128,526	129,542
Other income	4	10,412	15,558
Other loss, net	4	(4,485)	(844)
Net (loss)/gain on financial asset of fair value through profit or loss		(535)	914
Cost of inventories sold		(36,453)	(39,518)
Employee benefit expenses		(64,604)	(64,547)
Promotion costs		(18,426)	(16,193)
Online platform usage fee		(10,195)	(5,410)
Depreciation and amortisation		(15,544)	(14,058)
Net impairment losses on financial assets and contract assets		(3,049)	(8,315)
Other expenses	5	(37,884)	(40,793)
Operating loss		(52,237)	(43,664)
Finance income		4,356	1,940
Finance costs		(2,861)	(4,438)
Finance income/(costs), net		<u>1,495</u>	<u>(2,498)</u>
Loss before income tax		(50,742)	(46,162)
Income tax expense	6	<u>1,402</u>	<u>(529)</u>
Loss for the year		<u>(49,340)</u>	<u>(46,691)</u>

		For the year ended 31 December	
		2024	2023
	Note	HK\$'000	HK\$'000
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
– Currency translation differences		(1,426)	(2,280)
<i>Item that will not be subsequently reclassified to profit or loss:</i>			
– Currency translation differences		(104)	(17)
		<u>(1,530)</u>	<u>(2,297)</u>
Total comprehensive loss for the year		<u>(50,870)</u>	<u>(48,988)</u>
Loss for the year attributable to			
Equity holders of the Company		(46,404)	(46,206)
Non-controlling interests		<u>(2,936)</u>	<u>(485)</u>
		(49,340)	(46,691)
Total comprehensive loss attributable to:			
Equity holders of the Company		(47,830)	(48,486)
Non-controlling interests		<u>(3,040)</u>	<u>(502)</u>
		<u>(50,870)</u>	<u>(48,988)</u>
Loss per share for loss attributable to the equity holders of the Company for the year:			
– Basic and diluted (expressed in HK cents per share)	7	<u>(4.9)</u>	<u>(4.8)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

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

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

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, Uglund 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 2024

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

HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
Hong Kong Interpretation 5 (Revised)	Hong Kong Interpretation (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements

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

(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
HKAS 21 and HKFRS 1 (Amendments)	Lack of Exchangeability	1 January 2025
HKFRS 9 and HKFRS 7 (Amendments)	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	Annual Improvements to HKFRS Accounting Standards –Volume 11	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Hong Kong Interpretation 5 (Amendments)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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	
	2024	2023
	HK\$'000	HK\$'000
Revenue		
<u>Recognised over time</u>		
Provision of licensing services	43,602	56,622
Provision of design consultation services	16,468	12,344
	<u>60,070</u>	<u>68,966</u>
<u>Recognised at a point in time</u>		
Sales of licensed brand products	68,456	60,576
Total revenue	<u>128,526</u>	<u>129,542</u>

For the year ended 31 December 2024, there was 1 customer (2023: 1) which individually contributed 10% or more of the Group's total revenue. The revenue contributed from the customers that contributed 10% or more of the Group's revenue is as follows:

	For the year ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
Customer A – licensing services and design consultation services	14,071	18,158

(b) Segment information

The directors have been identified as the CODM of the Group who review the Group's internal reporting in order to assess performance and allocate resources. The directors regard the Group's business as two reporting segments based on respective revenue and segment results, being profit after tax before unallocated expenses for the purposes of allocating resources and assessing performance. These reports are prepared on the same basis as these consolidated financial statements. Information relating to segment assets and liabilities are not disclosed as such information not regularly reported to the CODM.

The CODM identifies two reportable segments considering the nature of products and services, namely Character licensing and E-commerce and other. The Character licensing business is mainly engaged in the provision of licensing services and design consultation services, whilst E-commerce and other business is mainly engaged in the trading of licensed brand products through online platforms and offline channels.

	Character licensing <i>HK\$'000</i>	E-commerce and other <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 December 2024			
Gross revenue	62,650	68,456	131,106
Inter-segment revenue	(2,580)	–	(2,580)
Revenue from external sales	60,070	68,456	128,526
Segment results	(39,971)	(3,470)	(43,441)
Unallocated: – Share-based payment			(5,899)
Loss after income tax			(49,340)
Other segment items			
Employee benefit expenses	(38,579)	(20,126)	(58,705)
Depreciation and amortisation	(13,064)	(2,480)	(15,544)
Cost of inventories sold	–	(36,453)	(36,453)
Other expenses	(31,163)	(6,721)	(37,884)
For the year ended 31 December 2023			
Gross revenue	70,906	60,576	131,482
Inter-segment revenue	(1,940)	–	(1,940)
Revenue from external sales	68,966	60,576	129,542
Segment results	(30,004)	(11,069)	(41,073)
Unallocated: – Share-based payment			(5,618)
Loss after income tax			(46,691)
Other segment items			
Employee benefit expenses	(40,005)	(18,924)	(58,929)
Depreciation and amortisation	(8,895)	(5,163)	(14,058)
Cost of inventories sold	–	(39,518)	(39,518)
Other expenses	(36,773)	(4,020)	(40,793)

The amount of revenue by customers' location is shown in the following table:

	For the year ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
Mainland China	121,460	123,021
Hong Kong	2,211	2,420
Southeast Asia and Taiwan	4,391	4,030
Others	464	71
	<u>128,526</u>	<u>129,542</u>

As of 31 December 2024, the total of non-current assets other than deferred tax assets located in Hong Kong was HK\$69,716,000 (2023: HK\$69,849,000) and the total of these non-current assets located in Mainland China was HK\$36,479,000 (2023: HK\$43,880,000).

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

	For the year ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
Other income		
Sample sales	1,220	2,435
E-commerce solutions service (<i>Note c</i>)	2,197	—
Management fee income	2,726	2,419
Government subsidies (<i>Note a</i>)	313	1,935
Compensation received (<i>Note b</i>)	2,874	7,748
Gain on early termination of leases	224	101
Sundry income	858	920
	<u>10,412</u>	<u>15,558</u>
Other loss, net		
Fair value change from financial assets at fair value through profit or loss	(535)	914
Net foreign exchange losses	(4,584)	(886)
Changes in surrender value of investment life insurance contract	99	42
	<u>(5,020)</u>	<u>70</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: During the year ended 31 December 2024, the Group provided operation support to the e-commerce business of ENS Toys (Huizhou) Limited, which is a company ultimately wholly owned by Mr. Hui Ha Lam, an Executive Director of the Company.

5 OTHER EXPENSES

	For the year ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
Travelling and transportation	7,995	5,763
Office expenses	4,977	4,284
Legal and professional fees	16,397	21,455
Agency fee	162	635
Rental expenses – short term leases	856	2,342
Repair and maintenance	38	195
Insurance expense	562	619
Building management fee	1,662	905
Licensing fee	47	109
Office co-sharing expense	–	20
Auditor's remuneration		
– Audit service	1,360	1,600
– Non-audit service	290	380
Others	3,538	2,486
	37,884	40,793

6 INCOME TAX EXPENSE

	For the year ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
Current income tax:		
– Hong Kong profits tax	2	43
– Mainland China corporate income tax	237	–
– Withholding tax	2,024	2,214
Over provision in prior year	(6)	–
	2,257	2,257
Deferred income tax	(3,659)	(1,728)
	(1,402)	529

Hong Kong profits tax has been provided at the rate of 16.5% for the years ended 31 December 2024 and 2023.

In accordance with the two-tiered profits tax regime effective from 1 January 2018, Hong Kong profits tax has calculated at 8.25% on the first HK\$2,000,000 for one of the subsidiaries in Hong Kong, and 16.5% on the remaining balance of the estimated assessable profits for the years ended 31 December 2024 and 2023.

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

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

As at 31 December 2024 and 2023, there were no deferred income tax provided in relation to the unremitted earnings as the Group's management has approved that the Mainland China subsidiaries have no intention and are not probable to declare dividend in the foreseeable future and the Group is able to control the timing of the reversal of the temporary differences and it is decided that the unremitted earnings will not be remitted in the foreseeable future.

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

	For the year ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
Loss before income tax	<u>(50,742)</u>	<u>(46,162)</u>
Tax charge at 16.5%	(8,372)	(7,617)
Effect of different taxation rates in other countries	(530)	1,882
Income not subjected to tax	(454)	(313)
Over provision in prior year	(6)	–
Non-deductible expenses for tax purposes	3,407	3,377
Tax losses not recognised	3,541	986
Withholding tax	2,024	2,214
Tax effect of withholding tax	<u>(1,012)</u>	<u>–</u>
	<u>(1,402)</u>	<u>529</u>

Note:

The statutory income tax rate applicable to entities in the Mainland China is 25% during the year ended 31 December 2024 (2023: same), other than a qualified subsidiary registered in Qianhai Shenzhen – Hong Kong Modern Service Industry Cooperation Zone, which is entitled to a concessionary tax rate of 15% from 2022.

7 LOSS PER SHARE

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

a) Basic

Basic losses per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2024 and 2023.

The 8,244,000 shares purchased for the purpose of the Share Award Scheme of the Company during the year ended 31 December 2024, 7,700,000 shares purchased for the purpose of the Share Award Scheme of the Company during the year ended 31 December 2023 and 19,007,000 shares repurchased and cancelled during the year ended 31 December 2023 are accounted at time portion basis.

	For the year ended 31 December	
	2024	2023
Loss attributable to holders of the Company (<i>HK\$'000</i>)	<u>(46,404)</u>	<u>(46,206)</u>
Weighted average number of ordinary shares in issue	<u>944,139,227</u>	<u>971,235,342</u>
Basic losses per share (expressed in HK cents per share)	<u><u>(4.9)</u></u>	<u><u>(4.8)</u></u>

b) Diluted

For the year ended 31 December 2024, the Company had potential ordinary shares being share awards (2023: same).

Diluted loss per share presented for the year ended 31 December 2024 is the basic loss per share as the inclusion of the potential ordinary shares in the calculation of dilutive loss per share would be anti-dilutive.

8 DIVIDEND

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

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\$4,905,000, which was approved and paid out of share premium account during the year ended 31 December 2024, of which HK\$163,000 were paid to the Trust under the Share Award Scheme.

The Board has resolved not to propose any final dividend in respect of the year ended 31 December 2024.

9 TRADE RECEIVABLES

	As at 31 December 2024 HK\$'000	2023 HK\$'000
Trade receivables	57,561	70,831
Less: loss allowance	(18,493)	(19,803)
	<u>39,068</u>	<u>51,028</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 2024 HK\$'000	2023 HK\$'000
Current – 30 days	38,840	49,939
31 – 60 days	512	2,185
61 – 90 days	201	253
91 – 120 days	96	2,203
121 – 180 days	764	1,537
Over 180 days	17,148	14,714
	<u>57,561</u>	<u>70,831</u>

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

	For the year ended 31 December	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Beginning of the year	(19,803)	(19,125)
Impairment loss on trade receivables	(4,024)	(6,631)
Written off	4,932	5,651
Currency translation differences	402	302
	<hr/>	<hr/>
End of the year	(18,493)	(19,803)
	<hr/> <hr/>	<hr/> <hr/>

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	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$	1,020	1,418
RMB	56,405	69,413
Thailand Baht ("THB")	136	—
	<hr/>	<hr/>
	57,561	70,831
	<hr/> <hr/>	<hr/> <hr/>

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	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables		
– Third parties	2,307	5,646

The credit period granted by suppliers for trade payables generally range around 60 days. The ageing analysis of the trade payables by invoice date is as follows:

	As at 31 December	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Up to 30 days	1,545	1,149
31 to 60 days	172	67
61 to 90 days	222	131
Over 90 days	368	4,299
	2,307	5,646

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

	As at 31 December	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$	286	16
RMB	2,021	5,630
	2,307	5,646

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\$59,393,000), with the allegation of the Group and a retailer of the Group’s licensed products (the “**Licensee**”) for causing unfair competition and infringement of certain registered trademarks (the “**Claimant’s Trademarks**”) by sales of kitchen utensils, towels, and shoes and apparels bearing the trademarks of the Group (the “**Alleged Trademarks**”), which were alleged to be similar to the Claimant’s Trademarks.

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

On 19 January 2023, the Group has lodged an appeal (the “**Appeal**”) against the Judgement. During 2023, the Claimant’s Trademarks were invalidated by the China National Intellectual Property Administration and the Claimant’s Appeal against the invalidation claim has been rejected in June 2024. Based on the opinion from the legal advisors of the Group, there is a high probability that the Judgement can be overturned.

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

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

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, where the Group licenses the B.Duck Family Characters and brands to its licensees, provides them with product design application services and allows them to incorporate these designs into their products and services offering; and (ii) the e-commerce and other business: the design, development, procurement and retail sales of the Group's B.Duck Family Characters-featured products through multi-channels including operation of mobile games.

Character Licensing Business

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

E-commerce and Other Business

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

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

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

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Revenue by Business Segment

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

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

As at the end of FY2023

455

As at the end of FY2024

530

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

Revenue by Customers' Geographical Location

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

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

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

Revenue generated from Character Licensing Business

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

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

Cost of Inventories Sold and Employee Benefit Expenses

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

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

Net Impairment Losses on Financial Assets and Contract Assets

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

Other Income

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

Promotion Costs

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

Online Platform Usage Fees

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

Operating Loss

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

Other Expenses

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

	FY2024		FY2023	
	HK\$'000	%	HK\$'000	%
Travelling and transportation	7,995	21.1	5,763	14.1
Office and office co-sharing expenses	4,977	13.1	4,304	10.5
Legal, audit and professional fees	16,397	43.3	23,435	57.4
Agency fees	162	0.4	635	1.6
Building management fee and rental expenses	2,518	6.7	3,247	8.0
Licensing fee	47	0.1	109	0.3
Others ^(Note)	5,788	15.3	3,300	8.1
	37,884	100.0	40,793	100.0

Note: Others include, among others, repair and maintenance, insurance expenses, decoration expenses, sample fees, utilities and testing fees, 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 fees represent (i) the commission of licensing agents; and (ii) licensing fee for the licensed characters obtained from independent licensors. Such expenses decrease for FY2024 primarily resulting from reduced legal and professional fees associated with the Group's legal proceedings.

Finance Income/(Costs), Net

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

Income Tax Expense

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

Non-HKFRS Financial Measures

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

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

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

Loss for the Year

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

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 31 December 2024, the Group had total borrowings of HK\$45.9 million, compared to the total borrowings of HK\$43.6 million as at 31 December 2023. As at 31 December 2024, the Group's total borrowings were mainly denominated in HK\$, with weighted average effective interest rates was 4.42% per annum.

As at 31 December 2024, the Group had lease liabilities of HK\$17.3 million, compared to the lease liabilities of HK\$26.1 million as at 31 December 2023.

The Board will evaluate the Group's capital structure from time to time based on the Group's operations, its business growth, the relevant funding requirements and available financial resources.

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

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

TREASURY POLICY

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

PLEDGE OF ASSETS

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

GEARING RATIO

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

CONTINGENT LIABILITIES

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

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

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

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

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

FOREIGN EXCHANGE RISK MANAGEMENT

The Group operates principally in Hong Kong and Mainland China and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollar (“**US\$**”) and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. The Group does not hold or issue any derivative financial instruments to manage its exposure to foreign currency risk. Majority of the revenue generated, and cost incurred 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 AND COMMITMENTS

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

HUMAN RESOURCES

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

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

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

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

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

Except for the consolidation of the structured entities by the Group under the contractual arrangements (the “**Contractual Arrangements**”) for the development, publication and operation of its online game business, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates, or joint ventures during FY2024. Details of the Contractual Arrangements are set out in the Company’s announcements dated 26 April 2024 and 22 July 2024, as well as the Company’s circular dated 12 August 2024.

EVENT AFTER REPORTING PERIOD

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

FUTURE OUTLOOK

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

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

1. Expanding our footprint and building a diversified growth model

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

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

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

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

2. Embarking overseas and focusing on “internationalisation”

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

3. New IP incubation

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

4. Industrial investment, mergers and acquisitions

- 1) The Group will proactively cooperate with start-up companies engaging in new consumption and new retail business. At the same time, the Group will make equity investment in these types of companies in a timely and appropriate manner, and provide them with the Group’s resources such as “brand + IP operation + design + capital + channel”, so as to promote the expansion of new categories of licensing while ensuring financial gains and in turn boosting IP licensing income.
- 2) For long-term licensees, the Group will seek to cooperate with clients who are able to establish in-depth cooperation with us in terms of business, retail channels, personnel, intellectual property rights and profitability in the future. Through investment, the Group will speed up the integration of its retail channels, strengthen supply chain cooperation and collaboration, enhance its product sales and distribution capabilities, as well as expand its revenue and asset scale.
- 3) The Group will proactively explore the possibility of cooperating with the local governments in China, so as to cooperate with state-owned capital and work with well-known large-scale fund management institutions. The Group will also focus on investment in the fields of new consumption, AI application and retail channels, so as to explore government channels while strengthening industrial ecosystem that boost our licensing and merchandise retailing businesses.

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

USE OF PROCEEDS FROM GLOBAL OFFERING

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

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

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

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

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

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

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

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

The Trustee who was appointed by the Company to assist with the administration of the Share Award Scheme purchased 8,244,000 Shares on the market for a total consideration of HK\$9,666,225 (excluding all related expenses, transaction levy, brokerage, tax, duties and levies) as of 31 December 2024 to hold on trust for the purpose of the Share Award Scheme.

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

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 2024, save for the deviation from code provisions C.2.1 and D.1.2 of the CG Code as disclosed below, the Board considers that, the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the CG Code and the Directors will use their best endeavours to procure the Company to comply with the CG Code and make disclosure of deviation from the CG Code in accordance with the Listing Rules.

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

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

FINAL DIVIDEND

The Board did not propose any final dividend for FY2024 (FY2023: HK\$0.5 cents per Share).

CLOSURE OF REGISTER OF MEMBERS

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

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 Prof. Chan Ka Yin Karen, *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 2024 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 FY2024 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 FY2024. 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, 28 March 2025

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 and Mr. Cheung Chin Yiu as executive Directors, Mr. Liang Xingchao as non-executive Director and Ms. Leung Ping Fun Anita, Mr. Sung Chi Keung and Prof. Chan Ka Yin Karen, JP as independent non-executive Directors.