

INTERIM* REPORT

© SEMK Products Limited

20
22



B. Duck™



Interim Report
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LOOKING FORWARD, we, through accumulated strong following and coverage on our social media and e-commerce platforms and build strong reputation for high quality designs for our licensees, will collocate the win-win partnership, both brands will strategically set to benefit from a combined fans' base and achieve remarkable growth through synergistic marketing strategy.

"Be Playful"
"Be Playful"
"Be Playful"

Incorporated in the Cayman Islands with limited liability

SEMk®

SEMK HOLDINGS INTERNATIONAL LIMITED

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Hui Ha Lam (*Chairman of the Board and Chief Executive Officer*)
 Mr. Kwok Chun Kit
 Mr. Cheung Chin Yiu
 Mr. Tse Tsz Leong

Non-Executive Directors

Mr. Wong Yin Shun Vincent, *MH*
 Mr. Chen Hongjiang

Independent Non-Executive Directors

Ms. Leung Ping Fun Anita
 Mr. Sung Chi Keung
 Dr. Chan Kai Yue Jason, *MH, JP*

REMUNERATION COMMITTEE

Ms. Leung Ping Fun Anita
 (*Chairperson*)
 Mr. Hui Ha Lam
 Mr. Sung Chi Keung

NOMINATION COMMITTEE

Mr. Hui Ha Lam (*Chairman*)
 Mr. Sung Chi Keung
 Dr. Chan Kai Yue Jason, *MH, JP*

AUDIT COMMITTEE

Mr. Sung Chi Keung (*Chairman*)
 Ms. Leung Ping Fun Anita
 Dr. Chan Kai Yue Jason, *MH, JP*

COMPANY SECRETARY

Mr. Tse Tsz Leong (*HKICPA*)

AUTHORISED REPRESENTATIVES

(*for the purpose of the Listing Rules*)

Mr. Hui Ha Lam
 Mr. Tse Tsz Leong

REGISTERED OFFICE

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Hong Kong

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STOCK CODE

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FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (audited)
Revenue	91,737	123,773
(Loss)/profit for the period	(18,523)	17,461
Adjusted net (loss)/profit under non-HKFRS financial measures ⁽¹⁾	(6,709)	25,606
Net profit margin (%) ⁽²⁾	(20.2)	14.1
Adjusted net profit margin under non-HKFRS financial measures (%) ⁽³⁾	(7.3)	20.7

Notes:

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

FINANCIAL
HIGHLIGHTS

	As at 30 June 2022 (unaudited)	As at 30 June 2021 (audited)
Segment gross profit margin (%) ⁽¹⁾	48.0	57.3
Return on equity (%) ⁽²⁾	(6.1)	21.9
Return on total assets (%) ⁽³⁾	(5.2)	10.1
Current ratio (times) ⁽⁴⁾	7.6	1.7
Quick ratio (times) ⁽⁵⁾	6.7	1.3
Gearing ratio (%) ⁽⁶⁾	N/A⁽⁷⁾	53.6
Net debt to equity ratio (%) ⁽⁸⁾	N/A⁽⁹⁾	5.5

Notes:

- (1) No gross profit margin can be determined for character licensing business segment. Segment gross profit margin for each of the period 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 period.
- (2) Return on equity equals to loss/profit for the period divided by total equity of the relevant period.
- (3) Return on total assets equals to loss/profit for the period divided by total assets of the relevant period.
- (4) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the respective period.
- (5) Quick ratio is calculated based on total current assets less inventories divided by the total current liabilities as at the end of the respective period.
- (6) Gearing ratio is calculated based on the total interest-bearing borrowings divided by total equity as at the respective period.
- (7) The Group had no interest-bearing borrowings, such that the gearing ratio is not applicable.
- (8) Net debt to equity ratio is calculated based on net debts as at the end of the respective period divided by total equity as at the end of the respective period. Net debt includes all interest-bearing borrowings (if any), net of cash and cash equivalents.
- (9) The Group was at a net cash position as the amount of cash and cash equivalents exceeded the total interest-bearing borrowings of the Group, such that the net debt to equity ratio is not applicable.



CHAIRMAN'S STATEMENT

Dear Shareholders and Investors,

It is our pleasure that herein I, Hui Ha Lam, founder of Semk Holdings International Limited (“Company”, together with its subsidiaries, the “Group”) and father of B.Duck, am presenting with you the interim report of the Group for the six months ended 30 June 2022.

During the first half of 2022, due to the resurgence of the COVID-19 pandemic in Mainland China, our licensees temporarily closed certain physical stores in compliance with the guidelines and requirements of local governments in Mainland China. As most of our licensees’ physical stores were mainly located in the first and second tier cities of the Eastern side of China, including Shanghai, the operations of the Group for the first half of this year were therefore more vulnerable to the pandemic as compared to the first half of 2021; the Group’s revenue from e-commerce and other business was also impacted due to the pandemic which affected the timeliness of logistics in some areas; and the performance growth rate of the Group declined due to a significant drop in foot traffic and weakened consumer sentiment.

Nevertheless, the impact of the COVID-19 resurgence is rather short-term in nature and will not affect our growth momentum and market position in Mainland China. Even in such difficult and unstable economic situation in the first half of 2022, we achieved growth in number of licensees from 385 as of 31 December 2021 to 398 as of 30 June 2022. In light of the Group’s strategies for broadening character portfolio and enhancing in-house design capability, we have expanded our headcount of our branding and design teams before the COVID-19 resurgence. We never stop on cultivating our design capabilities and creativity. As at 30 June 2022, we had created more than 1,100 style guides (31 December 2021: 950 style guides), and developed more than 33,000 SKUs (31 December 2021: 25,000 SKUs) for different customer merchandise under our character licensing business. There is also an increment of more than 80% of our B.Duck Fans database, compared with that as of 31 December 2021. In the past six months, we have gathered our B.Duck Fans database scattered over various channels accessed by our licensees, together with continued efforts of our branding team. We are able to interact directly with over 19 million subscribers and followers across various e-commerce and social platforms. We, having “B.Duck” brand as the largest domestic character IP in China in 2021, are committed to being one of the pioneer Chinese character IP to explore overseas so that we can spread happiness to every corner around the world and enhance soft power in Chinese cultural style.

CHAIRMAN'S
STATEMENT

Merchandise licensing is a key indicator of overall performance of consumer goods market. We have experienced an extensive growth in excess royalty of merchandise licensing, with an increment of more than 18 times from 2018 to 2021, indicating that our licensees have performed well above their expectation and overall consumer goods market. We are confident that while the overall economy, especially in Mainland China, will rebound soon, our Group would be benefited most, given we have extensive licensing network and splendid sales performance and growth of our licensees in the past years. Our operating expenses have maintained at a steady level over the years, despite a growth in excess royalty historically. The recovery of overall consumer goods market will contribute to the royalties from licensees and in return our profitability progressively.

Looking forward, our development is in a multi-dimensional. Firstly, we focus on boosting IP matrix, developing digital creativity and investing in potential brands of our value chain. Secondly, it is our strategy to develop cross-border e-commerce in Southeast Asian markets, fully integrating online-offline businesses and diversifying market channels. Thirdly, based on web 3.0, we explore the metaverse community and build an on-offline private traffic pool for our brands. Last but not least, we are committed to deepening our product dimensions, and exploring fashion brands and designer toys.

On behalf of the board (the “Board”) of directors (the “Directors”) of the Company, I would like to express my sincere thanks to all fans, licensees, partners and investors for your support and trust, and to all colleagues, for your work in execution of the Group’s strategies and operations.

Hui Ha Lam
Chairman

30 August 2022



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. In 2015, the Group's launched the first online flagship store on Tmall, a well-known business-to-customer online shopping platform in China. Following the Group's success in the opening of such flagship store, the Group subsequently expanded onto other e-commerce platforms, such as JD.com, VIP.com and HKTVmall, to offer its products and allow customers to pay online with products directly shipped to the customers.

MANAGEMENT DISCUSSION
AND ANALYSIS

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

	For the six months ended	
	30 June 2022 HK\$'000	30 June 2021 HK\$'000
Character licensing business	48,690	58,972
E-commerce and other business	43,047	64,801
Total	91,737	123,773

FINANCIAL REVIEW

Revenue by Business Segment

The Group's revenue from character licensing business decreased by approximately HK\$10.3 million or approximately 17.4% from approximately HK\$59.0 million for the six months ended 30 June 2021 ("6M2021") to approximately HK\$48.7 million for the six months ended 30 June 2022 ("6M2022"). Such decrease was mainly attributable to the decrease in excess royalties charged from licencees as a result of the resurgence of the COVID-19 pandemic in Mainland China. Our licensees temporarily closed certain physical stores and suffered from weakened consumer sentiment due to the pandemic.



MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the movement of the number of licensees (exclusive of licensing agents) the Group had established business relationship with as of 31 December 2021 and 30 June 2022:

As at the end of 30 June 2022	As at the end of 31 December 2021
398	385

The Group's revenue from e-commerce and other business decreased by approximately HK\$21.8 million or approximately 33.6% from approximately HK\$64.8 million for 6M2021 to approximately HK\$43.0 million for 6M2022. Such decrease was primarily attributable to the decrease in sales through e-commerce platforms, partly as a result of the pandemic which affected the timeliness of logistics in some areas, and conservative procurement policy in response to volatile consumer goods market; as well as downsizing of the Group's offline sales operations to wholesalers in Hong Kong.

Revenue by IPs

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

MANAGEMENT DISCUSSION
AND ANALYSIS

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

	For the six months ended			
	30 June 2022		30 June 2021	
	HK\$'000	%	HK\$'000	%
The Group's self-created				
IP characters				
B.Duck	37,546	77.1	43,423	73.6
Buffy	3,038	6.2	3,251	5.5
B.Duck Baby	7,480	15.4	10,469	17.7
Bath'N Duck	391	0.8	387	0.7
Dong Duck	–	–	1,155	2.0
Licensed Characters	235	0.5	287	0.5
Total	48,690	100.0	58,972	100.0

B.Duck products are the Group's major product type. Revenue from B.Duck products, which contributed 77.1% of its licensing revenue in 6M2022, decreased by approximately 13.5% from approximately HK\$43.4 million for 6M2021 to approximately HK\$37.5 million for 6M2022.



MANAGEMENT DISCUSSION AND ANALYSIS

Revenue by Customers' Geographical Location

The following table sets forth a breakdown of the Group's revenue by customers' geographical location for the six months ended 30 June 2021 and 2022:

	For the six months ended		30 June 2021	
	30 June 2022		30 June 2021	
	HK\$'000	%	HK\$'000	%
The People's Republic of				
China (the "PRC")	87,709	95.6	119,214	96.3
Hong Kong	3,595	3.9	3,746	3.0
Southeast Asia and Taiwan	376	0.4	755	0.6
Others ^(Note)	57	0.1	58	0.1
Total	91,737	100.0	123,773	100.0

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

MANAGEMENT DISCUSSION
AND ANALYSIS**Revenue generated from Character Licensing Business**

The following table sets forth a breakdown of the Group's revenue by service type under its character licensing business for the six months ended 30 June 2021 and 2022:

	For the six months ended			
	30 June 2022		30 June 2021	
	HK\$'000	%	HK\$'000	%
Merchandise licensing				
Minimum guarantee	23,569	48.4	22,597	38.3
Excess royalties	11,617	23.9	17,035	28.9
Total royalty income	35,186	72.3	39,632	67.2
LBE licensing				
Minimum guarantee	1,574	3.2	3,834	6.5
Excess royalties	477	1.0	1,197	2.0
Total royalty income	2,051	4.2	5,031	8.5
Content and media licensing				
Minimum guarantee	1,106	2.3	951	1.6
Excess royalties	607	1.2	145	0.3
Total royalty income	1,713	3.5	1,096	1.9
Promotion licensing				
Minimum guarantee	1,102	2.3	1,037	1.8
Excess royalties	–	–	261	0.4
Total royalty income	1,102	2.3	1,298	2.2
Design consultation service fees				
	8,638	17.7	11,915	20.2
Total	48,690	100.0	58,972	100.0



MANAGEMENT DISCUSSION AND ANALYSIS

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

	For the six months ended 30 June 2022 HK\$'000	For the year ended 31 December 2021 HK\$'000
Outstanding aggregate contract sum at the beginning of the period/year		
Merchandise licensing	62,946	60,143
LBE licensing	11,060	13,028
Content and media licensing	1,869	2,639
Promotion licensing	1,193	420
Design consultation	1,084	1,547
Add: Net contract sum of contracts awarded/ terminated during the period/year		
Merchandise licensing	25,599	50,728
LBE licensing	1,077	8,678
Content and media licensing	277	1,077
Promotion licensing	1,282	2,533
Design consultation	10,463	20,071
Less: Revenue recognised during the period/year		
Merchandise licensing	(23,569)	(49,015)
LBE licensing	(1,574)	(6,701)
Content and media licensing	(1,106)	(1,940)
Promotion licensing	(1,102)	(1,780)
Design consultation	(8,638)	(20,534)
Foreign currency translation differences ^(Note)	(7,772)	(2,742)
Outstanding aggregate contract sum at the end of the period/year		
Merchandise licensing	61,099	62,946
LBE licensing	6,628	11,060
Content and media licensing	1,101	1,869
Promotion licensing	1,434	1,193
Design consultation	2,827	1,084
Total	73,089	78,152

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

MANAGEMENT DISCUSSION
AND ANALYSIS**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\$22.4 million and HK\$27.7 million for 6M2022 and 6M2021, respectively, which accounted for approximately 23.4% and 29.1% 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 periods. The Group generally sets the price of the merchandise it offers to its customers based on the merchandise procurement costs plus a profit margin. When the prices offered to the Group by its suppliers fluctuate, the selling prices of the merchandises would be adjusted correspondingly. However, there is no guarantee that the Group can fully pass the increase in procurement costs on to its customers and the results of operation may therefore be adversely affected. In addition, any raise in the merchandise selling price due to increase in procurement costs may render the merchandise less competitive in the market and lead to a possible decrease in the Group's profit margin.

The employee benefit expenses (primarily comprising salaries and allowances) amounted to approximately HK\$35.6 million and HK\$29.9 million for 6M2022 and 6M2021, respectively, representing approximately 37.2% and 31.4% 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 periods. During 6M2022, the Group has increased its headcount in particular designers and branding team, in line with its direction to rolling out new characters and develop licensed articles to digital assets and LBE projects, in light of this, additional investments in human resources is made in the Group's design capacities, including but not limited to multi-media designers and 3D designers.



MANAGEMENT DISCUSSION AND ANALYSIS

Net (Impairment Losses)/Reversal of Impairment Losses on Financial Assets and Contract Assets

The Group's net reversal of impairment losses on financial assets and contract assets was approximately HK\$1.9 million for 6M2021 and the net impairment losses on financial assets and contract assets was HK\$2.8 million for 6M2022. Such change was primarily due to the increase in trade receivables and contract assets.

Other Income

Other income increased by approximately 16.2% from approximately HK\$4.6 million for 6M2021 to approximately HK\$5.3 million for 6M2022, primarily due to more government subsidies and compensation received from legal proceedings.

Listing Expenses

The Group's listing expenses primarily include legal and other professional fees and other expenses associated with the preparation for the Listing. The listing expenses amounted to approximately HK\$8.1 million and HK\$11.8 million for 6M2021, and 6M2022, respectively.

Promotion Costs

The Group's promotion costs primarily comprise costs incurred for promotional campaigns, advertisements, brand management and marketing activities. For 6M2021 and 6M2022, the Group's promotion costs amounted to approximately HK\$8.1 million and HK\$8.1 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 6M2021 and 6M2022, online platform usage fee amounted to approximately HK\$6.7 million and HK\$6.0 million, respectively.

MANAGEMENT DISCUSSION
AND ANALYSIS**Operating (Loss)/profit**

As a result of the above, the Group's operating (loss)/profit decreased by approximately 160% from operating profit of approximately HK\$27.4 million for 6M2021 to operating loss of approximately HK\$16.5 million for 6M2022.

Other Expenses

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

	For the six months ended			
	30 June 2022		30 June 2021	
	HK\$'000	%	HK\$'000	%
Travelling and transportation	4,451	25.5	5,514	30.6
Office and office co-sharing expenses	2,725	15.6	2,323	12.9
Legal, audit and professional fee	5,608	32.1	6,043	33.6
Agency fee	275	1.6	911	5.1
Building management fee and rental expenses	897	5.1	1,097	6.1
Licensing fee	334	1.9	608	3.4
Others ^(Note)	3,186	18.2	1,501	8.3
	17,476	100.0	17,997	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 relates to audit fee and legal costs incurred in (i) the protection of trademarks, and (ii) legal proceedings of the Group. Agency fee represents (i) the commission of licensing agents; (ii) licensing fee for the licensed characters obtained from independent licensors; and (iii) expenses incurred for the launching and licensing of Dong Duck.



MANAGEMENT DISCUSSION AND ANALYSIS

Finance Costs, Net

Finance costs, net, decreased by approximately 36.8% from approximately HK\$0.8 million for 6M2021 to approximately HK\$0.5 million for 6M2022 primarily due to continuous settlement of bank borrowings during 6M2022.

Income Tax Expense

Income tax expense decreased by approximately 82.8% from approximately HK\$9.1 million for 6M2021 to approximately HK\$1.6 million for 6M2022 primarily due to the change from profit to loss before income tax.

Non-HKFRS Financial Measures

Adjusted net (loss)/profit under non-HKFRS financial measures is defined as (loss)/profit for the period attributable to owners of the Company excluding non-recurring listing expenses. As listing expenses are non-recurring in nature and not related to the performance of the Group's operation, the Directors consider that the presentation of the Group's adjusted net (loss)/profit under non-HKFRS financial measures by eliminating the impact of listing expenses can better reflect the operational performance during the respective periods. 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)/profit under non-HKFRS financial measures for the years indicated to that prepared in accordance with HKFRS measures:

MANAGEMENT DISCUSSION
AND ANALYSIS

	For the six months ended	
	30 June 2022 HK\$'000	30 June 2021 HK\$'000
(Loss)/profit for the period attributable to owners of the Company	(18,523)	17,461
Add:		
Listing expenses	11,814	8,145
Adjusted net (loss)/profit under non-HKFRS financial measures	(6,709)	25,606

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 shareholders of the Company and potential investors are encouraged to review the Group's financial information in its entirety.

(Loss)/profit for the Period

As a result of the above, the Group recorded a loss attributable to the owners of the Company of approximately HK\$18.5 million for 6M2022, as compared to a profit attributable to the owners of the Company of approximately HK\$17.5 million for 6M2021.



MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

The shares of the Company (the “Shares”) were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 17 January 2022 (the “Listing Date”). Since then and up to 30 June 2022, the Company’s capital structure has not changed. The Company’s equity only consists of ordinary Shares.

As at 30 June 2022, the issued share capital of the Company amounted to US\$25,000.00 divided into 1,000,000,000 Shares of US\$0.000025 each.

Assets, Financial Resources and Capital Expenditures

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

– *Current assets and current liabilities*

The Group’s net current assets significantly increased from approximately HK\$126.7 million as of 31 December 2021 to approximately HK\$275.3 million as of 30 June 2022. The increase was primarily due to (1) the increase in cash and cash equivalents of approximately HK\$107.6 million, mainly due to the proceeds raised from global offering; and (2) repayment of borrowings in the six months ended 30 June 2022.

– *Trade receivables and contract assets*

As at 30 June 2022, the Group had gross trade receivables and contract assets amounting to approximately HK\$72.5 million (31 December 2021: HK\$62.0 million) and approximately HK\$16.8 million (31 December 2021: HK\$31.2 million) respectively, and loss allowance amounting to approximately HK\$14.2 million (31 December 2021: HK\$12.5 million). The total amount of net trade receivables and contract assets represented approximately 20.9% (31 December 2021: 30.4%) of the total assets.

MANAGEMENT DISCUSSION
AND ANALYSIS

As at 30 June 2022, trade receivables and contract assets decreased to approximately HK\$75.1 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\$44.4 million as of 31 December 2021 to approximately HK\$36.7 million as of 30 June 2022, 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*

The Group's cash and cash equivalents primarily comprise cash at bank and were denominated in HK\$ and RMB. Cash and cash equivalents increased from approximately HK\$76.0 million as of 31 December 2021 to approximately HK\$183.6 million as of 30 June 2022, primarily due to proceeds raised from global offering partially offset by the Group's payment of dividends and repayments of borrowings.



MANAGEMENT DISCUSSION AND ANALYSIS

– *Right-of-use assets*

The Group's right-of-use assets comprise the initial measurement of the corresponding lease liability in relation to its office, lease payments made at or before the commencement date and any initial direct costs. The Group's right-of-use assets are depreciated starting at the commencement date over the shorter period of useful life of the underlying asset and lease term. The Group's right-of-use assets decreased from approximately HK\$20.4 million as of 31 December 2021 to approximately HK\$16.5 million as of 30 June 2022, due to the depreciation of such assets resulting from usage of offices and lease payments.

– *Intangible assets*

The Group's intangible assets consist mainly of trademarks. The Group's intangible assets slightly increased from approximately HK\$2.22 million as of 31 December 2021 to approximately HK\$2.25 million as of 30 June 2022, primarily due to the new IPs registered by the Group in 2022.

– *Bank borrowings*

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

	As at	
	30 June 2022	31 December 2021
	HK\$'000	HK\$'000
Current portion		
Bank borrowings	–	35,948
Bank overdrafts	–	2,780
Total	–	38,728

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's bank borrowings and bank overdrafts as at 31 December 2021 were denominated in HK\$ and USD. There was no bank borrowings and bank overdrafts as at 30 June 2022 as a result of repayment of borrowings in 6M2022.

PLEDGE OF ASSETS

The Group did not have any pledged assets as of 30 June 2022.

GEARING RATIO

As at 30 June 2022, the Group's gearing ratio was not applicable as a result of repayment of borrowings in 6M2022. The gearing ratio was 25.8% as at 31 December 2021. The gearing ratio is calculated based on the total interest-bearing borrowings divided by total equity.

CONTINGENT LIABILITIES

One of the IP character licensed by the Group was alleged to have infringed certain trademarks and IP characters of a third party character IP brand in the PRC, and as a result certain legal proceedings involving the Group and/or its licensees ensued (the "Adverse Proceedings"). As at 30 June 2022, the Group and its licensee has settled RMB3.1 million pursuant to the appeal judgement for certain concluded proceedings and the remaining outstanding proceedings against the Group with claims amounted to RMB55 million. Please refer to "Business — Legal Proceedings and Compliance — Disputes and legal proceedings relating to a third party character IP brand" in the Company's prospectus dated 30 December 2021 (the "Prospectus") for further details. The controlling shareholders of the Company have agreed to indemnify any loss resulted from these Adverse Proceedings. For details, please refer to note 20 to the interim financial information.



MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE RISK MANAGEMENT

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

CAPITAL EXPENDITURES

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

HUMAN RESOURCES

As of 30 June 2022, the Group had a total of 215 employees, including 58 licensing and sales personnel, 78 designers and 79 administrative and others personnel. For the six months ended 30 June 2022, the Group incurred staff costs (including remuneration, payrolls, allowances and benefits) of approximately HK\$35.6 million.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 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 30 June 2022, the Group had 215 full-time employees. The following table sets forth a breakdown of its employees by function and by geographical location as at 30 June 2022:

No. of employees by function	Hong Kong	PRC	Total
Management	2	1	3
Design	34	44	78
Licensing	5	25	30
Sales	2	26	28
Branding	2	24	26
Human resources and administration	4	23	27
Finance	6	9	15
Merchandise management	0	8	8
Total	55	160	215



MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group did not have other plans for material investments or capital assets as of 30 June 2022.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2022.

EVENT AFTER THE REPORTING PERIOD

Memorandum of Understanding in relating to the Possible Establishment of a Joint Venture Company

Pursuant to the non-legally binding memorandum of understanding dated 30 March 2022 (supplemented by the supplemental memorandum of understanding dated 30 May 2022 entered into between the parties), the Company and Madworld Advisory Limited shall enter into a joint venture agreement to establish a joint venture entity before 30 August 2022.

As no formal joint venture agreement was entered into between the Company and Madworld Advisory Limited on 30 August 2022, the above memorandum of understanding has lapsed and ceased to have any effect.

The Board considers that the lapse of the aforesaid memorandum of understanding does not have any material adverse effect on the financial position and business operation of the Group.

For details, please refer to the Company's announcements dated 30 March 2022 and 30 May 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM GLOBAL OFFERING

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

The Company has, and will continue to utilise the Net Proceeds for the purposes set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

As at 30 June 2022, the Group had utilised the Net Proceeds as set out in the table below:

Intended application of the Net Proceeds	Percentage of total Net Proceeds	Utilised amount		Unutilised amount as at 30 June 2022	Expected time for utilising the planned allocation
		Planned allocation	up to 30 June 2022		
		HK\$ in million	HK\$ in million	HK\$ in million	
For enhancing the Company’s brand image and awareness of its IP characters	25.8%	53.4	-	53.4	June 2023
For establishing the Company’s “Fans Platform”	25.7%	53.2	-	53.2	December 2023
For strengthening the Company’s new economy online sales channel	17.5%	36.2	-	36.2	December 2022
For further enhancing the Company’s in-house design capabilities to offer creative and innovative solutions	11.8%	24.4	0.8	23.6	December 2024
For repaying existing indebtedness to improve the Group’s gearing ratio	9.2%	19.0	19.0	-	N/A
For general working capital	10.0%	20.6	20.6	-	N/A
Total	100.0%	206.8	40.4	166.4	



MANAGEMENT DISCUSSION AND ANALYSIS

The Company intends to continue to apply the Net Proceeds in the manner consistent with that mentioned above.

The unutilized Net Proceeds have been placed in short-term interest-bearing accounts with licensed banks in Hong Kong. In the event that the Directors decide to use such Net Proceeds in a manner different from that stated in the Prospectus, the Company will issue further announcement in compliance with the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

SIGNIFICANT INVESTMENT HELD

The Group did not have any significant investments held as at 30 June 2022.

DIVIDEND

The final dividend for the year ended 31 December 2021 of HK4.8 cents per Share, in an aggregate amount of HK\$48,000,000 was approved and paid during the six months ended 30 June 2022.

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2022.

OUTLOOK

In the past decade of the Group’s business journey, through our innovative products, delicate design and quality services, we aim to offer our target young consumers with B. Duck culture and unexpected experience. At the same time, by increasing our brand awareness in general public, we will enhance the brand loyalty of consumers on B.Duck products, thereby maintaining our strong market position and competitiveness.

MANAGEMENT DISCUSSION
AND ANALYSIS

The licensing market in China is at a preliminary growth stage, and is yet to reach its maturity. The growth % is boosted at an increasing rate. In light of the Group's market position which performed ahead of licensing market in China in average and the increasing number of licensees, it is believed that both the Group's character licensing business and the licensing market in China as a whole will be experiencing a huge growth potential.

Meanwhile, we will strive to enrich our B.Duck IPs development, through expand our IPs base, by recruiting more new generation designers, by maintaining quality design, and introducing different product lines such as fashion brands and designer toys under the main B.Duck series, strengthen our B.Duck IPs mentality, and deepen the emotional connection between our end users and B.Duck.

In addition, we will acquire of new titles/rights with solid design and branding foundation, mainly focus on Chinese traditional cultural IPs and designer toys as well as high potential players in design and licensing value chain, so that the Group can replicate with each other for its licensee network and fans ecosystem.

Moreover, based on web 3.0, we will explore the metaverse community and build an on-offline private traffic pools for our brands, which deepen brand positioning by carrying out metaverse related projects and enhance the loyalty and favorability of fans towards our brands. Ultimately, when purchasing B.Duck licensed products offline, fans are offered the chance to obtain the privileges of online virtual community, an ecosystem is thus formed to bridge virtual and physical items.

It is our mission to be the first pioneer Chinese character IP to expand in overseas, and replicate the Group's successful experience in China to overseas market. To achieve this, it will be our strategy to develop cross-border e-commerce in Southeast Asian markets, fully integrating online-offline businesses and diversifying market channels, and in return broaden our publicity in overseas in terms of number of fans and types of licensees.



OTHER INFORMATION

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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.

CORPORATE GOVERNANCE PRACTICE

The Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code as set out in Part 2 of Appendix 14 to the Listing Rules (the "CG Code"). Throughout the period from the Listing Date to 30 June 2022, save for the deviation from code provisions C1.6, 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 during the period from the Listing Date to 30 June 2022 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.1.6 of the CG Code provides that generally independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Chen Hongjiang, non-executive Director, was unable to attend the annual general meeting of the Company held on 20 May 2022 due to personal business commitment.

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.

OTHER INFORMATION

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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. The Directors are reminded of their obligations under the required standard of dealings set out in the Model Code on a regular basis. Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the Model Code from the Listing Date to 30 June 2022. The Group’s senior management who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code for securities transactions. No incident of non-compliance with the Model Code by such employees was noted by the Company from the Listing Date to 30 June 2022.



OTHER INFORMATION

DISCLOSURE PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, update in the information of the Directors is set out below:

The basic annual salaries of Mr. Cheung Chin Yiu and Mr. Tse Tsz Leong, executive Directors, to their respective executive and management roles in the Group has been increased to HK\$802,872 and HK\$1,271,628 respectively with effect from 1 January 2022.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2022, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) (the "SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

OTHER
INFORMATION

Long Position:

Name of Director	The Company/ Name of associated corporations	Capacity/ Nature of interest	Number of shares held/ interested	Percentage of the issued share capital
Hui Ha Lam	The Company	Beneficial owner	7,000,000	0.7%
		Interest of a controlled corporation	663,200,000 <i>(Note 1)</i>	66.32%
	Semk Global Investment Ltd	Interest of a controlled corporation	50,000	100%
	Semk Products (Holdings) Limited	Beneficial owner	1,120,000	100%

Notes:

1. Mr. Hui Ha Lam is the sole beneficial owner of Semk Products (Holdings) Limited which in turn wholly-owns Semk Global Investment Ltd. By virtue of the SFO, he is deemed to be interested in all the 663,200,000 Shares owned by Semk Global Investment Ltd. Mr. Hui Ha Lam is the sole director of each of Semk Products (Holdings) Limited and Semk Global Investment Ltd.
2. As at 30 June 2022, Semk Global Investment Ltd. was the immediate holding company of the Company and Semk Products (Holdings) Limited was the ultimate holding company of the Company, and thus associated corporations of the Company.



OTHER INFORMATION

Save as disclosed above, as at 30 June 2022, none of the Directors and the chief executive of the Company nor their associates had or was deemed to have any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2022, to the best knowledge of the Directors and the senior management of the Company, the following persons (other than the Directors and the chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to provision of Division 2 and 3 of Part XV of the SFO, or as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long Position:

Name of shareholder	Capacity/Nature of interest	Number of Shares held/interested in	Approximate percentage of the issued share capital
Semk Global Investment Ltd ^(Note 1)	Beneficial owner	663,200,000	66.32%
Semk Products (Holdings) Limited ^(Note 1)	Interest of a controlled corporation	663,200,000	66.32%

OTHER
INFORMATION

Name of shareholder	Capacity/Nature of interest	Number of Shares held/interested in	Approximate percentage of the issued share capital
Lam Ngan Shan ^(Note 1)	Interest of spouse	670,200,000	67.02%
City Legend International Limited ^(Note 2)	Beneficial owner	83,601,000	8.36%
Phoenix Ocean Developments Limited ^(Note 2)	Interest of a controlled corporation	83,601,000	8.36%
Overseas Chinese Town (Asia) Holdings Limited ^(Note 2)	Interest of a controlled corporation	83,601,000	8.36%
Pacific Climax Limited ^(Note 2)	Interest of a controlled corporation	83,601,000	8.36%
Overseas Chinese Town (HK) Company Limited ^(Note 2)	Interest of a controlled corporation	83,601,000	8.36%
深圳華僑城股份有限公司 ^(Note 2)	Interest of a controlled corporation	83,601,000	8.36%
華僑城集團有限公司 ^(Note 2)	Interest of a controlled corporation	83,601,000	8.36%
Top Plenty Limited ^(Note 3)	Beneficial owner	79,570,000	7.96%
Wong's Industrial (Holdings) Limited ^(Note 3)	Interest of a controlled corporation	79,570,000	7.96%
Catel (B.V.I) Limited ^(Note 3)	Interest of a controlled corporation	79,570,000	7.96%
Wong's International Holdings Limited ^(Note 3)	Interest of a controlled corporation	79,570,000	7.96%



OTHER INFORMATION

Notes:

1. The entire issued share capital of Semk Global Investment Ltd is held by Semk Products (Holdings) Limited, which is in turn wholly-owned by Mr. Hui Ha Lam, the chairman of the Board, executive Director and the chief executive officer of the Company. By virtue of the provisions of Part XV of the SFO, each of Semk Products (Holdings) Limited and Mr. Hui is deemed or taken to be interested in all the Shares beneficially owned by Semk Global Investment Ltd. Besides, Ms. Lam Ngan Shan is the spouse of Mr. Hui. By virtue of the provisions of Part XV of the SFO, Ms. Lam is deemed to be interested in the same number of Shares in which Mr. Hui is deemed to be interested.
2. Based on the notice of disclosure of interests filed on 26 January 2022, City Legend International Limited is interested in 83,601,000 Shares. City Legend International Limited is wholly-owned by Phoenix Ocean Developments Limited, which is in turn wholly-owned by Overseas Chinese Town (Asia) Holdings Limited. Overseas Chinese Town (Asia) Holdings Limited is owned as to 70.94% by Pacific Climax Limited, which is wholly-owned by Overseas Chinese Town (HK) Company Limited. Overseas Chinese Town (HK) Company Limited is wholly-owned by 深圳華僑城股份有限公司, a company owned as to 47.01% and 0.96% by 華僑城集團有限公司 and 深圳華僑城資本投資管理有限公司. 深圳華僑城資本投資管理有限公司 is wholly-owned by 華僑城集團有限公司.
3. Based on the notice of disclosure of interests filed on 20 January 2022, Top Plenty Limited is interested in 79,570,000 Shares. Top Plenty Limited is wholly-owned by Wong's Industrial (Holdings) Limited, which is in turn wholly-owned by Catel (B.V.I) Limited. Catel (B.V.I) Limited is a company wholly-owned by Wong's International Holdings Limited.

Save as disclosed above, as at 30 June 2022, the Directors and the senior management of the Company are not aware of any other person who had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to section 336 of Part XV of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Share Option Scheme”) which was approved by a resolution of the shareholders of the Company passed on 20 December 2021. No option under the Share Option Scheme has been granted since its adoption.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiary purchased, redeemed or sold any of the Company’s listed securities since the Listing Date up to 30 June 2022.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company maintained the public float as required under the Listing Rules during the period from the Listing Date to 30 June 2022.

AUDIT COMMITTEE

The Company established the audit committee (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.



OTHER INFORMATION

The primary responsibilities of the Audit Committee include, among others, (i) monitoring the integrity of the Company's financial statements, annual report and half-year report, and reviewing the significant financial reporting judgments contained in them; (ii) providing an independent view of the effectiveness of the financial reporting process, internal control, compliance and risk management systems of the Group, (iii) nominating and monitoring the work of external auditors; (iv) overseeing the audit process and performing other duties and responsibilities as assigned by the Board; (v) developing and reviewing the Group's policies and practices on corporate governance with legal and regulatory requirements and requirements under the Listing Rules; and (vi) developing, reviewing and monitoring the code of conduct applicable to the Group's Directors and employees.

The Audit Committee has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2022 and is of the opinion that such results complied with the applicable accounting standards and the requirements under the Listing Rules, and that adequate disclosures have been made.

The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2022 has also been reviewed by the Company's auditor, PricewaterhouseCoopers.

On behalf of the Board

Hui Ha Lam

Chairman of the Board

Hong Kong, 30 August 2022



羅兵咸永道

Report on Review of Interim Financial Information
To the Board of Directors of Semk Holdings International Limited
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 41 to 82, which comprises the interim condensed consolidated statement of financial position of Semk Holdings International Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2022 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



INDEPENDENT AUDITOR'S REPORT

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 August 2022

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Note	Six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (audited)
Revenue	6	91,737	123,773
Other income	7	5,307	4,567
Other (losses)/gains, net	7	(3,136)	361
Cost of inventories sold		(22,366)	(27,668)
Employee benefit expenses		(35,606)	(29,860)
Promotion costs		(8,092)	(8,139)
Listing expenses		(11,814)	(8,145)
Online platform usage fee		(6,045)	(6,722)
Depreciation and amortisation		(6,146)	(4,698)
Net (impairment losses)/reversal of impairment losses on financial assets and contract assets		(2,815)	1,929
Other expenses	8	(17,476)	(17,997)
Operating (loss)/profit		(16,452)	27,401
Finance income	9	269	10
Finance costs	9	(770)	(803)
Finance costs, net	9	(501)	(793)
(Loss)/profit before income tax		(16,953)	26,608
Income tax expense	10	(1,570)	(9,147)
(Loss)/profit for the period attributable to owners of the Company		(18,523)	17,461



INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Note	Six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (audited)
Other comprehensive (loss)/income:			
<i>Item that may be reclassified to profit or loss:</i>			
– Currency translation differences		(4,892)	1,414
		(4,892)	1,414
Total comprehensive (loss)/income for the period attributable to the owners of the Company		(23,415)	18,875
			(restated)
(Losses)/earnings per share for (loss)/profit attributable to owners of the Company for the period			
– Basic (expressed in HK cents per share)	12	(1.87)	2.06
– Diluted (expressed in HK cents per share)	12	(1.87)	2.06

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment		6,649	7,082
Intangible assets		2,247	2,224
Right-of-use assets		16,485	20,431
Deferred income tax assets		5,690	4,329
Deposits, prepayments and other receivables	15	11,288	5,429
		42,359	39,495
Current assets			
Inventories	13	36,705	44,398
Trade receivables	14	59,732	51,782
Contract assets		15,319	28,954
Deposits, prepayments and other receivables	15	21,715	22,395
Time deposits with original maturity over three months		–	2,751
Cash and cash equivalents		183,550	75,985
		317,021	226,265
Total assets		359,380	265,760



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Note	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	195	81
Share premium		294,437	115,738
Capital reserve		(34,386)	(34,386)
Retained earnings		38,340	56,863
Other reserves		7,088	11,980
Total equity		305,674	150,276
LIABILITIES			
Non-current liabilities			
Lease liabilities		11,592	15,444
Deferred income tax liabilities		441	433
		12,033	15,877
Current liabilities			
Trade payables	16	2,524	4,250
Accruals and other payables	17	14,893	25,251
Contract liabilities		13,632	13,013
Current income tax liabilities		4,698	12,725
Borrowings		–	38,728
Lease liabilities		5,926	5,640
		41,673	99,607
Total liabilities		53,706	115,484
Total equity and liabilities		359,380	265,760

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

(Audited)	Share capital HK\$'000 <i>(Note 18)</i>	Share premium HK\$'000	Combined capital HK\$'000	Capital reserve HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 January 2021	-	-	484	30,014	9,079	48,568	88,145
Comprehensive income							
Profit for the period	-	-	-	-	-	17,461	17,461
Other comprehensive income							
Currency transaction differences	-	-	-	-	1,414	-	1,414
Total other comprehensive income	-	-	-	-	1,414	17,461	18,875
Transactions with owners in their capacity of owners							
Transfer to statutory reserve	-	-	-	-	418	(418)	-
Dividends declared pursuant to the Reorganisation	78	64,806	(484)	(64,400)	-	(27,450)	(27,450)
Total transactions with owners in their capacity of owners	78	64,806	(484)	(64,400)	418	(27,868)	(27,450)
Balance at 30 June 2021	78	64,806	-	(34,386)	10,911	38,161	79,570



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

(Unaudited)	Attributable to the owners of the Company					Total HK\$ '000
	Share capital HK\$ '000 (Note 18)	Share premium HK\$ '000	Capital reserve HK\$ '000	Other reserves HK\$ '000	Retained earnings HK\$ '000	
Balance at 1 January 2022	81	115,738	(34,386)	11,980	56,863	150,276
Comprehensive income						
Loss for the period	-	-	-	-	(18,523)	(18,523)
Other comprehensive income						
Currency translation differences	-	-	-	(4,892)	-	(4,892)
Total other comprehensive income	-	-	-	(4,892)	(18,523)	(23,415)
Transactions with owners in their capacity of owners						
Dividend declared	-	(48,000)	-	-	-	(48,000)
Capitalisation issue	91	(91)	-	-	-	-
Issuance of ordinary shares relating to global offering, netting of underwriting commissions and other issuance costs	23	226,790	-	-	-	226,813
Total transactions with owners in their capacity of owners	114	178,699	-	-	-	178,813
Balance at 30 June 2022	195	294,437	(34,386)	7,088	38,340	305,674

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (audited)
Cash flows from operating activities		
Net cash (used in)/generated from operations	(17,770)	26,796
Income tax paid	(11,048)	(11,886)
Net cash (used in)/generated from operating activities	(28,818)	14,910
Cash flows from investing activities		
Addition and prepayment of intangible assets	(225)	(168)
Additions to property, plant and equipment	(1,867)	(840)
Proceed from withdrawal of time deposits	2,751	–
Advance to a related party	–	(4,357)
Interest received	269	10
Net cash used in investing activities	928	(5,355)
Cash flows from financing activities		
Proceeds from borrowings	–	15,780
Listing expenses paid	(17,366)	(773)
Proceeds from issuance of ordinary shares	246,000	–
Repayments of borrowings	(38,728)	(19,030)
Interest paid on borrowings	(351)	(721)
Repayments of lease liabilities	(3,861)	(3,091)
Interest paid on lease liabilities	(403)	(82)
Dividend paid pursuant to the Reorganisation	–	(27,450)
Dividend paid	(48,000)	–



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (audited)
Net cash generated from/(used in) financing activities	137,291	(35,367)
Net increase/(decrease) in cash and cash equivalents	109,401	(25,812)
Cash and cash equivalents at beginning of the period	75,985	60,836
Effect of foreign exchange rate changes on cash and cash equivalents	(1,836)	256
Cash and cash equivalents at the end of the period	183,550	35,280

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Semk Holdings International Limited (the “Company”) was incorporated in the Cayman Islands (“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 interim condensed consolidated financial information is presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand (“HK\$’000”) unless otherwise stated.

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

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual consolidated financial statements. Accordingly, this interim condensed consolidated financial information is to be read in conjunction with the annual report for the year ended 31 December 2021 and any public announcements made by the Company during the interim reporting period.



NOTES TO THE INTERIM FINANCIAL INFORMATION

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax and the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

		Effective for annual periods beginning on or after
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations	1 January 2022
HKFRSs (Amendments)	Annual improvements to HKFRSs 2018-2020 Cycle	1 January 2022

NOTES TO THE INTERIM
FINANCIAL INFORMATION

3 ACCOUNTING POLICIES (Continued)

(b) New and amended standards and interpretations issued but not yet applied by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts and the Related Amendments	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 4 (Amendments)	Extension of the Temporary Exemption from Applying HKFRS 9	1 January 2023
HK Int 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined



NOTES TO THE INTERIM FINANCIAL INFORMATION

3 ACCOUNTING POLICIES *(Continued)*

(b) **New and amended standards and interpretations issued but not yet applied by the Group** *(Continued)*

The Group is in the process of making an assessment of the impact of these new standards and amendments of standards, and has concluded on a preliminary basis that the adoption of these new and amended standards is not expected to have a significant impact on the Group in the current or future reporting periods and on foreseeable future transactions.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this interim condensed consolidated financial information, the critical accounting estimates and judgements applied were consistent with those described in the annual consolidated financial statements for the year ended 31 December 2021.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

NOTES TO THE INTERIM
FINANCIAL INFORMATION**5 FINANCIAL RISK MANAGEMENT** *(Continued)***5.1 Financial risk factors** *(Continued)*

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

There have been no changes in the risk management policies since 31 December 2021.

5.1.1 Liquidity risk

The Group measures and monitors its liquidity through the maintenance of prudent ratio regarding the liquidity structure of the overall assets, liabilities, loans and commitments of the Group. The Group also maintains a prudent level of liquid assets and committed banking facilities to ensure the availability of sufficient cash flows to meet any unexpected and material cash requirements in the ordinary course of business.



NOTES TO THE INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT (Continued)

5.1 Financial risk factors (Continued)

5.1.1 Liquidity risk (Continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Company's financial liabilities based on contractual undiscounted cash flows and the earliest date the Company can be required to pay. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	On demand or within 1 year HK\$ '000	Between 1 and 2 years HK\$ '000	Between 2 and 5 years HK\$ '000	Total HK\$ '000
As at 30 June 2022				
(Unaudited)				
Trade payables	2,524	–	–	2,524
Other payables	8,522	–	–	8,522
Lease liabilities	6,500	6,874	5,319	18,693
	17,546	6,874	5,319	29,739
As at 31 December 2021				
(Audited)				
Trade payables	4,250	–	–	4,250
Other payables	12,133	–	–	12,133
Borrowings	41,167	–	–	41,167
Lease liabilities	7,327	7,076	10,650	25,053
	64,877	7,076	10,650	82,603

NOTES TO THE INTERIM
FINANCIAL INFORMATION**5 FINANCIAL RISK MANAGEMENT** (Continued)**5.1 Financial risk factors** (Continued)**5.1.1 Liquidity risk** (Continued)

The table below summarises the maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	On demand or within 1 year HK\$ '000	Between 1 and 2 years HK\$ '000	Between 2 and 5 years HK\$ '000	Total HK\$ '000
As at 30 June 2022 (Unaudited)	-	-	-	-
As at 31 December 2021 (Audited)	11,185	7,932	22,050	41,167



NOTES TO THE INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT *(Continued)*

5.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity', as shown in the consolidated statement of financial position, plus net debt.

As at 30 June 2022 and 31 December 2021, the amount of cash and cash equivalents exceeded that of total borrowings, the Group was at a net cash position. Thus, the gearing ratio is not applicable.

5.3 Fair value estimation

The carrying values of investment in life insurance contract and accruals, provision and other payables are a reasonable approximation of their fair values. The fair value of financial assets and liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

NOTES TO THE INTERIM
FINANCIAL INFORMATION**6 REVENUE AND SEGMENT INFORMATION****(a) Revenue**

Revenue, which is also the Group's turnover, represents amounts received and receivable from the provision of licensing services, design consultation services and sales of licensed brand products. An analysis of revenue is as follows:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Revenue		
<u>Recognised over time</u>		
Provision of licensing services	40,052	47,057
Provision of design consultation services	8,638	11,915
	48,690	58,972
<u>Recognised at a point in time</u>		
Sales of licensed brand products	43,047	64,801
Total revenue	91,737	123,773



NOTES TO THE INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Revenue *(Continued)*

For the six months ended 30 June 2022 and 2021, there was 1 and 1 customer, respectively, which individually contributed 10% or more of the Group's total revenue. The revenue contributed from the customer is as follow:

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (audited)
Customer A	13,158	14,155

(b) Segment information

The directors have been identified as the chief operating decision makers ("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 (loss)/profit after tax before unallocated listing expenses for the purposes of allocating resources and assessing performance. These reports are prepared on the same basis as this condensed consolidated financial information. 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.

NOTES TO THE INTERIM
FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

	Character licensing HK\$'000	E-commerce and other HK\$'000	Total HK\$'000
For the six months ended 30 June 2022 (Unaudited)			
Gross revenue	50,065	43,047	93,112
Inter-segment revenue	(1,375)	–	(1,375)
Revenue from external sales	48,690	43,047	91,737
Segment results	7,558	(14,267)	(6,709)
Unallocated:			
Listing expenses			(11,814)
Loss after income tax			(18,523)
For the six months ended 30 June 2021 (Audited)			
Gross revenue	61,154	64,801	125,955
Inter-segment revenue	(2,182)	–	(2,182)
Revenue from external sales	58,972	64,801	123,773
Segment results	25,261	345	25,606
Unallocated:			
Listing expenses			(8,145)
Profit after income tax			17,461



NOTES TO THE INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

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

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (audited)
Mainland China	87,709	119,214
Hong Kong	3,595	3,746
Southeast Asia and Taiwan	376	755
Others	57	58
	91,737	123,773

The total amount of non-current assets excluding deferred tax assets located in the Mainland China as at 30 June 2022 and 31 December 2021 are HK\$19,055,000 and HK\$25,300,000, respectively, and the total amount of non-current assets excluding deferred tax assets located in Hong Kong as at 30 June 2022 and 31 December 2021 are HK\$17,614,000 and HK\$9,866,000, respectively.

NOTES TO THE INTERIM
FINANCIAL INFORMATION**6 REVENUE AND SEGMENT INFORMATION** *(Continued)***(c) Assets and liabilities related to contracts with customer**

The Group has recognised the following assets and liabilities related to contracts with customer:

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Contract assets	16,765	31,190
Less: loss allowance of contract assets	(1,446)	(2,236)
	15,319	28,954
Contract liabilities	13,632	13,013



NOTES TO THE INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION *(Continued)*

(c) Assets and liabilities related to contracts with customer *(Continued)*

Movement on the provision for impairment of contract assets is as follows:

	For the six months ended	
	30 June 2022 HK\$'000 (unaudited)	30 June 2021 HK\$'000 (audited)
Beginning of the period	2,236	1,115
Reversal of loss allowance of contract assets	(717)	(746)
Currency translation differences	(73)	11
End of the period	1,446	380

NOTES TO THE INTERIM
FINANCIAL INFORMATION**6 REVENUE AND SEGMENT INFORMATION** *(Continued)***(c) Assets and liabilities related to contracts with customer**
*(Continued)***Unfulfilled performance obligation**

Aggregate amount of the transaction price allocated to contracts that are partially or fully unfulfilled as at the end of the period and are expected to be fulfilled in the following time bands. The amounts disclosed below do not include variable consideration.

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Within 1 year	43,488	43,530
1–2 years	20,962	22,257
2–3 years	4,647	10,029
3–4 years	1,233	431
After 4 years	2,758	1,905
	73,088	78,152



NOTES TO THE INTERIM FINANCIAL INFORMATION

7 OTHER INCOME AND OTHER (LOSSES)/GAINS, NET

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (audited)
Other income		
Sample sales	1,377	2,668
Management fee income (<i>Note 19</i>)	1,027	1,018
Government subsidies (<i>Note i</i>)	1,008	781
Compensation received (<i>Note ii</i>)	1,651	38
Rental concession	244	–
Sundry income	–	62
	5,307	4,567
Other (losses)/gains, net		
Net foreign exchange (losses)/gains	(3,136)	341
Changes in surrender value of investment life insurance contract	–	20
	(3,136)	361

Note i: 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 ii: The amount represented compensation received from legal action against third parties for infringement of the Group's trademark

NOTES TO THE INTERIM
FINANCIAL INFORMATION

8 OTHER EXPENSES

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (audited)
Travelling and transportation	4,451	5,514
Office expenses	2,710	2,308
Legal and professional fee	4,708	5,923
Agency fee	275	911
Rental expenses – short term leases	601	871
Repair and maintenance	444	38
Insurance expense	456	204
Building management fee	296	226
Licensing fee	334	608
Office co-sharing expense	15	15
Auditor's remuneration – audit service	900	120
Others	2,286	1,259
	17,476	17,997



NOTES TO THE INTERIM FINANCIAL INFORMATION

9 FINANCE COSTS, NET

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (audited)
Finance income		
Interest income from bank deposits	(269)	(10)
Finance costs		
Finance charges on lease liabilities	403	82
Bank charges	20	63
Interest expenses	347	658
	770	803
Finance costs, net	501	793

NOTES TO THE INTERIM
FINANCIAL INFORMATION

10 INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (audited)
Current income tax:		
– Hong Kong profits tax	–	828
– Mainland China corporate income tax	1,940	6,359
– Withholding tax	1,202	1,860
	3,142	9,047
Deferred income tax	(1,572)	100
	1,570	9,147

Hong Kong profits tax has been provided at the rate of 16.5% for the period ended 30 June 2022 and 2021.

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

The statutory income tax rate applicable to entities in the Mainland China is 25%.

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.



NOTES TO THE INTERIM FINANCIAL INFORMATION

10 INCOME TAX EXPENSE *(Continued)*

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

As at 30 June 2022 and 31 December 2021, there were no deferred income tax provided in relation to the unremitted earnings as the Group's management has approved that the Mainland China subsidiaries have no intention and are not probable to declare dividend in the foreseeable future and the Group is able to control the timing of the reversal of the temporary differences and it is decided that the unremitted earnings will not be remitted in the foreseeable future.

11 DIVIDEND

Pursuant to the resolution passed at the Company's annual general meeting held on 20 May 2022, the Company has declared 2021 final dividend of HK4.8 cents per ordinary share totaling HK\$48,000,000 out of the share premium account. This dividend has been fully settled on 15 June 2022.

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2022.

NOTES TO THE INTERIM
FINANCIAL INFORMATION**12 (LOSSES)/EARNINGS PER SHARE****(a) Basic**

Basic (losses)/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 periods ended 30 June 2022 and 2021.

The weighted average number of shares in issue for the period ended 30 June 2022 and 2021 for the purpose of (losses)/earnings per share computation has been retrospectively adjusted for the effect of the 413,471,730 shares and 465,492,000 shares issued under the share subdivision and capitalisation issue on 17 January 2022, as if the share subdivision and capitalisation issue was completed at the beginning of the period. The new shares of the Company issued on 17 January 2022 upon the listing are accounted at time portion basis.

	Six months ended 30 June	
	2022 (unaudited)	2021 (restated)
(Loss)/profit attributable to owners of the Company (<i>HK\$'000</i>)	(18,523)	17,461
Weighted average number of ordinary shares in issue	989,392,265	849,199,533
Basic (losses)/earnings per share (<i>expressed in HK cents per share</i>)	(1.87)	2.06

(b) Diluted

Diluted (losses)/earnings per share during the periods ended 30 June 2022 and 2021 equal to basic (losses)/earnings per share as there was no dilutive potential ordinary share during the periods.



NOTES TO THE INTERIM FINANCIAL INFORMATION

13 INVENTORIES

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Finished goods – Gross	44,630	50,328
Less: provision of inventories	(7,925)	(5,930)
Finished goods – Net	36,705	44,398

During the period ended 30 June 2022, cost of inventories amounted to HK\$22,366,000 was recognised as expense and included in “cost of inventories sold” within the condensed consolidated statement of comprehensive income (30 June 2021: HK\$27,668,000).

During the period ended 30 June 2022, provision for impairment amounted to HK\$2,291,000 was included in “cost of inventories sold” within the condensed consolidated statement of comprehensive income (31 December 2021: provision for impairment amounted to HK\$2,060,000).

14 TRADE RECEIVABLES

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Trade receivables	72,476	62,005
Less: loss allowance	(12,744)	(10,223)
	59,732	51,782

NOTES TO THE INTERIM
FINANCIAL INFORMATION**14 TRADE RECEIVABLES** (Continued)

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

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Current – 30 days	9,406	21,727
31 – 60 days	2,550	4,479
61 – 90 days	6,584	3,537
91 – 120 days	1,607	22,309
121 – 180 days	17,440	2,349
Over 180 days	34,889	7,604
	72,476	62,005

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

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (audited)
Beginning of the period	(10,223)	(7,490)
Written off	456	–
Impairment loss on financial assets	(3,532)	1,183
Currency translation differences	555	(65)
End of the period	(12,744)	(6,372)


 NOTES TO THE INTERIM
 FINANCIAL INFORMATION

15 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Value added tax recoverable	4,839	5,900
Deposits	6,409	4,549
Other asset – investment in life insurance contract (<i>Note i</i>)	1,237	1,237
Contract costs (<i>Note ii</i>)	266	342
Other receivables	900	782
Prepaid listing expenses	–	3,785
Prepayment for inventories	7,401	5,085
Prepayment for trademarks	9,416	3,618
Other prepayments	2,535	2,526
	33,003	27,824
Less: non-current portion		
Contract costs (<i>Note ii</i>)	–	(39)
Prepayment for trademarks	(9,416)	(3,618)
Other asset – investment in life insurance contract (<i>Note i</i>)	(1,237)	(1,237)
Other receivables	(635)	(535)
	(11,288)	(5,429)
Current portion	21,715	22,395

NOTES TO THE INTERIM
FINANCIAL INFORMATION**15 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES***(Continued)**Note i:*

As at 30 June 2022 and 31 December 2021, the Group held a life insurance policy for a director of the Group. The investment in life insurance contract is denominated in USD. The Group has the right to surrender the insurance partially or in full at any time after the first policy anniversary for cash value. Cash value represents the account value net of surrender charges.

Note ii:

The amounts represent contract costs directly attributable to obtaining contracts which have been capitalised. During the period ended 30 June 2022, amortisation of contract costs amounted to HK\$198,000 was recognised in the condensed consolidated statement of comprehensive income (31 December 2021: HK\$595,000).

16 TRADE PAYABLES

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Trade payables – Third parties	2,524	4,250



NOTES TO THE INTERIM FINANCIAL INFORMATION

16 TRADE PAYABLES *(Continued)*

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

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Up to 30 days	1,559	1,858
31 to 60 days	29	901
61 to 90 days	67	847
Over 90 days	869	644
	2,524	4,250

NOTES TO THE INTERIM
FINANCIAL INFORMATION

17 ACCRUALS AND OTHER PAYABLES

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Accrued expenses	3,697	3,263
Accrued salary and other benefits	2,043	4,891
Accrued listing expenses	–	3,873
Other payables	4,624	4,769
Customers deposits	201	228
Value added tax and other tax payable	3,918	7,639
Provision of sales return	410	588
	14,893	25,251



NOTES TO THE INTERIM FINANCIAL INFORMATION

18 SHARE CAPITAL

	Number of ordinary shares	Share capital nominal value HK\$'000
Authorised:		
At 1 January 2022 (audited)	5,000,000	388
Subdivision of authorised capital (<i>Note i</i>)	1,995,000,000	–
At 30 June 2022 (unaudited)	2,000,000,000	388
Issued and fully paid:		
At 1 January 2022 (audited)	1,036,270	81
Subdivision of Shares (<i>Note i</i>)	413,471,730	–
Capitalisation issue (<i>Note ii</i>)	465,492,000	91
Global Offering (<i>Note iii</i>)	120,000,000	23
At 30 June 2022 (unaudited)	1,000,000,000	195

NOTES TO THE INTERIM
FINANCIAL INFORMATION**18 SHARE CAPITAL** *(Continued)*

- Note i:* On 17 January 2022, each and every issued and unissued share of US\$0.01 par value in the authorised share capital of the Company was subdivided into 400 shares of US\$0.000025 each, such that the authorised share capital of the Company is US\$50,000 divided (equivalent to approximately HK\$388,000) into 2,000,000,000 shares of US\$ 0.000025 par value each.
- Note ii:* On 17 January 2022, the Company issued additional 465,492,000 shares, credited as fully paid, to the existing shareholders of the Company. Share premium amounted approximately US\$12,000 (equivalent to approximately HK\$91,000) was being capitalised as a result of issuance of the new shares.
- Note iii:* On 17 January 2022, the Company issued 120,000,000 ordinary shares at an issue price of HK\$2.05 per share for gross proceeds of HK\$246,000,000 upon Listing. These shares rank pari passu in all respects with the shares in issue. The transaction costs directly attributable to issue of shares amounting to HK\$19,187,000 was treated as a deduction from share premium.



NOTES TO THE INTERIM FINANCIAL INFORMATION

19 RELATED PARTY TRANSACTIONS

The directors of the Company are of the view that the following companies or individuals were related parties that had transactions or balances with the Group as at and during the periods ended 30 June 2022 and 2021:

Related parties	Relationship with the Group
Semk Products (Holdings) Limited	Ultimate holding company
ISA Global Licensing Limited	A company controlled by Mr. Hui Ha Lam
Kafutoy Industrial Co Limited	A company controlled by Mr. Hui Pak Shun and Ms. Ng Pui Ching, parents of Mr. Hui Ha Lam
ENS Toys (Huizhou) Limited (“ENS Toys”)	A company controlled by Mr. Hui Ha Lam

(a) Transactions with related parties

The following transactions were carried out with related parties at terms mutually agreed by the relevant parties.

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (audited)
Purchase of goods: – ENS Toys	(10,207)	(20,581)
Management fee income (<i>Note 7</i>): – ENS Toys	1,027	1,018
Office co-sharing expense (<i>Note 8</i>): – ENS Toys	(15)	(15)

NOTES TO THE INTERIM
FINANCIAL INFORMATION**19 RELATED PARTY TRANSACTIONS** (Continued)**(a) Transactions with related parties** (Continued)

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (audited)
Rental expense – short term:		
– Kafutoy Industrial Co Limited	(240)	(240)
– ISA Global Licensing Limited	(108)	(108)
	(348)	(348)
Advance to a related party:		
– SEMK Products (Holdings) Limited	–	(4,357)

(b) Balances with related parties

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Prepayment for inventories		
– ENS Toys	7,201	4,867



NOTES TO THE INTERIM FINANCIAL INFORMATION

19 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Key management compensation

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (audited)
Salaries and allowances	3,393	3,257
Bonus	1,115	908
Pension costs		
– defined contribution plan	85	122
	4,593	4,287

20 CONTINGENT LIABILITIES

- (a) On 9 July 2020, a third party (“Claimant”) filed three civil complaints before the Intermediate People’s Court of Jinan City. The complaints were lodged against (i) ENS Retailing (Shenzhen) Limited and ENS Internet Technology (Shenzhen) Limited; (ii) ENS Toys; (iii) a licensee of the Group (the “Licensee”); and/or (iv) a distributor of the Licensee and its executive director (the “Distributor”), alleging that the aforesaid parties had infringed the Claimant’s rights as the licensee of certain registered trademarks (the “Claimant’s Trademarks”) by engaging in the manufacturing, distribution and sales of toys and shoes and apparel (as the case may be) bearing trademarks of the Group (the “Alleged Trademarks”), which were alleged to be similar to the Claimant’s Trademarks.

NOTES TO THE INTERIM
FINANCIAL INFORMATION**20 CONTINGENT LIABILITIES** *(Continued)*

(a) (Continued)

Pursuant to the judgements, the Group is liable to pay RMB266,000 (equivalent to approximately HK\$311,000) for damages and costs, while ENS Toys, the Licensee and the Distributor (together the “Other Defendants”) are liable to pay RMB2,804,000 (equivalent to approximately HK\$3,280,000) for damages and costs in aggregate. As at the date of this report, all compensation has been settled.

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

To the best of knowledge of the directors after enquiring with the Licensee and the Distributor, the Group might be liable for not more than RMB3,777,000 (equivalent to approximately HK\$4,418,000). The directors have evaluated all the circumstances, including legal advice on the probability to overturn the above judgement, and considered that it is more likely that the Other Defendants would not demand compensation from the Group. Up to the date of this report, no claim has been made against the Group.



NOTES TO THE INTERIM FINANCIAL INFORMATION

20 CONTINGENT LIABILITIES *(Continued)*

- (b) In May 2021, a sub-licensor of the Claimant has lodged a claim to seek compensation of RMB55,000,000 (equivalent to approximately HK\$64,327,000), with the allegation of the Group and a retailer of the Group's licensed products for causing unfair competition and infringement for the Claimant's Trademarks by sales of kitchen utensils, towels, shoes and apparels bearing the Alleged Trademarks. Based on the opinion of legal advisor, (1) the likelihood of the Group being found liable in the claim is very unlikely and (2) compensation claimed is unsubstantiated and unjustified. The directors therefore considered that making provision against the claim as at 30 June 2022 to be unnecessary.

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

21 EVENTS AFTER THE REPORTING PERIOD

There is no significant event took place subsequent to 30 June 2022.